TEACH Public Schools

Special Board Meeting

Date and Time

Wednesday November 6, 2019 at 6:00 PM PST

Location

1846 W. Imperial Hwy. Los Angeles, CA 90047

THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE

Notice is hereby given that the order of consideration of matters on this agenda may be change without prior notice.

REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY

The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed.

REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY

Pursuant to the Rehabilitation Act of 1973 and the American with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting of the Governing Board may request assistance by contacting TEACH Public Schools during normal business hours at as far in advance as possible, but no later than 24 hours before the meeting.

FOR MORE INFORMATION

For more information concerning this agenda or for materials relating to this meeting, please contact TEACH Public Schools, 1846 W. Imperial Highway. Los Angeles, CA 90047; phone: 323-872-0808; fax 323-389-4898. www.teachpublicschools.org

Remote Board Meeting Participants

Teleconference: 712-451-0409
Access Code: 800073#

Agenda

		Purpose	Presenter	Time
I.	**Opening Items**			**6:00 PM**
	Opening Items			
A.	Call the Meeting to Order		Lori Butler	
B.	Record Attendance and Guests		Shawnna Lawson	1 m
C.	Public Comment	Discuss	Lori Butler	5 m
II.	**CONSENT ITEMS**			**6:06 PM**
	Academic Excellence			
A.	Consent Items	Vote	Lori Butler	10 m

Consent Items - Items under Consent Items will be voted on in one motion unless a member of the Board requests that an item be removed and voted on separately, in which case the Board Chair will determine when it will be called and considered for action. Due to the set-up of BoardOnTrack, approval of any board meeting minutes will be done through consent and listed as items B-Z (as needed) under "Consent Items".

-2019 Bond Financing TEACH Inc. Board Resolution
-Bond Purchase Agreement
-CSFA Loan Agreement
-CFSA 2019 Indenture
-Supplemental Master Indenture For Obligation No. 2
-Preliminary Limited Offering Memorandum (PLOM)
-Appendix A
-Approval of the TEACH Tech Lease
-Approval of the TEACH Prep Lease
-Approval of the TEACH Academy Lease

III. ITEMS SCHEDULE FOR INFORMATION & POTENTIAL ACTION

CEO Support And Eval

IV.	**Closing Items**			**6:16 PM**
A.	Upcoming Meetings	FYI	Matthew Brown	1 m
B.	BOARD MEMBER COMMENTS	Discuss	Lori Butler	5 m

		Purpose	Presenter	Time
	Time for board members to make any public comments.			
C.	Adjourn Meeting	Vote	Lori Butler	

Coversheet

Consent Items

Section: II. CONSENT ITEMS
Item: A. Consent Items
Purpose: Vote
Submitted by:
Related Material:
19 11 04 Resolution re Series 2019 Bonds v4 (SJK).doc
19 11 04 Lease Elementary School (SJK).docx
19 11 04 Lease Middle School (SJK).docx
19 11 04 Lease High School (SJK).docx
Bond Purchase Agreement [CSFA Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019] 4824-9180-7915 v.1.pdf
CSFA TEACH Public Schools – 2019 Loan Agreement.docx
CSFA TEACH Public Schools – 2019 Supplemental Master Indenture of Trust for Obligation No. 2.docx
CSFA TEACH Public Schools – 2019 Indenture.docx
Appendix A [CSFA Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019] 4838-4669-1242 v.1.pdf
PLOM [CSFA Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019] 4842-2701-4569 v.1.pdf

TEACH, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

(2019 Bond Financing)

The Board of Directors (the "Board") of TEACH, Inc., a California nonprofit public benefit corporation (the "Corporation" or "Lessee"), hereby adopts the following Resolutions:

WHEREAS, the Corporation is organized for charitable purposes;

WHEREAS, the specific and primary purposes of the Corporation is to develop, manage, operate, guide, direct and promote one or more California public charter schools;

WHEREAS, the Corporation operates the public charter schools known as TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School ("TEACH Prep"), TEACH Academy of Technologies ("TEACH Academy"), and TEACH Tech Charter High School ("TEACH Tech") (together, the "Schools");

WHEREAS, the Corporation operates TEACH Tech at the facility located at 10616 South Western Avenue, Los Angeles, California 90047 serving approximately 417 students in grades 9-12 and consisting of approximately 25,515 square feet ("High School Facilities") pursuant to a lease with Red Hook Teach II LLC dated September 27, 2017;

WHEREAS, the Corporation also proposes to operate TEACH Tech at the facility located at 10600 South Western Avenue, Los Angeles, California 90047 consisting of approximately 2,350 square feet subsequent to renovation, for purposes of a parent outreach center, administrative space and parking (the "BBQ Facilities"; collectively with the High School Facilities, the "Teach Prep Facilities"), currently leased to TEACH, Inc. pursuant to a lease with Red Hook Teach III LLC dated November 5, 2018;

WHEREAS, the Corporation operates TEACH Prep at the facility located at 8505 South Western Avenue, Los Angeles, California 90047, serving approximately 144 students in grades K-2 (growing to grades K-5) and consisting of approximately 11,465 square feet ("Elementary School Facilities") pursuant to a lease between Red Hook TEACH III LLC and TEACH, Inc. dated November 5, 2018;

WHEREAS, the Corporation operates TEACH Academy at the facility located at 10000 and 10045 South Western Avenue, Los Angeles, California 90047, serving approximately 430 students in grades 6-8 ("Middle School Facilities"; altogether with the TEACH Prep Facilities and the Elementary School Facilities the "TEACH Facilities") pursuant to a lease between Cunningham & Morris, LLC and TEACH, Inc. dated October 1, 2016 with a term running from November 2, 2016 to June 30, 2052 ("TEACH Academy Lease");

WHEREAS, in 2016 the California School Finance Authority (the "Authority) issued its Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2016A (Tax-Exempt) and California School Finance Authority Charter School Revenue Bonds (TEACH

Public Schools – Obligated Group) Series 2016B (Taxable) (collectively, the "2016 Bonds") to provide funding for the financing of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping to the Middle School Facilities;

WHEREAS, the Authority proposes to issue its California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A (Tax-Exempt) and California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable) (collectively, the "Bonds") in a maximum aggregate amount not to exceed $35,000,000 pursuant to an Indenture (the "Indenture"), by and between the California School Finance Authority (the "Authority") and Wilmington Trust, National Association, as trustee thereunder (the "Trustee");

WHEREAS, the Authority proposes to make a loan (the "Loan") of the proceeds of the Bonds to Wooten Avila LLC, a California limited liability company, whose sole member is the Corporation (the "Borrower" or "Lessor") pursuant to the terms of (i) a Master Indenture of Trust dated October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, as representative of the Obligated Group and the initial Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and Wilmington Trust, National Association, as master trustee (the "Master Trustee"), (ii) the Indenture, (iii) a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower, and (iv) an Obligation No. 2 ("Obligation No. 2") issued by the Obligated Group Representative to the Master Trustee pursuant to the Second Supplemental Master Indenture;

WHEREAS, the Borrower proposes use the proceeds of the Loan to, among other things, finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the Elementary School Facilities and High School Facilities by the Borrower, and by the Borrower on behalf of Cunningham & Morris, LLC for the Middle School Facilities;

WHEREAS, Wooten Avila LLC proposes to lease the High School Facilities and BBQ Facilities to the Corporation for use and occupation by TEACH Prep pursuant to one or more Lease Agreements (the "TEACH Prep Leases"), except that the Corporation will use a small portion of the BBQ Facilities for its administrative offices;

WHEREAS, Wooten Avila LLC proposes to lease the Elementary School School Facilities to the Corporation for use and occupation by TEACH Tech pursuant to one or more Lease Agreements (the "TEACH Tech Leases");

WHEREAS, the Corporation proposes to secure or support the obligations of the Corporation under the TEACH Tech Leases and TEACH Prep Leases and the obligations of the Borrower with respect to the Bonds by, among other things, (i) a pledge of the gross revenues of the Schools and (ii) an intercept of portions of the Schools' general purpose apportionment by the State Controller or another state agency of the State of California pursuant to Section 17199.4 of the Education Code of the State of California (the "Intercept");

WHEREAS, the Corporation proposes to enter into a new lease that will run from the end of the term of the TEACH Academy Lease to June 30, 2058 as improvements will be performed to the Middle School Facilities using certain proceeds of the Bonds and TEACH Academy's rent will be increased to pay a portion of the payments on the Bonds allocated thereto;

WHEREAS, Stifel, Nicolaus & Company, Incorporated (the "Underwriter") proposes to underwrite the Bonds pursuant to a bond purchase agreement (the "Bond Purchase Agreement") by and among the Underwriter, the Authority, the Treasurer of the State of California, the Borrower, and the Lessee;

WHEREAS, the Board finds that the terms of the foregoing transactions (collectively, the "Transactions"), including the purchase of the TEACH Prep and Elementary School Facilities, the TEACH Tech Leases and TEACH Prep Leases, and the amendment to the TEACH Academy Lease, are fair and reasonable as to the Corporation and the Schools under the circumstances, are in the best interests of the Corporation and the Schools, and in furtherance of the charitable purposes of the Corporation;

WHEREAS, the Board desires that the Corporation take all actions necessary or advisable to facilitate the Transactions;

NOW, THEREFORE, BE IT RESOLVED, that, the Board approves the Transactions and authorizes the execution, delivery and performance by the Corporation of the documents and agreements listed on Schedule 1 attached hereto (collectively, the "Primary Transaction Documents") to which the Corporation may be a party and all such other documents, instruments and agreements as may be necessary or advisable to facilitate the Transactions (collectively, the "Transaction Documents");

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the election or appointment of the individuals listed on Schedule 2 attached hereto to the offices set forth after their names on said Schedule 2;

RESOLVED FURTHER, that the Board appoints the officers of the Corporation, and each of them individually (each, an "Authorized Signatory"), as authorized signatories of the Corporation for purposes of executing the Transaction Documents on behalf of such companies;

RESOLVED FURTHER, that the Authorized Signatories, and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to execute, deliver, approve, and, as appropriate, declare final the Transaction Documents, in the forms that have been presented to the Board for approval or with such amendments or modifications thereto as an Authorized Signatory may approve as necessary or advisable, and all such other escrow agreements, leases, security agreements, account control agreements, subordination, non-disturbance and attornment agreements, tax certificates, tax and regulatory compliance agreements, disclosure agreements, assignments, indemnification agreements, guaranties, subordination agreements, letters of representation, notices, certificates, and other documents, agreements, or instruments or amendments to any of the foregoing, as an Authorized Signatory may approve as necessary or advisable to facilitate the Transactions, each with such

additions, deletions or changes therein as the Authorized Signatory executing the same shall approve (the execution and delivery thereof by any such Authorized Signatory to be conclusive evidence of his or her approval of any such document, agreement, instrument, amendment, addition, deletion or change);

RESOLVED FURTHER, that the Board authorizes the Corporation to enter into a new lease for the Middle School Facilities ("Future TEACH Academy Lease") with the same terms as the current TEACH Academy Lease, and with a term from the end of the current term of the TEACH Academy Lease through June 30, 2058 and with rent payments as described in the Bond Documents and to amend the existing TEACH Academy Lease to remove the three (3) options to extend the Term;

RESOLVED FURTHER, that, pursuant to Section 17199.4 of the Education Code of the State of California, the Corporation hereby elects to participate in the Intercept to secure payment of the principal of and interest on the Bonds in amounts not exceeding the amounts due under the TEACH Tech Lease, TEACH Prep Lease, the TEACH Academy Lease, and the Future TEACH Academy Lease, and that the Board authorizes the Authorized Signatories, and each of them individually, for and in the name and on behalf of the Corporation and the Schools, to provide notice (the "Intercept Notice") to the State Controller of the State of California or other applicable state agency of the State of California of such election of the Board;

RESOLVED FURTHER, that the Schools shall apply for grant funds under the Charter School Facility Grant Program to be applied to costs associated with facility rents under the TEACH Tech Leases and TEACH Prep Leases, if eligible to do so;

RESOLVED FURTHER, that the Corporation hereby ratifies and confirms the acts of its officers, agents or employees taken on behalf of the Corporation in connection with the Transactions;

RESOLVED FURTHER, that by the adoption of these resolutions, the Board hereby reconfirms, ratifies and adopts all prior actions of the Board which may have previously been taken in connection with the Transactions;

RESOLVED FURTHER, that all prior resolutions of the Board or any parts thereof in conflict with any or all of the foregoing resolutions are hereby repealed to the extent of such conflict;

RESOLVED FURTHER, that these resolutions shall take effect and be in full force immediately after their adoption by the Board; and

RESOLVED FURTHER, that the Authorized Signatories, and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to approve, execute and deliver any and all documents, instruments and agreements, and to perform or cause to be performed any and all acts as may, in their judgment, be necessary or desirable to accomplish the purposes of the foregoing resolutions and the transactions contemplated thereby and by the agreements therein approved, and any such documents, instrument or agreements so executed and delivered or actions taken by them or any of them shall be conclusive evidence of their authority in so doing.

Certificate of Secretary

The undersigned certifies that the undersigned is the duly appointed and acting Secretary of the Corporation, and that the foregoing is a true and correct copy of Resolutions that were duly adopted on November __, 2019, by the majority vote of the directors of the Corporation present at a meeting of the board of directors of the Corporation duly held on such date in compliance with the bylaws of the Corporation, and while a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Corporation this ____ day of November 2019.

_____

Sonali Tucker, Secretary

Schedule 1

Transaction Documents

1. Bond Purchase Agreement.
2. Supplemental MTI for Obligation No. 2.
3. Obligation No. 2 (as such term is defined in the Supplemental MTI for Obligation No. 2).
4. Indenture.
5. Bonds.
6. Loan Agreement.
7. TEACH Tech Leases, TEACH Prep Leases, Amendment to the TEACH Academy Lease, and Future TEACH Academy Lease.
8. Purchase and Sale Agreements for the Elementary School Facilities and the TEACH Prep Facilities.
9. Intercept Notices.
10. Continuing Disclosure Agreement.
11. Tax Certificate and Agreement.
12. Subordination, Non-Disturbance and Attornment Agreement among Master Trustee, Lessor, and Lessees.
13. Preliminary Limited Offering Memorandum.

Schedule 2

Officers

Lori Butler	President
Sonali Tucker	Secretary
Matt Brown	Chief Operating Officer/Chief Financial Officer/Treasurer

LEASE AGREEMENT

between

Wooten Avila LLC
a California limited liability company
as Landlord

and

TEACH, Inc.,
a California nonprofit public benefit corporation
(in its capacity as operator of and holder of the charter for
TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School)
as Tenant
dated as of December 14, 2019

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

1. Basic Provisions 1
1.1 Premises 1
1.2 Term 1
1.3 Extension Option 1
1.4 Rent 1
1.5 The Bonds 1
1.6 Intentionally Omitted 1
1.7 Refinancing of Loan 2
1.8 The Intercept 2
1.9 The School 2
1.10 Capitalized Terms 3
2. Premises 3
2.1 Letting 3
2.2 Condition of Premises 3
3. Term 3
3.1 Term 3
3.2 Options to Extend 3
4. Rent; Additional Rent; Expenses 4
4.1 Rent Defined 4
4.2 Base Rent 4
4.3 Additional Rent 5
4.4 Extraordinary Monthly Rent 5
4.5 Expenses 5
4.6 Property Tax 7
4.7 Payment 7
4.8 Late Charge and Interest on Rent in Default 7
4.9 Budgeting Rent 8
4.10 Accounting 8
4.11 Source of Rent Payments 8
5. Mandatory Covenants 8
5.1 Specific Covenants Related to the Loan 8
5.2 Intentionally Omitted 9
5.3 Subordination of Management Agreement or Management Costs and Expenses 9
5.4 Use 9

TABLE OF CONTENTS
(Continued)

Page

5.5 Hazardous Substances....9

6. Maintenance; Repairs....9
6.1 Tenant Fully Responsible....9
6.2 Compliance With Applicable Requirements....10
6.3 Liens....10
6.4 Ownership of Facilities; Removal; Surrender; and Restoration....10

7. Insurance; Indemnity....10
7.1 Liability....10
7.2 Premises....10
7.3 Rental Interruption....11
7.4 Waiver of Subrogation....11
7.5 Indemnity....11
7.6 Exemption of Landlord from Liability....11
7.7 Insurance Requirements of Bond Documents....11

8. Damage or Destruction....12
8.1 Definitions....12
8.2 Damage....12
8.3 Damage—Uninsured Loss....12
8.4 Waive Statutes....13

9. Real Property Taxes....13
9.1 Definition....13
9.2 Payment of Taxes....13
9.3 Personal Property Taxes....13

10. Assignment and Subletting....13
10.1 By Tenant....13
10.2 By Landlord....13

11. Default; Event of Default; Remedies....14
11.1 Default; Event of Default....14
11.2 Remedies....15
11.3 Interest....16
11.4 Landlord Self Help....16

12. Condemnation....16

13. Estoppel Certificates....16

TABLE OF CONTENTS
(Continued)

Page

14. Definition of Landlord 16
15. Severability 16
16. Days 17
17. Limitation on Liability 17
18. Time of Essence 17
19. No Prior or Other Agreements 17
20. Notices 17
20.1 Notice Requirements 17
20.2 Addresses 17
21. Waivers 18
22. No Right To Holdover 18
23. Cumulative Remedies 18
24. Covenants and Conditions; Construction of Agreement 18
25. Binding Effect; Choice of Law 18
26. Landlord's Access; Showing Premises; Repairs 18
27. Quiet Possession 19
28. Counterparts 19
29. Amendments 19
30. Limitation of Rights to Parties 19

TABLE OF CONTENTS
(Continued)

Page

EXHIBIT A LEGAL DESCRIPTION OF PREMISES A-1
EXHIBIT B SCHEDULE OF BASE RENT & ADDITIONAL RENT B-1
EXHIBIT C MANDATORY COVENANTS C-1
EXHIBIT D FORM OF INTERCEPT NOTICE.....D-1

LEASE AGREEMENT

This LEASE AGREEMENT ("**Lease**") dated, for reference purposes only, as of December 14, 2019, is made by and between Wooten Avila LLC, a California limited liability company ("**Landlord**"), and TEACH, Inc., a California nonprofit public benefit corporation (in its capacity as operator of and holder of the charter for the "School" described herein ("**Tenant**") (Landlord and Tenant being sometimes referred to herein collectively as the "**Parties**" and individually a "**Party**").

FOR A VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged: the parties hereby agree as follows:

1. Basic Provisions.

1.1 Premises. The "**Premises"** consists of all of the land and all of the improvements thereon, located on the land commonly referred to as 8505 S. Western Avenue, Los Angeles, California 90047, and more particularly described on the attached Exhibit A.

1.2 Term. The initial term of this Lease shall be for approximately thirty eight (38) years commencing on March 20, 2020 (the "**Commencement Date**") and ending on June 30, 2058 (the "**Initial Term**"), or such other later date if Tenant exercises any of Extension Options described in Section 3 (such date, as it may be extended, the "**Expiration Date**").

1.3 Extension Option. Tenant shall have three (3) options to extend the Term (such extension terms collectively, the "**Extension Term**" and, collectively with the Initial Term, the "**Term**") on the terms and conditions, and at the Rent, set forth in Section 3 below.

1.4 Rent. As set forth in Section 4.1.

1.5 The Bonds. The California School Finance Authority (the "**Authority**") is concurrently herewith making a loan (the "**Loan**") to Landlord as evidenced by a Loan Agreement dated as of December 1, 2019 (the "**Loan Agreement**"), by and between the Authority and Landlord pursuant to an Indenture (the "Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee thereunder (the "Bond Trustee"). The Loan will be funded by the proceeds of the Authority's California School Finance Authority Charter School Revenue Bonds California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A (Tax-Exempt) and California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable) (collectively, the "**Bonds**") pursuant to the terms of (i) a Master Indenture of Trust dated October 1, 2016 (the "Master Indenture"), as supplemented a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, as representative of the Obligated Group and the initial Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and Wilmington Trust, National Association, as master trustee (the "Master Trustee"), (ii) the Indenture, (iii) a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower, and (iv) an Obligation No. 2 ("Obligation No. 2") issued by the Obligated Group Representative to the Master Trustee pursuant to the Second Supplemental Master Indenture. The Loan Agreement, the Master Indenture of Trust, the Indenture, the Supplemental Indenture, the

Second Supplemental Master Indenture, Obligation No. 1, Obligation No. 2, and any related documents and instruments are collectively referred to herein as the "**Bond Documents**."

1.6 Refinancing of Loan. Upon any refinancing of the Loan, the term "**Loan Agreement**" shall thereafter refer to the agreement for the refinancing of the Loan, the term "**Loan**" thereafter shall refer to the refinancing loan, and the term "**Authority**" thereafter shall refer to the lender making the refinancing loan, but otherwise all of the terms, covenants and conditions of this Lease shall remain unmodified and in full force and effect.

1.7 The Intercept. In order to provide for secure and orderly payment of the Base Rent component of Base Rent and for the payment of the Bonds out of such Base Rent payments, simultaneously with the execution and delivery of the Bonds, Tenant shall deliver or cause to be delivered the Intercept Notice, substantially in the form set forth in Exhibit D attached hereto (the "**Intercept Notice**"), to the State Controller of the State of California (the "**State Controller**"). Amounts specified in the Intercept Notice for transfer to the Bond Trustee shall be limited to State Apportionments. Tenant shall promptly amend, supplement or restate the Intercept Notice and deliver such to the State Controller from time to time as necessary or appropriate to cause transfers to the Bond Trustee to pay any changed amount of Base Rent due under this Lease (including without limitation changes resulting from redemption of Bonds prior to maturity) and to cure any delinquency in payment of such amounts, and shall deliver such amended, supplemented or restated Notice to the State Controller not later than the twentieth (20^{th}) calendar day of the month in which the payment is scheduled to become effective. Tenant will cooperate with the Bond Trustee in any manner the Bond Trustee may reasonably request in connection with amending, supplementing, or restating the Intercept Notice. If at any time the Intercept Notice is amended, supplemented, or restated for any reason, Tenant shall promptly provide the Authority and the Bond Trustee with a copy of such amended, supplemented, or restated Intercept Notice. The Intercept Notice may provide additional amounts payable to the Bond Trustee for purposes set forth in the Indenture; provided, that Tenant shall not grant preference or any prior right of funding access or security in respect of the State Apportionment to any other payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code of the State of California. All deposits of moneys derived from payments by the State Controller pursuant to the Intercept Notice from time to time shall be made at the corporate trust office of the Bond Trustee set forth in the Intercept Notice. Tenant shall timely amend, supplement, or restate the Intercept Notice to require transfers to such other location as shall be designated in writing by the Bond Trustee to Tenant.

1.8 The School. The Premises will be used for the operation by Tenant of a charter school known as "TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School" ("TEACH Prep" or the "School"), which operates under a charter issued to Tenant by the Los Angeles Unified School District ("LAUSD").

1.9 Capitalized Terms. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to such terms in the Master Indenture of Trust or, if not defined therein, in the Supplemental Indenture and Second Supplemental Master Indenture.

2. Premises.

2.1 Letting. Landlord hereby leases and hires to Tenant, and Tenant hereby leases and hires from Landlord, the Premises for the Term, at the Rent, and upon and subject to all of the terms, covenants and conditions set forth in this Lease.

2.2 Condition of Premises. Tenant accepts the Premises in its current "as is" condition.

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Term of this Lease are as specified in Section 1.2.

3.2 Options to Extend. Landlord hereby grants to Tenant three (3) options (each, an "**Extension Option**") to extend the term of this Lease, each for a period of five (5) years (each, an "**Extension Term**"). Each Extension Option must be exercised, if at all, by written notice (the "**Option Notice**") delivered by Tenant to Landlord not less than six (6) months prior to the then-scheduled Expiration Date. In the event the Term of this Lease shall be extended under this Section, then all of the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect, except that:

(i) Each Extension Term shall commence immediately upon the expiration of the Initial Term or immediately prior Extension Term, as applicable.

(ii) The Rent for the Extension Term shall be the Base Rent, Additional Rent, Extraordinary Monthly Rent and Expenses, as defined and determined pursuant to this Lease, and, so long as the Loan is outstanding, Base Rent shall be payable with reference to Exhibit B in accordance with the provisions of Section 4.2. If the Loan is no longer outstanding, the Base Rent component of Rent for the Extension Term (or such portion thereof during which the Loan is not outstanding) shall be the "Fair Market Base Rent" determined in accordance with this Section. Fair Market Base Rent shall be the fair market rent of comparable premises (including square footage, location and quality of the Premises) to the Premises subject to the terms and provisions of this Lease, including without limitation Tenant's obligation to pay the Additional Rent (if any) and Expenses. Within thirty (30) days after the exercise or deemed exercise of the Extension Option, Landlord shall notify Tenant in writing as to Landlord's determination, in Landlord's good faith judgment, of the Fair Market Base Rent, together with reasonable back-up material supporting Landlord's determination. Tenant shall have twenty (20) days from receipt of Landlord's determination of the Fair Market Base Rent to accept or reject Landlord's determination.

(iii) If Tenant timely objects to Landlord's determination of Fair Market Base Rent, Landlord and Tenant shall diligently attempt in good faith to agree on the Fair Market Base Rent within ten (10) days of Tenant's notice of objection ("**Outside Agreement Date**"). If Landlord and Tenant fail to reach agreement by the Outside Agreement Date, each shall make a separate determination of the Fair Market Base Rent within five (5) days of the Outside Agreement Date. Such determination shall then be submitted to arbitration in accordance with (v) below.

(iv) Within fifteen (15) days of the Outside Agreement Date, the parties shall agree upon an arbitrator who shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Base Rent and shall promptly notify Landlord and Tenant of its decision. If the parties are unable to agree upon the arbitrator within fifteen (15) days of the Outside Agreement Date, within five (5) days thereafter, Landlord and Tenant shall each appoint an arbitrator and give notice to the other party of such arbitrator's name and business address. The arbitrator must be a licensed real estate broker or appraiser who has been active in the leasing or appraising of commercial properties in the Los Angeles area for at least five years. If each party appoints an arbitrator, the two appointed arbitrators shall, within ten (10) days after the appointment of the second arbitrator, agree on and appoint a third similarly qualified arbitrator and promptly provide notice to Landlord and Tenant of such arbitrator's name and business address. Within thirty (30) days after the appointment of the third arbitrator, the three (3) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rent and shall promptly notify Landlord and Tenant of their decision. The decision of the majority of the three (3) arbitrators shall be binding on Landlord and Tenant.

(v) Such Base Rent as so determined shall be paid during the Extension Term in installments at the times and in the manner specified in this Lease, or if not so specified, such Base Rent shall be paid on the final day of each month in advance.

(vi) Until the Fair Market Base Rent has been agreed upon, the initial Base Rent for the Extension Term shall be the monthly Base Rent payable during the month preceding the commencement of the applicable Extension Term. In the event the Fair Market Base Rent is determined to be greater than such amount, then Tenant shall promptly pay Landlord any balance due; if Fair Market Base Rent is determined to be less than such amount, then Tenant shall receive a credit against future accruing Base Rent in the amount of such difference..

(vii) Notwithstanding anything herein to the contrary, so long as the Loan is outstanding, in no event shall the Base Rent payable during any Extension Term be less than the debt service in the Bonds for the same month.

4. Rent; Additional Rent; Expenses.

4.1 Rent Defined. Subject to the terms of this Lease, "**Rent**" is defined as and shall consist of the sum of (i) Base Rent, (ii) Additional Rent, (iii) Extraordinary Monthly Rent, and (iv) Expenses (all as defined below), together with all other monetary obligations of Tenant to Landlord or to third parties arising under the terms of this Lease.

4.2 Base Rent. So long as the Loan is outstanding, Base Rent shall be payable in accordance with the schedule set forth in Exhibit B, subject to downward adjustment in the event of any redemption or defeasance of all or a portion of the Bonds or prepayment of all or a portion of the Loan. In the event of redemption or defeasance of all of the Bonds prior to the Expiration Date such that no Bonds remain outstanding and prepayment of all of the Loan prior to the Expiration Date and without termination of the Lease, commencing on the first day of the first calendar month following such defeasance, redemption or full prepayment, the Base Rent shall be revised to be the Fair Market Base Rent determined in accordance with Section 3.2.

4.3 Additional Rent. Tenant shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Landlord on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule from time to time delivered by Landlord. The amount projected as Additional Rent during the Term, assuming no Extraordinary Monthly Rent, is as set forth on Exhibit B. "Additional Rent" shall consist of the following all amounts required to reimburse Landlord, or satisfy Landlord's obligations, for any fees, expenses, taxes, indemnities, assessments or other payments as Borrower under the Loan Agreement, including, but not limited to, such amounts as described in Section 3.02(d) of the Loan Agreement, and any other amounts required to be paid by the Landlord in order for the Landlord to meet its obligations under the Bond Documents on a full and timely basis.

4.4 Extraordinary Monthly Rent. This Section and all other references to "Extraordinary Monthly Rent, "Related Bond Trustee" and "Related Project" shall be applicable, only if and for so long as there are Outstanding Related Bonds (as defined in the Master Indenture of Trust). In the event that Tenant receives a notice (an "Extraordinary Monthly Rent Notice") from either the Landlord under another Lease (as defined in the Master Indenture of Trust) or from the Related Bond Trustee (as defined in the Master Indenture of Trust) stating the Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Tenant shall pay the its Proportionate Share (as defined below) of the Extraordinary Monthly Rent to the Related Bond Trustee within three (3) Business Days after such Tenant's receipt of the Extraordinary Monthly Rent Notice. Landlord covenants to immediately provide Tenant with a copy of any Extraordinary Monthly Rent Notice received by Landlord pursuant to the terms of the Master Indenture. "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Tenant's Proportionate Share of the Extraordinary Monthly Rent. "Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. If payable, Extraordinary Monthly Rent shall be added to and be a component of Base Rent.

4.5 Expenses. Tenant shall be responsible for all Expenses, which Tenant shall pay directly to the providers of any of the items comprising Expenses prior to delinquency, or shall pay to or reimburse Landlord within thirty (30) days after receiving a statement from Landlord itemizing (with reasonable description) all charges included thereon. "Expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair, or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises, the aggregate of the "Maintenance Expenses" and the "General Expenses" set forth below:

Powered by BoardOnTrack

(i) "Maintenance Expenses" means all costs of maintaining and repairing the Premises, the parking area, athletic fields and other portions of the Premises, deferred maintenance, installing or extending service systems and other built-in equipment, and improving the Premises, including without limitation all of the following:

a. All maintenance, replacement and repair costs of air conditioning, heating and ventilation equipment and systems, elevators (if any), landscaping, service areas, parking lots, athletic fields, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, structural compliments of the Premises , and cost of compliance with applicable laws(including any required upgrades or retrofitting).

b. Supplies, materials, labor, equipment, and utilities used in or related to the repair and maintenance of the Premises and such common areas.

c. Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises.

(ii) "General Expenses" means all of the following, to the extent not included in Maintenance Expenses:

a. Gross receipts taxes, whether assessed against Landlord or assessed against Tenant and collected by Landlord.

b. Water, sewage, and waste or refuse removal charges.

c. Gas, electricity, telephone and other utilities.

d. The cost of monthly or annual contracts for systems or services such as alarm systems, security systems, internet services, janitorial services or landscaping services.

e. All janitorial, cleaning, landscaping, sweeping and repair services relating to the Premises.

f. The costs of signs and directories.

g. The cost of compliance with applicable laws.

h. Reasonable costs incurred by Landlord for operating expenses, including the day-to-day management (if any), including the cost of management personnel (if any), together with any of Landlord's administrative expenses such as state filings, preparation of tax returns or notices, and all taxes, charges, or fees in connection therewith to the extent related to the Premises.

i. Subject to Section 4.6, Real Property Taxes (as defined in Section 10.1 below) and personal property taxes (as described in Section 10.3 below), if any.

Powered by BoardOnTrack

j. Amounts required to be paid as deductibles in connection with any insurance required under the Bond Documents.

k. Any other costs or expenses incurred by Landlord under this Lease.

4.6 Property Tax. Tenant is a public education agency and as such is exempt from ad valorem property taxes. Tenant shall be responsible for the application to the Los Angeles County Tax Assessor for such tax exemption on an annual basis. Landlord shall cooperate with Tenant in obtaining such exemption, and shall execute any application for a tax exemption for the Premises. Any tax refunds and/or tax exemptions received by or granted to Landlord, based on Tenant's tax exempt status during the term of the Lease, shall be credited toward Tenant's Additional Rent payable under this Lease.

4.7 Payment. During the Lease Term, all Rent required to be paid in monthly installments, shall be paid with respect to each calendar month in advance on the twentieth (20th) day of each calendar month immediately preceding the month with respect to which monthly installment of Rent is due. All Rent shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever (except as specifically provided herein), and without any prior demand therefore. All Rent shall be paid to the Master Trustee for deposit in the Revenue Fund (as that term is defined in the Bond Documents), and at such address as the Master Trustee notifies Tenant, or at such other place as Landlord may designate from time to time, with the approval of the Master Trustee as long as Landlord has any obligations pursuant to the terms of the Bond Documents. Notwithstanding the foregoing, Tenant shall receive a credit for Rent owed to Landlord to the extent the Bond Trustee receives monies on behalf of Tenant under the Intercept. Rent for any period during the Term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Subject to the terms of the Indenture, and so long as any of the Bonds or the Loan remains outstanding, Tenant shall through the Intercept Notice, cause the State Controller to transfer the portion of the State Apportionment described in the Intercept Notice and attributable to the School to the Bond Trustee for deposit in the Revenue Fund (as defined in the Indenture). Landlord shall have the right, but not the obligation, to collect and impound, in advance, any or all components of Expenses, Additional Rent, or other Rent based upon Landlord's reasonable estimate of Tenant's future liability for such amounts for any calendar year or other period selected by Landlord. At the end of the calendar year or other period with respect to which any such estimate was prepared, Landlord shall reconcile Tenant's actual obligation for such component of Expenses or other Rent and the estimated amounts previously paid by Tenant.

4.8 Late Charge and Interest on Rent in Default. If any Rent is not received by or one behalf of Landlord from Tenant within ten (10) calendar days after Landlord has notified Tenant in writing that payment has not been received by Landlord, then Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of such delinquent rent as liquidated damages for Tenant's failure to make timely payment, by paying such sum to the Master Trustee for deposit in the Revenue Fund. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay any rent due under this Lease in a timely fashion. If any Rent remains delinquent for a period in

excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the rate of 10% per annum from the date such amount became due until paid by paying such sum to the Master Trustee by depositing the same in the Revenue Fund.

4.9 Budgeting Rent. Tenant covenants to take such action as may be necessary to include all such payments of Rent due hereunder in its annual budgets, to make, as necessary, annual appropriations for all such payments and to take such action annually as shall be required to provide funds in such year for such payments of Rent. Tenant shall budget for and maintain a Base Rent Coverage Ratio as required in Exhibit C.

4.10 Accounting. If Landlord so requests in writing, Tenant agrees to provide Landlord with an annual, or more frequent, accounting of the Expenses paid for Tenant's most recent fiscal year.

4.11 Source of Rent Payments.

(a) Notwithstanding anything in this Lease to the contrary, Tenant's obligation to pay the Rent and the other monetary payments provided for in this Lease to any person or entity, including the Landlord, the Authority or the Bond Trustee, Master Trustee, and their respective successors and assigns, is limited to, and shall not exceed, Gross School Revenues (as defined in Exhibit C), and under no circumstances shall Tenant be required to advance any moneys derived from any source of income other than, or pay Rent or any other monetary obligation under the Lease which is in excess of, the Gross School Revenues, nor shall any other funds or property of Tenant be liable for the payment of Rent or any other monetary obligation under the Lease, and such persons and entities shall look exclusively to Gross School Revenues for satisfaction of any claims hereunder. Landlord covenants that it shall not take recourse against Tenant with respect to the failure by Tenant to make any payment under this Lease except recourse to the Gross School Revenues.

(b) Nothing contained in this Section shall be construed to release Landlord from the performance of any of the agreements on its part herein contained, and in the event Landlord shall fail to perform any such agreements on its part, Tenant may institute such action against Landlord as Tenant may deem necessary to compel performance so long as such action does not abrogate the obligations of Tenant contained in the first sentence of this Section. Tenant may, however, at Tenant's own cost and expense and in Tenant's own name or in the name of Landlord prosecute or defend any action or proceeding or take any other action involving third persons which Tenant deems reasonably necessary in order to secure or protect Tenant's right of possession, occupancy and use hereunder, and in such event Landlord hereby agrees to cooperate fully with Tenant and to take such action necessary to effect the substitution of Tenant for Landlord in such action or proceeding if Tenant shall so request.

5. Mandatory Covenants.

5.1 Specific Covenants Related to the Loan. For so long as the Loan is outstanding and has not been defeased or for so long as any obligations under the Loan Agreement remain

outstanding, the provisions of Exhibit C shall be applicable for the benefit of Landlord and the Authority.

5.2 Intentionally Omitted.

5.3 Subordination of Management Agreement or Management Costs and Expenses. If Tenant engages an education manager that is a separate legal entity (including an affiliate of Tenant) with respect to the School, Tenant shall amend any such management agreement for the School such that, so long as Bonds remain outstanding: (i) the obligation of Tenant to pay educational management fees relating to the School shall be subordinate to its payment of operating expenses of the School and rent payments to Landlord under this Lease; (ii) the obligation of Tenant to pay educational management fees relating to the School shall be suspended for any such time as the payment of educational management fees would cause Tenant to fail to meet any of the financial covenants contained in Sections 3.2 or 3.3 of Exhibit C; and (iii) during any period of time when educational management fees remain unpaid, such fees shall accrue without interest. If Tenant has not engaged a separate education manager with respect to the School, Tenant agrees that it shall not apply any Gross Revenues of the School to education management costs and expenses unless and until all Rent is fully paid and the Loan is not in default.

5.4 Use. In addition to any other restrictions on Tenant's use of the Premises, the Property shall be used by Tenant for the School, for any related and ancillary school and educational purposes, any related administrative purposes, and any related incidental legal uses. Notwithstanding the foregoing, Tenant shall use and occupy the Premises only for "educational facilities" as defined in Section 17173(f) of the Education Code of the State of California in order to operate a charter school that is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the "**Code**") as an organization described in Code Section 501(c)(3) and that qualifies as an "educational organization" as described under Code Section 170(b)(1)(A)(ii); provided that Tenant shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others.

5.5 Hazardous Substances. Tenant shall comply with all obligations and the Bond Documents related to Hazardous Substances and Environmental Regulations, to the extent act applicable to the Premises or Tenant's use and occupancy thereof.

6. Maintenance; Repairs.

6.1 Tenant Fully Responsible. During the Term, except in cases of damage or destruction due to casualty loss, or in the event of Condemnation, all repair, maintenance, restoration, retrofitting, construction or reconstruction with respect to the Facilities shall be the sole responsibility of Tenant, and Landlord shall have no duty to undertake any such repair, maintenance, restoration, retrofitting, construction or reconstruction, or to pay any costs of the same. Provided, however, that Landlord shall provide Tenant access to the moneys in the Repair and Replacement Fund, and to any moneys in the Insurance and Condemnation Proceeds Fund to the extent necessary or appropriate to pay the costs of or to reimburse Tenant for its obligations hereunder, in accordance with the terms and provisions of the Indenture related to the Repair and Replacement Fund and the Insurance and Condemnation Proceeds Fund.

6.2 Compliance With Applicable Requirements. If any applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the "**Applicable Requirements**") require, during the Term, the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises Tenant hereby agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification, and the costs therefor shall be incurred solely by Tenant.

6.3 Liens. Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Landlord shall have the right to post notices of non-responsibility. If Tenant shall contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend and protect itself, Landlord and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof.

6.4 Ownership of Facilities; Removal; Surrender; and Restoration.

(a) **Ownership.** All Facilities shall be the property of Landlord. Any additional improvements constructed and paid for by Tenant itself shall, at the expiration or termination of this Lease, at the option of Landlord, (i) be removed by Tenant or (ii) become the property of Landlord and be surrendered by Tenant with the Premises

(b) **Surrender and Restoration.** Tenant shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the parts, and surfaces thereof broom clean and free of debris, and in good operating order, condition, and state of repair, ordinary wear and tear excepted. Tenant shall repair any damage occasioned by the installation, maintenance, or removal of any of its furnishings, and equipment. Any personal property of Tenant not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Tenant and may be disposed of or retained by Landlord as Landlord may desire.

7. Insurance; Indemnity.

7.1 Liability. Tenant shall keep in force such liability insurance policies and in such amounts as required in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.2 Premises. Tenant shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Landlord, with loss payable to Landlord and to any lender, including the Bond Trustee and the Master Trustee, insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.3 Rental Interruption. Tenant shall also obtain and keep in force, for the benefit of Landlord, rental interruption insurance insuring Landlord for the amounts of Base Rent arising

from an interruption of the payment of the Base Rent, Additional Rent and Expenses otherwise payable by Tenant hereunder covering a period of at least 12 months. The limits of such insurance shall be based upon the highest monthly amount of Base Rent and Additional Rent shown on Exhibit B, as revised from time to time. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.4 Waiver of Subrogation. Without affecting any other rights or remedies, Tenant and Landlord each hereby releases and relieves the other, and waives their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance is not invalidated thereby.

7.5 Indemnity. Except for Landlord's negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, partners, members, directors, and officers, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Tenant. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section 8.5 shall survive the termination of this Lease.

7.6 Exemption of Landlord from Liability. Unless caused by Landlord's negligence or willful misconduct, Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

7.7 Insurance Requirements of Bond Documents. The foregoing notwithstanding, for so long as the Loan is outstanding, Tenant shall be deemed to meet its insurance obligations as set forth in this Section 7 if it carries, and it hereby agrees to carry, the insurance required under the terms of the Bond Documents, as such requirements may change from time to time. Without limiting the foregoing, for so long as the Loan is outstanding, Tenant shall cause the Bond Trustee, Master Trustee and Landlord to be named as additional insureds on Tenant's liability insurance and Bond Trustee and Master Trustee as mortgagees and loss payees on property insurance policies.

8. Damage or Destruction.

8.1 Definitions.

(a) "**Damage**" shall mean damage or destruction to the improvements on the Premises from fire or other casualty.

(b) "**Insured Loss**" shall mean Damage that was caused by an event required to be covered by the insurance described in Section 8.2, irrespective of any deductible amounts or coverage limits involved.

8.2 Damage. Subject to the terms of the Master Indenture of Trust, Landlord shall be entitled to any and all insurance proceeds that are available as a result of any Insured Loss, and Landlord may at its election proceed to reconstruct the Facilities subject to such Damage to their condition existing immediately prior to the Damage, utilizing available insurance proceed and any amounts voluntarily contributed by Landlord in its sole discretion. If Landlord elects not to undertake such restoration, Tenant may (i) if such damage is material, terminate this Lease by providing written notice to Landlord, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Tenant of Landlord's notice of its election not to undertake such restoration, or (ii) require Landlord to restore and rebuild the Premises, so long as the following conditions are met:

(a) The amount of insurance proceeds that are available for restoration, plus any funds that may have been deposited by Tenant, are sufficient to restore and rebuild the Premises to their character, condition and utility immediately prior to the casualty (or to such other condition as Tenant reasonably demonstrates will generate sufficient revenue for Tenant to meet its obligation to pay all Rent thereafter accruing);

(b) The amount of available proceeds of rental interruption insurance plus any funds deposited by Tenant equals an amount determined by Landlord to be sufficient to pay the Rent accruing during the period between the date of such casualty and the date the restoration or rebuilding is substantially completed.

(c) The restoration or rebuilding is estimated by Landlord to be completed at least twelve (12) months prior to the Maturity Date of the Bonds.

(d) In lieu of making any deposit of funds as described above, Tenant shall have the right to provide other assurances of the payment of restoration costs and Rent acceptable to Landlord in its sole discretion, such as a letter of credit.

8.3 Damage—Uninsured Loss. If Damage that is not an Insured Loss occurs, (a) Tenant may repair such damage as soon as reasonably possible at Tenant's expense, in which event this Lease shall continue in full force and effect or, (b) if Tenant elects not to undertake such repair, and such Damage is material, Landlord or Tenant may terminate this Lease by providing written notice to the other party, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Landlord of knowledge of the occurrence of such Damage.

8.4 Waive Statutes. Landlord and Tenant agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith, including California Civil Code Sections 1932(2) and 1933(4).

9. Real Property Taxes.

9.1 Definition. As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Premises, Landlord's right to other income therefrom; and/or Landlord's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to this Lease.

9.2 Payment of Taxes. Tenant shall timely file for exemption from any Real Property Taxes and shall maintain such exemption during the Term. In any event, Tenant shall pay, before the same become past due, the Real Property Taxes applicable to the Premises during the Term to the extent any such Real Property Taxes are charged, levied, assessed, or imposed.

9.3 Personal Property Taxes. Tenant shall timely file for exemption from any taxes fixtures, furnishings, equipment, and all personal property of Tenant and shall maintain such exemption during the Term. Tenant shall pay, prior to delinquency, all such taxes to the extent they are charged, levied, assessed, or imposed after an exemption for such taxes is filed as required hereunder.

10. Assignment and Subletting.

10.1 By Tenant. Tenant shall not sublease, assign, mortgage, pledge, hypothecate or encumber this Lease or any of Tenant's interest hereunder without the prior written consent of Landlord (which shall not be unreasonably withheld). Tenant acknowledges that, pursuant to the Bond Documents, Landlord may be required to obtain the Authority's approval to a sublease, assignment or other transfer of Tenant's interest in the Lease and that Landlord's disapproval shall be deemed reasonable if based on any such disapproval by the Authority. Tenant acknowledges that the financing of the Premises through the Tax-Exempt Bonds may restrict the assignees which could be approved by Landlord. In addition, Tenant shall not sublease, assign, mortgage, pledge, hypothecate, or encumber this Lease unless it receives an Opinion of Bond Counsel confirming that such action will not result in use or operation of the Premises not in conjunction with a charter school under the Act.

10.2 By Landlord. Tenant acknowledges that Landlord's interest in the Premises are subject to a deed of trust in favor of the Master Trustee and that certain of the Landlord's rights

under this Lease are assigned to the Master Trustee as security for the Bonds under the Master Indenture of Trust.

11. Default; Event of Default; Remedies.

11.1 Default; Event of Default. A "**Default**" is defined as a failure by Tenant to comply with or perform any of the terms, covenants or other obligations of Tenant under this Lease. An "**Event of Default**" is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

(a) The abandonment of the Premises.

(b) The failure of Tenant to make any payment of Rent required to be made by Tenant hereunder, whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond required hereunder, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) business days following written notice to Tenant.

(c) Any material representation or warranty made in this Lease, or in any report, certificate, financial statement, or instrument furnished in connection with this Lease, proves to have been false or misleading when made, in any material respect, and is not promptly corrected.

(d) Except as otherwise provided in Exhibit C attached hereto, if Tenant violates or fails to observe or perform any covenant contained in Exhibit C a, and fails to cure the same within any notice or grace period contained in Exhibit C or this Lease.

(e) Reserved.

(f) A Default by Tenant as to the terms, covenants, conditions or provisions of this Lease, other than those described in subparagraphs 12.1(a) through (e) above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Tenant's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(g) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

11.2 Remedies. Upon the occurrence of any Event of Default, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such Event of Default:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees of Landlord and the Authority, and that portion of any leasing commission paid by Landlord in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Landlord to mitigate damages caused by Tenant's Event of Default of this Lease shall not waive Landlord's right to recover damages under Section 11. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Section 11.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Tenant under the unlawful detainer statute shall also constitute the notice required by Section 11.1. In such case, the applicable grace period required by Section 11.1 and the unlawful detainer statute shall run concurrently, and the failure of Tenant to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and an Event of Default under this Lease entitling Landlord to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Tenant's right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Landlord's interests, shall not constitute a termination of Tenant's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under this Lease, including under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Tenant's occupancy of the Premises.

11.3 Interest. Any monetary payment due Landlord hereunder not received by Landlord when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the

date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law.

11.4 Landlord Self Help. If Tenant fails to perform any of its affirmative duties or obligations (other than compliance with the covenants and financial reporting requirements described in Section 5 and Exhibit C), Landlord may, at its option, perform such duty or obligation on Tenant's behalf including, but not limited to, the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Tenant shall pay to Landlord the costs and expenses incurred by Landlord in such performance upon receipt of an invoice therefor.

12. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs, and Expenses thereafter shall be limited to those applying to the remaining Premises subject to this Lease. Subject to the terms of the Master Indenture of Trust, in the event that there is a Condemnation of less than all of the Premises, and such portion so taken is material to Tenant's use and quiet enjoyment of the Premises as a whole, then all available Condemnation awards and/or payments shall be used first, to restore the remaining portion of the Premises to a usable whole, and second, to reduce the balance of any loan made to Landlord and secured by the Premises in proportion to the portion taken or sold. Any portion of the award and/or payment that remains after the foregoing purposes have been satisfied shall be the property of Landlord. Subject to the terms of the Bond Documents, all Condemnation awards and/or payments shall be the property of Landlord.

13. Estoppel Certificates. Each Party (as "**Responding Party**") shall within ten (10) days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

14. Definition of Landlord. The term "**Landlord**" as used herein shall mean the owner or owners at the time in question of the lessor's interest under this Lease. Upon any transfer of such interest in the Premises, the prior Landlord shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the succeeding Landlord. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by Landlord shall be binding only upon Landlord as hereinabove defined.

15. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days. "**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal

Corporate Trust Office (as defined in the Indenture) is located are authorized or obligated by law or executive order to be closed.

17. Limitation on Liability. The obligations of Landlord under this Lease shall not constitute personal obligations of Landlord, and Tenant shall look to the Premises, and to no other assets of Landlord, for the satisfaction of any liability of Landlord with respect to this Lease. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Bond Trustee, Master Trustee, Landlord or Tenant shall be individually or personally liable for the payment of any amounts hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Lease; but nothing herein contained shall relieve any such member, director, officer, agent or employee form the performance of any official duty provided by law or this Lease.

18. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

19. No Prior or Other Agreements. Subject to the terms of the Bond Documents, this Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Each Party represents and warrants that the execution of the Lease will not, to the best of the Party's knowledge, constitute a violation under any material agreements to which such Party is a party.

20. Notices.

20.1 Notice Requirements. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given (a) if hand delivered or delivered by courier, when delivered to the appropriate notice address, or (b) if mailed by first class mail, postage prepaid, six Business Days after deposit in the United States mail addressed to the appropriate notice address. Any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Days. The parties listed below may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice required or permitted hereunder shall be directed to the following notice address:

20.2 Addresses.

Landlord: Wooten Avila LLC
1846 W. Imperial Highway
Los Angeles, California 90047
Attention: President
Telecopy: See Indenture

Tenant: TEACH, Inc.
1846 W. Imperial Highway
Los Angeles, California 90047
Attention: Superintendent
Telecopy: See Indenture

Authority (during the time the Loan is outstanding):

California School Finance Authority
State Treasurer's Office
304 S. Broadway, Suite 550
Los Angeles, California 90013
Attention: Executive Director
Telecopy: (213) 620-6309

21. Waivers. No waiver by Landlord of the Default or Event of Default of any term, covenant or condition hereof by Tenant, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Event of Default by Tenant of the same or of any other term, covenant or condition hereof.

22. No Right To Holdover. Tenant has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Tenant holds over, then the Base Rent shall be increased to 110% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Landlord to any holding over by Tenant.

23. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

24. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Tenant are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

25. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State of California. Any litigation between the Parties hereto concerning this Lease which involve any other Bond Documents shall be initiated in the County of Sacramento, and any other litigation between the parties concerning this Lease shall be initiated in the County of Los Angeles.

26. Landlord's Access; Showing Premises; Repairs. Landlord shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times after two (2) Business Days' prior notice for the purpose of inspecting the Premises, verifying compliance by Tenant with this Lease or exercising its self-help rights under Section 12.4.

27. Quiet Possession. Subject to payment by Tenant of the Rent and performance of all of the covenants, conditions and provisions on Tenant's part to be observed and performed under this Lease, Tenant shall have quiet possession and quiet enjoyment of the Premises during the Term hereof.

28. Counterparts. This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

29. Amendments. Subject to the terms of the Master Indenture of Trust applicable to the modification or amendment of this Lease, this Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Tenant's obligations hereunder, Tenant agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

30. Limitation of Rights to Parties. Except as otherwise provided herein, nothing in this Lease is intended or shall be construed to give to any person other than Landlord and Tenant any legal or equitable right, remedy or claim under or in respect of this Lease or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of Landlord and Tenant.

31. CASp Disclosure. California Civil Code Section 1938 requires Landlord to notify Tenant whether the Premises has undergone inspection by a Certified Access Specialist ("CASp"), as defined in California Civil Code Section 55.52. Landlord hereby states to Tenant that, as of the date this Lease is executed, the property of which the Premises is a part has not undergone such inspection.

(Signatures on next page)

(Signature page of Lease Agreement)

The Parties hereto have executed this Lease as of the day and year first above written.

Landlord:

Wooten Avila LLC
a California limited liability company

By: _____
Name: [ADD]

Title: President

Tenant:

TEACH, Inc.,
a California nonprofit public benefit corporation

By: _____
Name: Dr. Raul Carranza
Title: Superintendent of Schools

EXHIBIT A
Legal Description of Premises

Real property in the City of Los Angeles, County of Los Angeles, California, described as follows:

The Land referred to herein below is situated in the City of Los Angeles, County of Los Angeles, State of California, and is
described as follows:

LOTS 1, 2, 3, 4, 5 AND 40 IN BLOCK 1 OF TRACT NO. 4552, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 49 PAGES 68 AND 69 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN 6035-032-039

EXHIBIT B

SCHEDULE OF BASE RENT & ADDITIONAL RENT

TEACH PREPARATORY MILDRED S. CUNNINGHAM & EDITH H. MORRIS ELEMENTARY SCHOOL

[ADD]

EXHIBIT C

MANDATORY COVENANTS

Capitalized terms not otherwise defined in this Exhibit C shall have the meanings ascribed to such terms in the Lease and the Master Indenture of Trust.

1. **Tenant Covenants**: Tenant acknowledges that the Premises secure Landlord's obligations under the Bond Documents. Accordingly:

1.1 Tenant covenants and agrees that so long as any bonds or loans remain outstanding, Tenant shall maintain a charter school facility providing educational services to students within the territorial limits required, if any, pursuant to Tenant's charter.

1.2 Tenant covenants and agrees to take all reasonable actions to maintain its current or any future charter ("Tenant's Charter") for the School with a sponsoring entity and to take or cause to be taken any and all actions required to renew or extend the term of its charter with a sponsoring entity. As soon as practicable, Tenant shall provide Landlord with a copy of any notice received with regards to any sponsoring entity's intent to renew or extend the term of any such charter or any notice of any issues which if not corrected or resolved could lead to termination or nonrenewal of any such charter. If such charter is terminated or not renewed, Tenant shall use commercially reasonable efforts, and shall cooperate with Landlord, to assign this Lease to an entity that maintains a charter with a sponsoring entity. In addition, Tenant shall maintain accreditation status under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and related administrative rules and shall satisfy the student performance accountability standards stated in its application for its charter.

1.3 Tenant will permit the Landlord to discuss the affairs, finances and accounts of Tenant or any information the Landlord may reasonably request with appropriate officers of Tenant, and will grant the Landlord access to the facilities, books and records related to the Facilities or Tenant on any business day upon reasonable prior notice.

2. **Bondholder/Authority Protection Regarding Tenant Defaults**: At any time when there is a Security Instrument against the Premises, the following provisions shall apply:

2.1 Prior to exercising any right or remedy which would have the effect of terminating the Lease (or which would terminate the Lease if Tenant does not satisfy conditions, such as payment of delinquent Rents), the Landlord must give the Authority written notice of default and an opportunity to cure (a) monetary defaults within ten (10) days after notice; and (b) all other defaults within the time allowed by the Lease for Tenant to perform.

2.2 Before any termination remedy may be exercised against Tenant, if any cure of a non-monetary default requires that the Authority obtain possession of the Premises, then the time of Authority to cure shall be extended to ten (10) days after it has obtained possession, provided that Landlord has moved with all due diligence to exercise its remedies to obtain possession.

2.3 Before any termination remedy may be exercised against Tenant, if an Event of Default requires more time to cure than allowed above, then on demonstration that the Authority has worked in good faith and with all due speed to cure the Default, the Authority may extend the time to perform by another thirty (30) days.

2.4 Notwithstanding any other provision hereof, no lender shall have a liability or obligation to cure an Event of Default.

2.5 Tenant shall not take any action, or omit to take any action required of it by the Lease, which will impair or diminish the security of the existing Security Instruments, including any acts/omissions which will have a negative effect on the tax status of the Security Instrument.

3. **Tenant's Financial Covenants**. All initially capitalized terms which are not otherwise defined herein shall have the meanings set forth in the Master Indenture, provided that any such definitions therein pertaining to the financial or operational performance of the Landlord (defined therein as a "Member") shall be construed when used herein to refer to the financial or operational performance of Tenant. With respect to any retention of an Independent Consultant hereunder, Tenant hereby covenants that Tenant shall comply with and shall be bound by the selection procedures set forth in the Bond Documents.

3.1 Base Rent Coverage Ratio. Tenant covenants and agrees to calculate for each Fiscal Year its Base Rent Coverage Ratio (as defined below) for each Lease based on its audited financial statements for such Fiscal Year, and to provide a copy of such calculation for such period to the Landlord and the Master Trustee annually commencing with the Fiscal Year ending June 30, 2020. Tenant also covenants to maintain its Net Operating School Revenue (defined below) so that its Base Rent Coverage Ratio at the end of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2020) is not less than 1.10 to 1.00; provided that, except as provided below, Tenant's failure to achieve the required Base Rent Coverage Ratio will not constitute an Event of Default if Tenant promptly engages an Independent Consultant to prepare a report, to be delivered to Tenant, Landlord and Master Trustee within 45 days of engagement, with recommendations for meeting the required Base Rent Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by Tenant may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, Tenant covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to Landlord and Master Trustee within 90 days after being so retained. Tenant, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant more often than once during any 24 month period. Notwithstanding the foregoing, Tenant's failure to achieve a Base Rent Coverage Ratio of 1.00 to 1.00 at the end of any Fiscal Year (commencing with the Fiscal Year ending June 30, 2020) will constitute an Event of Default hereunder.

3.1.1 For purposes of this Section, "Base Rent," "Additional Rent," "Extraordinary Monthly Rent," and "Expenses have the meaning set forth in the Lease.

3.1.2 "Base Rent Coverage Ratio" means for any period of time the ratio determined by dividing (i) Net Operating School Revenue (as defined below), by (ii) the amount of scheduled Base Rent under the Lease.

3.1.3 "Educational Management Fees" means that portion of an educational management fee, if any, paid to Tenant in connection with management services provided by Tenant or an affiliate thereof and related to or payable from revenues attributable to the applicable Obligated Group School and to any other charter school operated by Tenant on the property subject to the Lease. This fee is subordinate to the payment of Rent due under the Leases.

3.1.4 "Gross School Revenue" means all revenue, income, receipts and money received by Tenant or on behalf of Tenant from all lawfully available sources attributable to its operation of the applicable Obligated Group School and to any other charter school operated by Tenant in the property subject to the Lease, including from any applicable district or county or from the State pursuant to the Charter School Law from the Local Control Funding Formula, general purpose entitlement or revenue limit; but excluding gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for Rent payments or operating expenses. Any other income, revenue, receipts, contributions or other monies received by Tenant not specifically described in the immediately preceding sentence shall not constitute Gross School Revenues.

3.1.5 "Long Term School Indebtedness" means Obligated Group School Indebtedness having an original maturity greater than one year or renewable at the option of Tenant for a period of greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Obligated Group School Indebtedness, no such Obligated Group School Indebtedness is permitted to be outstanding thereunder for a period of at least 20 consecutive days during each calendar year.

3.1.6 "Net Operating School Revenue" means Tenant's Gross School Revenue minus its Operating Expenses; provided, that no determination thereof will take into account: (a) any gain or loss resulting from either the early extinguishment or refinancing of Obligated Group School Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business; (b) gifts, grants, bequests, donations or contributions, and income therefrom, to the extent specifically permanently restricted by the donor or by law to a particular purpose inconsistent with their use for the payment of Operating Expenses; (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (e) unrealized gains or losses that do not result in the receipt or expenditure of cash; and (f) nonrecurring items which involve the receipt, expenditure or transfer of assets.

3.1.7 "Obligated Group School Indebtedness" means Indebtedness (as such term is defined in the Master Indenture) related to or payable from revenues of the School and to any other charter school operated by Tenant at the Premises.

3.1.8 "Operating Expenses" means, except as provided below, all unrestricted expenses of Tenant attributable to operations of the School and to any other charter school operated by the Tenant at the Premises, including maintenance, repair expenses, utility

expenses, equipment lease and other rental expense (excluding the Base Rent and the Extraordinary Monthly Rent, if any, but including Additional Rent and Expenses), administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of Tenant, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of Tenant not otherwise taken into account herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles, all in such amounts as reasonably determined by Landlord. "Operating Expenses" shall exclude, however, (i) all subordinated Educational Management Fees, (ii) depreciation and amortization, and (iii) any expenses which are treated as extraordinary in accordance with generally accepted accounting principles.

3.2 Liquidity Covenant. Tenant shall calculate Consolidated Days Cash on Hand (as defined below) for the Obligated Group Schools as of the last day of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, based upon its audited financial statements for such Fiscal Year and file such reports with Master Trustee. For each calculation date, Tenant, on behalf of the Obligated Group Schools, will maintain Consolidated Days Cash on Hand as of the last day of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2020) equal to or greater than 45 days.

3.2.1 "Consolidated Days Cash on Hand" means (i) the sum of Cash and Cash Equivalents of the Obligated Group Schools, as shown on Tenant's audited financial statements for each Fiscal Year, and any State payments accrued to such Fiscal Year and scheduled to be received within two months following the end of such Fiscal Year ("Cash on Hand"); divided by (ii) the Average Daily Expenses for Obligated Group Schools (as calculated for the most recent Fiscal Year ending before such date).

3.2.2 "Average Daily Expenses for Obligated Group Schools" means (A) cash requirements during such Fiscal Year related to or payable from revenues attributable to the schools (the "Obligated Group Schools") operated by Tenant under this Lease and any other lease concerning facilities, that have been financed with Obligations issued under the Master Indenture (the "Obligated Group Leases") (excluding from such calculation all depreciation and other non-cash items), and including within such calculation on behalf of the Obligated Group Schools in the aggregate (i) all Operating Expenses for such Fiscal Year for the Obligated Group Schools, (ii) subordinated Educational Management Fees and (iii) the maximum Base Rent payable under the Obligated Group Leases, taken as a whole, for any Fiscal Year, divided by (B) 365.

3.2.3 Tenant will provide a certificate to the Landlord and Master Trustee at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether Tenant, on behalf of the Obligated Group Schools, has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, Tenant covenants to retain an Independent Consultant, at the expense of Tenant, on behalf of the Obligated Group Schools, within 45 days, to make recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by Tenant may be rejected upon the written request

of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, Tenant covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Landlord and Master Trustee within 90 days after being so retained. Tenant, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant on behalf of the Obligated Group Schools more often than once during any 24 month period.

3.2.4 No proceeds of any Short Term Indebtedness (as defined below) will be considered unrestricted available cash for purposes of such calculation (other than the proceeds of any working capital loans made to bridge deferrals in State payments or start-up loans from the State of California or the California Department of Education).

3.2.5 Failure of Tenant, on behalf of the Obligated Group Schools, to maintain the required amount on deposit shall not constitute a default or an Event of Default under the Lease.

3.3 Limitations on Tenant Indebtedness. Tenant covenants that it will not incur, assume or guarantee ("incur"), any Obligated Group School Indebtedness (secured or unsecured), except Obligated Group School Indebtedness with respect to purposes specifically benefiting Tenant, and except as provided below:

3.3.1 To the extent permitted by applicable law and if no Event of Default under the Lease, or an event that with the giving of notice or passage of time or both would constitute an Event of Default under the Lease, has occurred and is continuing, Tenant may incur or assume Nonrecourse Indebtedness (as defined below), Short-Term Indebtedness (as defined below), and Interim Indebtedness (as defined below) to a total aggregate principal amount outstanding at any time not in excess of the greater of: (1) 25% of Operating Expenses in any Fiscal Year, or (2) the maximum amount of advance apportionment and principal apportionment due to the School in any fiscal year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or Sections 16325.5 and 16326 of the California Government Code, or any subsequent legislation authorizing additional deferrals of such apportionments.

(a) "Nonrecourse Indebtedness" means all Obligated Group School Indebtedness with respect to which the obligee is prevented by applicable law or contractual arrangement from exercising recourse, or any other right or remedy exercisable by a creditor, against all or any part of the Premises or the Facilities in order to pay, satisfy or discharge all or any part of the Obligated Group School Indebtedness.

(b) "Short-Term Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to one year and not renewable at the option of Tenant for a term greater than one year from the date of original incurrence or issuance, provided however, that any Short Term Indebtedness that has been issued as revenue anticipation notes ("RANS") will not be included or counted as Short Term Indebtedness to the

extent that the RANS are secured by deferred state apportionment revenues expressly pledged and deposited in an intercept account to pay such RANS.

(c) "Interim Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to five years and not renewable at the option of Tenant for a term greater than five years from the date of original incurrence or issuance.

3.3.4 Charter School Revolving Fund Loan Program. Notwithstanding the foregoing limitations on Obligated Group School Indebtedness, Tenant shall be permitted to obtain loans with respect to the School operated under Tenant's Charter pursuant to the Charter School Revolving Loan Program established under California Education Code Sections 41365 through 41367 ("Charter School Start-up Loans") and any such Charter School Start-up Loans existing with respect to any School will not be taken into account in applying the foregoing limitations on Non-Recourse Indebtedness, Short-Term Indebtedness, and Interim Indebtedness.

3.4 Reporting Obligations. Tenant agrees to provide Landlord, and upon written request of the Bond Trustee or Master Trustee, to Bond Trustee or Master Trustee as applicable, the following information:

3.4.1 If Tenant is undertaking any construction at the Premises, not later than 60 days after the end of each quarter, a construction progress report with respect to any such construction until such construction is substantially complete.

3.4.2 Quarterly unaudited financial information and operating data of the Obligated Group Schools not later than 60 days after the end of each quarter.

3.4.3 Quarterly, not later than 60 days after the end of each quarter, a report of the Obligated Group Schools' quarterly enrollment data and waitlist data by grade for the previous fiscal quarter.

3.4.4 Prior to the end of each fiscal year, a copy of the annual budget of the School for the subsequent Fiscal Year.

3.4.5 Quarterly, not later than 60 days after the end of each quarter, a year to date comparison of the revenue and expenditures in the unaudited financial statements for such quarter to the annual budget for the applicable fiscal year.

3.4.6 Quarterly, not later than 60 days after the end of each quarter, a copy of any recommendations of any Independent Consultant received in accordance with the Lease pursuant to the Liquidity Covenant and Base Rent Coverage Ratio covenant described above.

3.4.7 Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2020, copies of the audited financial statements of Tenant and the Obligated Group Schools for the prior fiscal year prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available.

3.4.8 Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2020, the certifications and calculations of the Consolidated Days Cash on Hand for the Obligated Group Schools and the Base Rent Coverage Ratio for each Obligated Group School as described in the Liquidity Covenant and Base Rent Coverage Ratio covenant under the Obligated Group Leases described above.

3.4.9 Such other information as may be reasonably requested by Landlord, the Authority, the Bond Trustee or Master Trustee.

EXHIBIT D

FORM OF INTERCEPT NOTICE

(TEACH PREPARATORY MILDRED S. CUNNINGHAM & EDITH H. MORRIS ELEMENTARY SCHOOL)

SEE ATTACHED

EXHIBIT D

LEASE AGREEMENT

between

Cunningham & Morris, LLC
a California limited liability company
as Landlord

and

TEACH, Inc.,
a California nonprofit public benefit corporation
(in its capacity as operator of and holder of the charter for
TEACH Academy of Technologies)
as Tenant

dated as of December 14, 2019

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

1. Basic Provisions 1
1.1 Premises 1
1.2 Term 1
1.3 Extension Option 1
1.4 Rent 1
1.5 The Bonds 1
1.6 Intentionally Omitted 1
1.7 Refinancing of Loan 2
1.8 The Intercept 2
1.9 The School 2
1.10 Capitalized Terms 3
2. Premises 3
2.1 Letting 3
2.2 Condition of Premises 3
3. Term 3
3.1 Term 3
3.2 Options to Extend 3
4. Rent; Additional Rent; Expenses 4
4.1 Rent Defined 4
4.2 Base Rent 4
4.3 Additional Rent 5
4.4 Extraordinary Monthly Rent 5
4.5 Expenses 5
4.6 Property Tax 7
4.7 Payment 7
4.8 Late Charge and Interest on Rent in Default 7
4.9 Budgeting Rent 8
4.10 Accounting 8
4.11 Source of Rent Payments 8
5. Mandatory Covenants 8
5.1 Specific Covenants Related to the Loan 8
5.2 Intentionally Omitted 9
5.3 Subordination of Management Agreement or Management Costs and Expenses 9
5.4 Use 9

TABLE OF CONTENTS
(Continued)

Page

5.5 Hazardous Substances....9

6. Maintenance; Repairs....9
6.1 Tenant Fully Responsible....9
6.2 Compliance With Applicable Requirements....10
6.3 Liens....10
6.4 Ownership of Facilities; Removal; Surrender; and Restoration....10

7. Insurance; Indemnity....10
7.1 Liability....10
7.2 Premises....10
7.3 Rental Interruption....11
7.4 Waiver of Subrogation....11
7.5 Indemnity....11
7.6 Exemption of Landlord from Liability....11
7.7 Insurance Requirements of Bond Documents....11

8. Damage or Destruction....12
8.1 Definitions....12
8.2 Damage....12
8.3 Damage—Uninsured Loss....12
8.4 Waive Statutes....13

9. Real Property Taxes....13
9.1 Definition....13
9.2 Payment of Taxes....13
9.3 Personal Property Taxes....13

10. Assignment and Subletting....13
10.1 By Tenant....13
10.2 By Landlord....13

11. Default; Event of Default; Remedies....14
11.1 Default; Event of Default....14
11.2 Remedies....15
11.3 Interest....16
11.4 Landlord Self Help....16

12. Condemnation....16

13. Estoppel Certificates....16

TABLE OF CONTENTS
(Continued)

Page

14. Definition of Landlord 16
15. Severability 16
16. Days 17
17. Limitation on Liability 17
18. Time of Essence 17
19. No Prior or Other Agreements 17
20. Notices 17
20.1 Notice Requirements 17
20.2 Addresses 17
21. Waivers 18
22. No Right To Holdover 18
23. Cumulative Remedies 18
24. Covenants and Conditions; Construction of Agreement 18
25. Binding Effect; Choice of Law 18
26. Landlord's Access; Showing Premises; Repairs 18
27. Quiet Possession 19
28. Counterparts 19
29. Amendments 19
30. Limitation of Rights to Parties 19

TABLE OF CONTENTS
(Continued)

Page

EXHIBIT A LEGAL DESCRIPTION OF PREMISES A-1
EXHIBIT B SCHEDULE OF BASE RENT & ADDITIONAL RENT B-1
EXHIBIT C MANDATORY COVENANTS C-1
EXHIBIT D FORM OF INTERCEPT NOTICE.....D-1

LEASE AGREEMENT

This LEASE AGREEMENT ("**Lease**") dated, for reference purposes only, as of December 14, 2019, is made by and between Cunningham & Morris, LLC, a California limited liability company ("**Landlord**"), and TEACH, Inc., a California nonprofit public benefit corporation (in its capacity as operator of and holder of the charter for the "School" described herein ("**Tenant**") (Landlord and Tenant being sometimes referred to herein collectively as the "**Parties**" and individually a "**Party**").

FOR A VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged: the parties hereby agree as follows:

1. Basic Provisions.

1.1 Premises. The "**Premises"** consists of all of the land and all of the improvements thereon, located on the land commonly referred to as (a) 10000 South Western Avenue, Los Angeles, California 90047, (b) 10018 South Western Avenue, Los Angeles, California 90047, (c) 1750 West Century Boulevard, Los Angeles, California 90047, (d) 1752 West Century Boulevard, Los Angeles, California 90047 (e) 1760 West Century Boulevard, Los Angeles, California 90047 (f) 10001 South Western Avenue, Los Angeles, California 90047, (g) 10011 South Western Avenue, Los Angeles, California 90047, (h) 10201 South Western Avenue, Los Angeles, California 90047, (i) 10207 South Western Avenue, Los Angeles, California 90047, and (j) 10045 South Western Avenue, Los Angeles, California 90047, and more particularly described on the attached Exhibit A; *provided, however,* until June 30, 2017, the Premises shall exclude the facilities located at 10000 South Western Avenue, Los Angeles, California, which shall be used by Puente Learning Center and by TEACH Tech Charter High School pursuant to separate leases between such entities and Landlord.

1.2 Term. The initial term of this Lease shall be for approximately six (6) years commencing on July 1, 2052 (the "**Commencement Date**") and ending on June 30, 2058 (the "**Initial Term**"), or such other later date if Tenant exercises any of Extension Options described in Section 3 (such date, as it may be extended, the "**Expiration Date**").

1.3 Extension Option. Tenant shall have three (3) options to extend the Term (such extension terms collectively, the "**Extension Term**" and, collectively with the Initial Term, the "**Term**") on the terms and conditions, and at the Rent, set forth in Section 3 below.

1.4 Rent. As set forth in Section 4.1.

1.5 The Bonds. The California School Finance Authority (the "**Authority**") made a loan (the "**Loan**") to Landlord as evidenced by a Loan Agreement dated as of October 1, 2016 (the "**Loan Agreement**"), by and between the Authority and Landlord. The Loan was funded by the proceeds of the Authority's California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group), Series 2016A and 2016B (collectively, the "**Bonds**") pursuant to (i) a Master Indenture of Trust (the "**Master Indenture of Trust**") by and among Landlord, in its capacity as Obligated Group Representative (as defined in the Master Indenture), Landlord and Wilmington Trust, National Association, as trustee (in such capacity, the "**Master Trustee**"), (ii) an Indenture dated as of October 1, 2016 (the "**Indenture**") by and between the

Authority and Wilmington Trust, National Association, as trustee (in such capacity, the "**Bond Trustee**"), and (iii) a Supplemental Master Indenture of Trust for Obligation No. 1 (the "**Supplemental Indenture**") by and between Master Trustee and Landlord, which Supplemental Indenture relates to Obligation No. 1 as defined therein. Subsequently, the Authority issued its California School Finance Authority Charter School Revenue Bonds California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A (Tax-Exempt) and California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable) (collectively, the "**2019 Bonds**") pursuant to the terms of the Master Indenture of Trust, as supplemented by a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Landlord, Wooten Avila LLC, and the Master Trustee, (ii) the Indenture, (iii) a Loan Agreement dated as of December 1, 2019 (the "**Wooten Avila Loan Agreement**") between the Authority and Wooten Avila LLC, and (iv) an Obligation No. 2 ("**Obligation No. 2**") issued by the Landlord to Wilmington Trust, National Association as the "2019 Bond Trustee" pursuant to the Second Supplemental Master Indenture. The Loan Agreement, the Master Indenture of Trust, the Indenture, the Supplemental Indenture, the Second Supplemental Master Indenture, Obligation No. 1, Obligation No. 2, and any related documents and instruments are collectively referred to herein as the "**Bond Documents**."

1.6 Refinancing of Loan. Upon any refinancing of the Loan, the term "**Loan Agreement**" shall thereafter refer to the agreement for the refinancing of the Loan, the term "**Loan**" thereafter shall refer to the refinancing loan, and the term "**Authority**" thereafter shall refer to the lender making the refinancing loan, but otherwise all of the terms, covenants and conditions of this Lease shall remain unmodified and in full force and effect.

1.7 The Intercept. In order to provide for secure and orderly payment of the Base Rent component of Base Rent and for the payment of the Bonds out of such Base Rent payments, simultaneously with the execution and delivery of the Bonds, Tenant shall deliver or cause to be delivered the Intercept Notice, substantially in the form set forth in Exhibit D attached hereto (the "**Intercept Notice**"), to the State Controller of the State of California (the "**State Controller**"). Amounts specified in the Intercept Notice for transfer to the Bond Trustee shall be limited to State Apportionments. Tenant shall promptly amend, supplement or restate the Intercept Notice and deliver such to the State Controller from time to time as necessary or appropriate to cause transfers to the Bond Trustee to pay any changed amount of Base Rent due under this Lease (including without limitation changes resulting from redemption of Bonds prior to maturity) and to cure any delinquency in payment of such amounts, and shall deliver such amended, supplemented or restated Notice to the State Controller not later than the twentieth (20^{th}) calendar day of the month in which the payment is scheduled to become effective. Tenant will cooperate with the Bond Trustee in any manner the Bond Trustee may reasonably request in connection with amending, supplementing, or restating the Intercept Notice. If at any time the Intercept Notice is amended, supplemented, or restated for any reason, Tenant shall promptly provide the Authority and the Bond Trustee with a copy of such amended, supplemented, or restated Intercept Notice. The Intercept Notice may provide additional amounts payable to the Bond Trustee for purposes set forth in the Indenture; provided, that Tenant shall not grant preference or any prior right of funding access or security in respect of the State Apportionment to any other payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code of the State of California. All deposits of moneys derived from payments by the State Controller

pursuant to the Intercept Notice from time to time shall be made at the corporate trust office of the Bond Trustee set forth in the Intercept Notice. Tenant shall timely amend, supplement, or restate the Intercept Notice to require transfers to such other location as shall be designated in writing by the Bond Trustee to Tenant.

1.8 The School. The Premises will be used for the operation by Tenant of a charter school known as "TEACH Academy of Technologies" ("TEACH Academy" or the "School"), which operates under a charter issued to Tenant by the Los Angeles Unified School District ("LAUSD").

1.9 Capitalized Terms. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to such terms in the Master Indenture of Trust or, if not defined therein, in the Supplemental Indenture.

2. Premises.

2.1 Letting. Landlord hereby leases and hires to Tenant, and Tenant hereby leases and hires from Landlord, the Premises for the Term, at the Rent, and upon and subject to all of the terms, covenants and conditions set forth in this Lease.

2.2 Condition of Premises. Tenant accepts the Premises in its current "as is" condition.

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Term of this Lease are as specified in Section 1.2.

3.2 Options to Extend. Landlord hereby grants to Tenant three (3) options (each, an "**Extension Option**") to extend the term of this Lease, each for a period of five (5) years (each, an "**Extension Term**"). Each Extension Option must be exercised, if at all, by written notice (the "**Option Notice**") delivered by Tenant to Landlord not less than six (6) months prior to the then-scheduled Expiration Date. In the event the Term of this Lease shall be extended under this Section, then all of the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect, except that:

(i) Each Extension Term shall commence immediately upon the expiration of the Initial Term or immediately prior Extension Term, as applicable.

(ii) The Rent for the Extension Term shall be the Base Rent, Additional Rent, Extraordinary Monthly Rent and Expenses, as defined and determined pursuant to this Lease, and, so long as the Loan is outstanding, Base Rent shall be payable with reference to Exhibit B in accordance with the provisions of Section 4.2. If the Loan is no longer outstanding, the Base Rent component of Rent for the Extension Term (or such portion thereof during which the Loan is not outstanding) shall be the "Fair Market Base Rent" determined in accordance with this Section. Fair Market Base Rent shall be the fair market rent of comparable premises (including square footage, location and quality of the Premises) to the Premises subject to the terms and provisions of this Lease, including without limitation Tenant's obligation to pay the Additional Rent (if any)

and Expenses. Within thirty (30) days after the exercise or deemed exercise of the Extension Option, Landlord shall notify Tenant in writing as to Landlord's determination, in Landlord's good faith judgment, of the Fair Market Base Rent, together with reasonable back-up material supporting Landlord's determination. Tenant shall have twenty (20) days from receipt of Landlord's determination of the Fair Market Base Rent to accept or reject Landlord's determination.

(iii) If Tenant timely objects to Landlord's determination of Fair Market Base Rent, Landlord and Tenant shall diligently attempt in good faith to agree on the Fair Market Base Rent within ten (10) days of Tenant's notice of objection ("**Outside Agreement Date**"). If Landlord and Tenant fail to reach agreement by the Outside Agreement Date, each shall make a separate determination of the Fair Market Base Rent within five (5) days of the Outside Agreement Date. Such determination shall then be submitted to arbitration in accordance with (v) below.

(iv) Within fifteen (15) days of the Outside Agreement Date, the parties shall agree upon an arbitrator who shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Base Rent and shall promptly notify Landlord and Tenant of its decision. If the parties are unable to agree upon the arbitrator within fifteen (15) days of the Outside Agreement Date, within five (5) days thereafter, Landlord and Tenant shall each appoint an arbitrator and give notice to the other party of such arbitrator's name and business address. The arbitrator must be a licensed real estate broker or appraiser who has been active in the leasing or appraising of commercial properties in the Los Angeles area for at least five years. If each party appoints an arbitrator, the two appointed arbitrators shall, within ten (10) days after the appointment of the second arbitrator, agree on and appoint a third similarly qualified arbitrator and promptly provide notice to Landlord and Tenant of such arbitrator's name and business address. Within thirty (30) days after the appointment of the third arbitrator, the three (3) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rent and shall promptly notify Landlord and Tenant of their decision. The decision of the majority of the three (3) arbitrators shall be binding on Landlord and Tenant.

(v) Such Base Rent as so determined shall be paid during the Extension Term in installments at the times and in the manner specified in this Lease, or if not so specified, such Base Rent shall be paid on the final day of each month in advance.

(vi) Until the Fair Market Base Rent has been agreed upon, the initial Base Rent for the Extension Term shall be the monthly Base Rent payable during the month preceding the commencement of the applicable Extension Term. In the event the Fair Market Base Rent is determined to be greater than such amount, then Tenant shall promptly pay Landlord any balance due; if Fair Market Base Rent is determined to be less than such amount, then Tenant shall receive a credit against future accruing Base Rent in the amount of such difference..

(vii) Notwithstanding anything herein to the contrary, so long as the Loan is outstanding, in no event shall the Base Rent payable during any Extension Term be less than the debt service in the Bonds for the same month.

4. Rent; Additional Rent; Expenses.

4.1 Rent Defined. Subject to the terms of this Lease, "**Rent**" is defined as and shall consist of the sum of (i) Base Rent, (ii) Additional Rent, (iii) Extraordinary Monthly Rent, and (iv) Expenses (all as defined below), together with all other monetary obligations of Tenant to Landlord or to third parties arising under the terms of this Lease.

4.2 Base Rent. So long as the Loan is outstanding, Base Rent shall be payable in accordance with the schedule set forth in Exhibit B, subject to downward adjustment in the event of any redemption or defeasance of all or a portion of the Bonds or prepayment of all or a portion of the Loan. In the event of redemption or defeasance of all of the Bonds prior to the Expiration Date such that no Bonds remain outstanding and prepayment of all of the Loan prior to the Expiration Date and without termination of the Lease, commencing on the first day of the first calendar month following such defeasance, redemption or full prepayment, the Base Rent shall be revised to be the Fair Market Base Rent determined in accordance with Section 3.2.

4.3 Additional Rent. Tenant shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Landlord on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule from time to time delivered by Landlord. The amount projected as Additional Rent during the Term, assuming no Extraordinary Monthly Rent, is as set forth on Exhibit B. "Additional Rent" shall consist of the following all amounts required to reimburse Landlord, or satisfy Landlord's obligations, for any fees, expenses, taxes, indemnities, assessments or other payments as Borrower under the Loan Agreement, including, but not limited to, such amounts as described in Section 3.02(d) of the Loan Agreement, and any other amounts required to be paid by the Landlord in order for the Landlord to meet its obligations under the Bond Documents on a full and timely basis.

4.4 Extraordinary Monthly Rent. This Section and all other references to "Extraordinary Monthly Rent, "Related Bond Trustee" and "Related Project" shall be applicable, only if and for so long as there are Outstanding Related Bonds (as defined in the Master Indenture of Trust). In the event that Tenant receives a notice (an "Extraordinary Monthly Rent Notice") from either the Landlord under another Lease (as defined in the Master Indenture of Trust) or from the Related Bond Trustee (as defined in the Master Indenture of Trust) stating the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Tenant shall pay the its Proportionate Share (as defined below) of the Extraordinary Monthly Rent to the Related Bond Trustee within three (3) Business Days after such Tenant's receipt of the Extraordinary Monthly Rent Notice. Landlord covenants to immediately provide Tenant with a copy of any Extraordinary Monthly Rent Notice received by Landlord pursuant to the terms of the Master Indenture. "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Tenant's Proportionate Share of the Extraordinary Monthly Rent. "Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. If payable, Extraordinary Monthly Rent shall be added to and be a component of Base Rent.

4.5 Expenses. Tenant shall be responsible for all Expenses, which Tenant shall pay directly to the providers of any of the items comprising Expenses prior to delinquency, or shall pay to or reimburse Landlord within thirty (30) days after receiving a statement from Landlord itemizing (with reasonable description) all charges included thereon. "Expenses" shall mean all

costs and expenses of the ownership, operation, maintenance, repair, or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises, the aggregate of the "Maintenance Expenses" and the "General Expenses" set forth below:

(i) "Maintenance Expenses" means all costs of maintaining and repairing the Premises, the parking area, athletic fields and other portions of the Premises, deferred maintenance, installing or extending service systems and other built-in equipment, and improving the Premises, including without limitation all of the following:

a. All maintenance, replacement and repair costs of air conditioning, heating and ventilation equipment and systems, elevators (if any), landscaping, service areas, parking lots, athletic fields, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, structural compliments of the Premises , and cost of compliance with applicable laws(including any required upgrades or retrofitting).

b. Supplies, materials, labor, equipment, and utilities used in or related to the repair and maintenance of the Premises and such common areas.

c. Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises.

(ii) "General Expenses" means all of the following, to the extent not included in Maintenance Expenses:

a. Gross receipts taxes, whether assessed against Landlord or assessed against Tenant and collected by Landlord.

b. Water, sewage, and waste or refuse removal charges.

c. Gas, electricity, telephone and other utilities.

d. The cost of monthly or annual contracts for systems or services such as alarm systems, security systems, internet services, janitorial services or landscaping services.

e. All janitorial, cleaning, landscaping, sweeping and repair services relating to the Premises.

f. The costs of signs and directories.

g. The cost of compliance with applicable laws.

h. Reasonable costs incurred by Landlord for operating expenses, including the day-to-day management (if any), including the cost of management personnel (if any), together with any of Landlord's administrative expenses such as state filings,

preparation of tax returns or notices, and all taxes, charges, or fees in connection therewith to the extent related to the Premises.

i. Subject to Section 4.6, Real Property Taxes (as defined in Section 10.1 below) and personal property taxes (as described in Section 10.3 below), if any.

j. Amounts required to be paid as deductibles in connection with any insurance required under the Bond Documents.

k. Any other costs or expenses incurred by Landlord under this Lease.

4.6 Property Tax. Tenant is a public education agency and as such is exempt from ad valorem property taxes. Tenant shall be responsible for the application to the Los Angeles County Tax Assessor for such tax exemption on an annual basis. Landlord shall cooperate with Tenant in obtaining such exemption, and shall execute any application for a tax exemption for the Premises. Any tax refunds and/or tax exemptions received by or granted to Landlord, based on Tenant's tax exempt status during the term of the Lease, shall be credited toward Tenant's Additional Rent payable under this Lease.

4.7 Payment. During the Lease Term, all Rent required to be paid in monthly installments, shall be paid with respect to each calendar month in advance on the twentieth (20th) day of each calendar month immediately preceding the month with respect to which monthly installment of Rent is due. All Rent shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever (except as specifically provided herein), and without any prior demand therefore. All Rent shall be paid to the Master Trustee for deposit in the Revenue Fund (as that term is defined in the Bond Documents), and at such address as the Master Trustee notifies Tenant, or at such other place as Landlord may designate from time to time, with the approval of the Master Trustee as long as Landlord has any obligations pursuant to the terms of the Bond Documents. Notwithstanding the foregoing, Tenant shall receive a credit for Rent owed to Landlord to the extent the Bond Trustee receives monies on behalf of Tenant under the Intercept. Rent for any period during the Term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Subject to the terms of the Indenture, and so long as any of the Bonds or the Loan remains outstanding, Tenant shall through the Intercept Notice, cause the State Controller to transfer the portion of the State Apportionment described in the Intercept Notice and attributable to the School to the Bond Trustee for deposit in the Revenue Fund (as defined in the Indenture). Landlord shall have the right, but not the obligation, to collect and impound, in advance, any or all components of Expenses, Additional Rent, or other Rent based upon Landlord's reasonable estimate of Tenant's future liability for such amounts for any calendar year or other period selected by Landlord. At the end of the calendar year or other period with respect to which any such estimate was prepared, Landlord shall reconcile Tenant's actual obligation for such component of Expenses or other Rent and the estimated amounts previously paid by Tenant.

4.8 Late Charge and Interest on Rent in Default. If any Rent is not received by or one behalf of Landlord from Tenant within ten (10) calendar days after Landlord has notified Tenant in writing that payment has not been received by Landlord, then Tenant shall immediately

Powered by BoardOnTrack

pay to Landlord a late charge equal to five percent (5%) of such delinquent rent as liquidated damages for Tenant's failure to make timely payment, by paying such sum to the Master Trustee for deposit in the Revenue Fund. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay any rent due under this Lease in a timely fashion. If any Rent remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the rate of 10% per annum from the date such amount became due until paid by paying such sum to the Master Trustee by depositing the same in the Revenue Fund.

4.9 Budgeting Rent. Tenant covenants to take such action as may be necessary to include all such payments of Rent due hereunder in its annual budgets, to make, as necessary, annual appropriations for all such payments and to take such action annually as shall be required to provide funds in such year for such payments of Rent. Tenant shall budget for and maintain a Base Rent Coverage Ratio as required in Exhibit C.

4.10 Accounting. If Landlord so requests in writing, Tenant agrees to provide Landlord with an annual, or more frequent, accounting of the Expenses paid for Tenant's most recent fiscal year.

4.11 Source of Rent Payments.

(a) Notwithstanding anything in this Lease to the contrary, Tenant's obligation to pay the Rent and the other monetary payments provided for in this Lease to any person or entity, including the Landlord, the Authority or the Bond Trustee, Master Trustee, and their respective successors and assigns, is limited to, and shall not exceed, Gross School Revenues (as defined in Exhibit C), and under no circumstances shall Tenant be required to advance any moneys derived from any source of income other than, or pay Rent or any other monetary obligation under the Lease which is in excess of, the Gross School Revenues, nor shall any other funds or property of Tenant be liable for the payment of Rent or any other monetary obligation under the Lease, and such persons and entities shall look exclusively to Gross School Revenues for satisfaction of any claims hereunder. Landlord covenants that it shall not take recourse against Tenant with respect to the failure by Tenant to make any payment under this Lease except recourse to the Gross School Revenues.

(b) Nothing contained in this Section shall be construed to release Landlord from the performance of any of the agreements on its part herein contained, and in the event Landlord shall fail to perform any such agreements on its part, Tenant may institute such action against Landlord as Tenant may deem necessary to compel performance so long as such action does not abrogate the obligations of Tenant contained in the first sentence of this Section. Tenant may, however, at Tenant's own cost and expense and in Tenant's own name or in the name of Landlord prosecute or defend any action or proceeding or take any other action involving third persons which Tenant deems reasonably necessary in order to secure or protect Tenant's right of possession, occupancy and use hereunder, and in such event Landlord hereby agrees to cooperate fully with Tenant and to take such action necessary to effect the substitution of Tenant for Landlord in such action or proceeding if Tenant shall so request.

5. Mandatory Covenants.

5.1 Specific Covenants Related to the Loan. For so long as the Loan is outstanding and has not been defeased or for so long as any obligations under the Loan Agreement remain outstanding, the provisions of Exhibit C shall be applicable for the benefit of Landlord and the Authority.

5.2 Intentionally Omitted.

5.3 Subordination of Management Agreement or Management Costs and Expenses. If Tenant engages an education manager that is a separate legal entity (including an affiliate of Tenant) with respect to the School, Tenant shall amend any such management agreement for the School such that, so long as Bonds remain outstanding: (i) the obligation of Tenant to pay educational management fees relating to the School shall be subordinate to its payment of operating expenses of the School and rent payments to Landlord under this Lease; (ii) the obligation of Tenant to pay educational management fees relating to the School shall be suspended for any such time as the payment of educational management fees would cause Tenant to fail to meet any of the financial covenants contained in Sections 3.2 or 3.3 of Exhibit C; and (iii) during any period of time when educational management fees remain unpaid, such fees shall accrue without interest. If Tenant has not engaged a separate education manager with respect to the School, Tenant agrees that it shall not apply any Gross Revenues of the School to education management costs and expenses unless and until all Rent is fully paid and the Loan is not in default.

5.4 Use. In addition to any other restrictions on Tenant's use of the Premises, the Property shall be used by Tenant for the School, for any related and ancillary school and educational purposes, any related administrative purposes, and any related incidental legal uses. Notwithstanding the foregoing, Tenant shall use and occupy the Premises only for "educational facilities" as defined in Section 17173(f) of the Education Code of the State of California in order to operate a charter school that is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the "**Code**") as an organization described in Code Section 501(c)(3) and that qualifies as an "educational organization" as described under Code Section 170(b)(1)(A)(ii); provided that Tenant shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others.

5.5 Hazardous Substances. Tenant shall comply with all obligations and the Bond Documents related to Hazardous Substances and Environmental Regulations, to the extent act applicable to the Premises or Tenant's use and occupancy thereof.

6. Maintenance; Repairs.

6.1 Tenant Fully Responsible. During the Term, except in cases of damage or destruction due to casualty loss, or in the event of Condemnation, all repair, maintenance, restoration, retrofitting, construction or reconstruction with respect to the Facilities shall be the sole responsibility of Tenant, and Landlord shall have no duty to undertake any such repair, maintenance, restoration, retrofitting, construction or reconstruction, or to pay any costs of the same. Provided, however, that Landlord shall provide Tenant access to the moneys in the Repair and Replacement Fund, and to any moneys in the Insurance and Condemnation Proceeds Fund to

the extent necessary or appropriate to pay the costs of or to reimburse Tenant for its obligations hereunder, in accordance with the terms and provisions of the Indenture related to the Repair and Replacement Fund and the Insurance and Condemnation Proceeds Fund.

6.2 Compliance With Applicable Requirements. If any applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the "**Applicable Requirements**") require, during the Term, the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises Tenant hereby agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification, and the costs therefor shall be incurred solely by Tenant.

6.3 Liens. Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Landlord shall have the right to post notices of non-responsibility. If Tenant shall contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend and protect itself, Landlord and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof.

6.4 Ownership of Facilities; Removal; Surrender; and Restoration.

(a) **Ownership.** All Facilities shall be the property of Landlord. Any additional improvements constructed and paid for by Tenant itself shall, at the expiration or termination of this Lease, at the option of Landlord, (i) be removed by Tenant or (ii) become the property of Landlord and be surrendered by Tenant with the Premises

(b) **Surrender and Restoration.** Tenant shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the parts, and surfaces thereof broom clean and free of debris, and in good operating order, condition, and state of repair, ordinary wear and tear excepted. Tenant shall repair any damage occasioned by the installation, maintenance, or removal of any of its furnishings, and equipment. Any personal property of Tenant not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Tenant and may be disposed of or retained by Landlord as Landlord may desire.

7. Insurance; Indemnity.

7.1 Liability. Tenant shall keep in force such liability insurance policies and in such amounts as required in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.2 Premises. Tenant shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Landlord, with loss payable to Landlord and to any lender, including the Bond Trustee and the Master Trustee, insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in the Master Indenture of Trust.

The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.3 Rental Interruption. Tenant shall also obtain and keep in force, for the benefit of Landlord, rental interruption insurance insuring Landlord for the amounts of Base Rent arising from an interruption of the payment of the Base Rent, Additional Rent and Expenses otherwise payable by Tenant hereunder covering a period of at least 12 months. The limits of such insurance shall be based upon the highest monthly amount of Base Rent and Additional Rent shown on Exhibit B, as revised from time to time. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.4 Waiver of Subrogation. Without affecting any other rights or remedies, Tenant and Landlord each hereby releases and relieves the other, and waives their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance is not invalidated thereby.

7.5 Indemnity. Except for Landlord's negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, partners, members, directors, and officers, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Tenant. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section 8.5 shall survive the termination of this Lease.

7.6 Exemption of Landlord from Liability. Unless caused by Landlord's negligence or willful misconduct, Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

7.7 Insurance Requirements of Bond Documents. The foregoing notwithstanding, for so long as the Loan is outstanding, Tenant shall be deemed to meet its insurance obligations as set forth in this Section 7 if it carries, and it hereby agrees to carry, the insurance required under the terms of the Bond Documents, as such requirements may change from time to time. Without limiting the foregoing, for so long as the Loan is outstanding, Tenant shall cause the Bond Trustee, Master Trustee and Landlord to be named as additional insureds on Tenant's liability insurance

and Bond Trustee and Master Trustee as mortgagees and loss payees on property insurance policies.

8. Damage or Destruction.

8.1 Definitions.

(a) "**Damage**" shall mean damage or destruction to the improvements on the Premises from fire or other casualty.

(b) "**Insured Loss**" shall mean Damage that was caused by an event required to be covered by the insurance described in Section 8.2, irrespective of any deductible amounts or coverage limits involved.

8.2 Damage. Subject to the terms of the Master Indenture of Trust, Landlord shall be entitled to any and all insurance proceeds that are available as a result of any Insured Loss, and Landlord may at its election proceed to reconstruct the Facilities subject to such Damage to their condition existing immediately prior to the Damage, utilizing available insurance proceed and any amounts voluntarily contributed by Landlord in its sole discretion. If Landlord elects not to undertake such restoration, Tenant may (i) if such damage is material, terminate this Lease by providing written notice to Landlord, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Tenant of Landlord's notice of its election not to undertake such restoration, or (ii) require Landlord to restore and rebuild the Premises, so long as the following conditions are met:

(a) The amount of insurance proceeds that are available for restoration, plus any funds that may have been deposited by Tenant, are sufficient to restore and rebuild the Premises to their character, condition and utility immediately prior to the casualty (or to such other condition as Tenant reasonably demonstrates will generate sufficient revenue for Tenant to meet its obligation to pay all Rent thereafter accruing);

(b) The amount of available proceeds of rental interruption insurance plus any funds deposited by Tenant equals an amount determined by Landlord to be sufficient to pay the Rent accruing during the period between the date of such casualty and the date the restoration or rebuilding is substantially completed.

(c) The restoration or rebuilding is estimated by Landlord to be completed at least twelve (12) months prior to the Maturity Date of the Bonds.

(d) In lieu of making any deposit of funds as described above, Tenant shall have the right to provide other assurances of the payment of restoration costs and Rent acceptable to Landlord in its sole discretion, such as a letter of credit.

8.3 Damage—Uninsured Loss. If Damage that is not an Insured Loss occurs, (a) Tenant may repair such damage as soon as reasonably possible at Tenant's expense, in which event this Lease shall continue in full force and effect or, (b) if Tenant elects not to undertake such repair, and such Damage is material, Landlord or Tenant may terminate this Lease by providing

written notice to the other party, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Landlord of knowledge of the occurrence of such Damage.

8.4 Waive Statutes. Landlord and Tenant agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith, including California Civil Code Sections 1932(2) and 1933(4).

9. Real Property Taxes.

9.1 Definition. As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Premises, Landlord's right to other income therefrom; and/or Landlord's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to this Lease.

9.2 Payment of Taxes. Tenant shall timely file for exemption from any Real Property Taxes and shall maintain such exemption during the Term. In any event, Tenant shall pay, before the same become past due, the Real Property Taxes applicable to the Premises during the Term to the extent any such Real Property Taxes are charged, levied, assessed, or imposed.

9.3 Personal Property Taxes. Tenant shall timely file for exemption from any taxes fixtures, furnishings, equipment, and all personal property of Tenant and shall maintain such exemption during the Term. Tenant shall pay, prior to delinquency, all such taxes to the extent they are charged, levied, assessed, or imposed after an exemption for such taxes is filed as required hereunder.

10. Assignment and Subletting.

10.1 By Tenant. Tenant shall not sublease, assign, mortgage, pledge, hypothecate or encumber this Lease or any of Tenant's interest hereunder without the prior written consent of Landlord (which shall not be unreasonably withheld). Tenant acknowledges that, pursuant to the Bond Documents, Landlord may be required to obtain the Authority's approval to a sublease, assignment or other transfer of Tenant's interest in the Lease and that Landlord's disapproval shall be deemed reasonable if based on any such disapproval by the Authority. Tenant acknowledges that the financing of the Premises through the Tax-Exempt Bonds may restrict the assignees which could be approved by Landlord. In addition, Tenant shall not sublease, assign, mortgage, pledge, hypothecate, or encumber this Lease unless it receives an Opinion of Bond Counsel confirming that such action will not result in use or operation of the Premises not in conjunction with a charter school under the Act.

10.2 By Landlord. Tenant acknowledges that Landlord's interest in the Premises are subject to a deed of trust in favor of the Master Trustee and that certain of the Landlord's rights under this Lease are assigned to the Master Trustee as security for the Bonds under the Master Indenture of Trust.

11. Default; Event of Default; Remedies.

11.1 Default; Event of Default. A "**Default**" is defined as a failure by Tenant to comply with or perform any of the terms, covenants or other obligations of Tenant under this Lease. An "**Event of Default**" is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

(a) The abandonment of the Premises.

(b) The failure of Tenant to make any payment of Rent required to be made by Tenant hereunder, whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond required hereunder, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) business days following written notice to Tenant.

(c) Any material representation or warranty made in this Lease, or in any report, certificate, financial statement, or instrument furnished in connection with this Lease, proves to have been false or misleading when made, in any material respect, and is not promptly corrected.

(d) Except as otherwise provided in Exhibit C attached hereto, if Tenant violates or fails to observe or perform any covenant contained in Exhibit C a, and fails to cure the same within any notice or grace period contained in Exhibit C or this Lease.

(e) Reserved.

(f) A Default by Tenant as to the terms, covenants, conditions or provisions of this Lease, other than those described in subparagraphs 12.1(a) through (e) above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Tenant's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(g) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

11.2 Remedies. Upon the occurrence of any Event of Default, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such Event of Default:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees of Landlord and the Authority, and that portion of any leasing commission paid by Landlord in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Landlord to mitigate damages caused by Tenant's Event of Default of this Lease shall not waive Landlord's right to recover damages under Section 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Section 12.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Tenant under the unlawful detainer statute shall also constitute the notice required by Section 12.1. In such case, the applicable grace period required by Section 12.1 and the unlawful detainer statute shall run concurrently, and the failure of Tenant to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and an Event of Default under this Lease entitling Landlord to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Tenant's right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Landlord's interests, shall not constitute a termination of Tenant's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under this Lease, including under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Tenant's occupancy of the Premises.

11.3 Interest. Any monetary payment due Landlord hereunder not received by Landlord when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the

date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law.

11.4 Landlord Self Help. If Tenant fails to perform any of its affirmative duties or obligations (other than compliance with the covenants and financial reporting requirements described in Section 5 and Exhibit C), Landlord may, at its option, perform such duty or obligation on Tenant's behalf including, but not limited to, the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Tenant shall pay to Landlord the costs and expenses incurred by Landlord in such performance upon receipt of an invoice therefor.

12. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs, and Expenses thereafter shall be limited to those applying to the remaining Premises subject to this Lease. Subject to the terms of the Master Indenture of Trust, in the event that there is a Condemnation of less than all of the Premises, and such portion so taken is material to Tenant's use and quiet enjoyment of the Premises as a whole, then all available Condemnation awards and/or payments shall be used first, to restore the remaining portion of the Premises to a usable whole, and second, to reduce the balance of any loan made to Landlord and secured by the Premises in proportion to the portion taken or sold. Any portion of the award and/or payment that remains after the foregoing purposes have been satisfied shall be the property of Landlord. Subject to the terms of the Bond Documents, all Condemnation awards and/or payments shall be the property of Landlord.

13. Estoppel Certificates. Each Party (as "**Responding Party**") shall within ten (10) days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

14. Definition of Landlord. The term "**Landlord**" as used herein shall mean the owner or owners at the time in question of the lessor's interest under this Lease. Upon any transfer of such interest in the Premises, the prior Landlord shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the succeeding Landlord. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by Landlord shall be binding only upon Landlord as hereinabove defined.

15. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days. "**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal

Corporate Trust Office (as defined in the Indenture) is located are authorized or obligated by law or executive order to be closed.

17. Limitation on Liability. The obligations of Landlord under this Lease shall not constitute personal obligations of Landlord, and Tenant shall look to the Premises, and to no other assets of Landlord, for the satisfaction of any liability of Landlord with respect to this Lease. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Bond Trustee, Master Trustee, Landlord or Tenant shall be individually or personally liable for the payment of any amounts hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Lease; but nothing herein contained shall relieve any such member, director, officer, agent or employee form the performance of any official duty provided by law or this Lease.

18. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

19. No Prior or Other Agreements. Subject to the terms of the Bond Documents, this Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Each Party represents and warrants that the execution of the Lease will not, to the best of the Party's knowledge, constitute a violation under any material agreements to which such Party is a party.

20. Notices.

20.1 Notice Requirements. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given (a) if hand delivered or delivered by courier, when delivered to the appropriate notice address, or (b) if mailed by first class mail, postage prepaid, six Business Days after deposit in the United States mail addressed to the appropriate notice address. Any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Days. The parties listed below may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice required or permitted hereunder shall be directed to the following notice address:

20.2 Addresses.

Landlord: Cunningham & Morris, LLC
10000 South Western Avenue
Los Angeles, California 90047
Attention: President
Telecopy: See Indenture

Tenant: TEACH, Inc.
10000 South Western Avenue
Los Angeles, California 90047
Attention: Superintendent
Telecopy: See Indenture

Authority (during the time the Loan is outstanding):

California School Finance Authority
State Treasurer's Office
304 S. Broadway, Suite 550
Los Angeles, California 90013
Attention: Executive Director
Telecopy: (213) 620-6309

21. Waivers. No waiver by Landlord of the Default or Event of Default of any term, covenant or condition hereof by Tenant, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Event of Default by Tenant of the same or of any other term, covenant or condition hereof.

22. No Right To Holdover. Tenant has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Tenant holds over, then the Base Rent shall be increased to 110% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Landlord to any holding over by Tenant.

23. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

24. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Tenant are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

25. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State of California. Any litigation between the Parties hereto concerning this Lease which involve any other Bond Documents shall be initiated in the County of Sacramento, and any other litigation between the parties concerning this Lease shall be initiated in the County of Los Angeles.

26. Landlord's Access; Showing Premises; Repairs. Landlord shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times after two (2) Business Days' prior notice for the purpose of inspecting the Premises, verifying compliance by Tenant with this Lease or exercising its self-help rights under Section 12.4.

27. Quiet Possession. Subject to payment by Tenant of the Rent and performance of all of the covenants, conditions and provisions on Tenant's part to be observed and performed under this Lease, Tenant shall have quiet possession and quiet enjoyment of the Premises during the Term hereof.

28. Counterparts. This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

29. Amendments. Subject to the terms of the Master Indenture of Trust applicable to the modification or amendment of this Lease and subject to Landlord and Tenant receiving the consent of Wooten Avila LLC to any amendment while the 2019 Bonds are still outstanding, this Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Tenant's obligations hereunder, Tenant agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

30. Limitation of Rights to Parties. Except as otherwise provided herein, nothing in this Lease is intended or shall be construed to give to any person other than Landlord and Tenant any legal or equitable right, remedy or claim under or in respect of this Lease or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of Landlord and Tenant.

31. CASp Disclosure. California Civil Code Section 1938 requires Landlord to notify Tenant whether the Premises has undergone inspection by a Certified Access Specialist ("CASp"), as defined in California Civil Code Section 55.52. Landlord hereby states to Tenant that, as of the date this Lease is executed, the property of which the Premises is a part has not undergone such inspection.

(Signatures on next page)

(Signature page of Lease Agreement)

The Parties hereto have executed this Lease as of the day and year first above written.

Landlord:

Cunningham & Morris, LLC
a California limited liability company

By: _____
Name: Xavier Reyes
Title: President

Tenant:

TEACH, Inc.,
a California nonprofit public benefit corporation

By: _____
Name: Dr. Raul Carranza
Title: Superintendent of Schools

EXHIBIT A
Legal Description of Premises

Real property in the City of Los Angeles, County of Los Angeles, California, described as follows:

PARCEL 1:

LOTS 1, 2, 3 AND 4 OF TRACT NO. 7464, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 80 PAGE 94 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 48 OF TRACT NO. 7464, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 80 PAGE 94 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION OF LOT 48, WITHIN THE FOLLOWING DESCRIBED BOUNDARIES:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAID LOT, A DISTANCE OF 22.09 FEET TO THE BEGINNING OF A CURVE CONCAVE TO THE SOUTHWEST HAVING A RADIUS OF 17 FEET, TANGENT TO SAID EASTERLY LINE AND TANGENT TO THE SOUTHERLY LINE OF THE NORTHERLY 5 FEET OF SAID LOT; THENCE NORTHWESTERLY ALONG SAID CURVE 26.80 FEET TO SAID SOUTHERLY LINE; THENCE WESTERLY ALONG SAID SOUTHERLY LINE 112.91 FEET TO THE WESTERLY LINE OF SAID LOT; THENCE NORTHERLY ALONG SAID WESTERLY LINE TO THE NORTHWESTERLY CORNER OF SAID LOT; THENCE EASTERLY ALONG THE NORTHERLY LINE OF SAID LOT, A DISTANCE OF 130.00 FEET TO THE POINT OF BEGINNING.

PARCEL 3:
LOTS 13, 14, 15 AND 16 OF TRACT NO. 7906 IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 82 PAGES 42 AND 43 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOTS 22, 23 AND 24 OF TRACT NO. 7906, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 82 PAGES 42 AND 43 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: **6059-001-003, 030, 031, & 033, 6058-006-005, 006, 007, 008**

EXHIBIT B

SCHEDULE OF BASE RENT & ADDITIONAL RENT

(TEACH ACADEMY OF TECHNOLOGIES)

[ADD]

EXHIBIT C

MANDATORY COVENANTS

Capitalized terms not otherwise defined in this Exhibit C shall have the meanings ascribed to such terms in the Lease and the Master Indenture of Trust.

1. **Tenant Covenants**: Tenant acknowledges that the Premises secure Landlord's obligations under the Bond Documents. Accordingly:

1.1 Tenant covenants and agrees that so long as any bonds or loans remain outstanding, Tenant shall maintain a charter school facility providing educational services to students within the territorial limits required, if any, pursuant to Tenant's charter.

1.2 Tenant covenants and agrees to take all reasonable actions to maintain its current or any future charter ("Tenant's Charter") for the School with a sponsoring entity and to take or cause to be taken any and all actions required to renew or extend the term of its charter with a sponsoring entity. As soon as practicable, Tenant shall provide Landlord with a copy of any notice received with regards to any sponsoring entity's intent to renew or extend the term of any such charter or any notice of any issues which if not corrected or resolved could lead to termination or nonrenewal of any such charter. If such charter is terminated or not renewed, Tenant shall use commercially reasonable efforts, and shall cooperate with Landlord, to assign this Lease to an entity that maintains a charter with a sponsoring entity. In addition, Tenant shall maintain accreditation status under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and related administrative rules and shall satisfy the student performance accountability standards stated in its application for its charter.

1.3 Tenant will permit the Landlord to discuss the affairs, finances and accounts of Tenant or any information the Landlord may reasonably request with appropriate officers of Tenant, and will grant the Landlord access to the facilities, books and records related to the Facilities or Tenant on any business day upon reasonable prior notice.

2. **Bondholder/Authority Protection Regarding Tenant Defaults**: At any time when there is a Security Instrument against the Premises, the following provisions shall apply:

2.1 Prior to exercising any right or remedy which would have the effect of terminating the Lease (or which would terminate the Lease if Tenant does not satisfy conditions, such as payment of delinquent Rents), the Landlord must give the Authority written notice of default and an opportunity to cure (a) monetary defaults within ten (10) days after notice; and (b) all other defaults within the time allowed by the Lease for Tenant to perform.

2.2 Before any termination remedy may be exercised against Tenant, if any cure of a non-monetary default requires that the Authority obtain possession of the Premises, then the time of Authority to cure shall be extended to ten (10) days after it has obtained possession, provided that Landlord has moved with all due diligence to exercise its remedies to obtain possession.

2.3 Before any termination remedy may be exercised against Tenant, if an Event of Default requires more time to cure than allowed above, then on demonstration that the Authority has worked in good faith and with all due speed to cure the Default, the Authority may extend the time to perform by another thirty (30) days.

2.4 Notwithstanding any other provision hereof, no lender shall have a liability or obligation to cure an Event of Default.

2.5 Tenant shall not take any action, or omit to take any action required of it by the Lease, which will impair or diminish the security of the existing Security Instruments, including any acts/omissions which will have a negative effect on the tax status of the Security Instrument.

3. **Tenant's Financial Covenants**. All initially capitalized terms which are not otherwise defined herein shall have the meanings set forth in the Master Indenture, provided that any such definitions therein pertaining to the financial or operational performance of the Landlord (defined therein as a "Member") shall be construed when used herein to refer to the financial or operational performance of Tenant. With respect to any retention of an Independent Consultant hereunder, Tenant hereby covenants that Tenant shall comply with and shall be bound by the selection procedures set forth in the Bond Documents.

3.1 Base Rent Coverage Ratio. Tenant covenants and agrees to calculate for each Fiscal Year its Base Rent Coverage Ratio (as defined below) for each Lease based on its audited financial statements for such Fiscal Year, and to provide a copy of such calculation for such period to the Landlord and the Master Trustee annually commencing with the Fiscal Year ending June 30, 2053. Tenant also covenants to maintain its Net Operating School Revenue (defined below) so that its Base Rent Coverage Ratio at the end of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2053) is not less than 1.10 to 1.00; provided that, except as provided below, Tenant's failure to achieve the required Base Rent Coverage Ratio will not constitute an Event of Default if Tenant promptly engages an Independent Consultant to prepare a report, to be delivered to Tenant, Landlord and Master Trustee within 45 days of engagement, with recommendations for meeting the required Base Rent Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by Tenant may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, Tenant covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to Landlord and Master Trustee within 90 days after being so retained. Tenant, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant more often than once during any 24 month period. Notwithstanding the foregoing, Tenant's failure to achieve a Base Rent Coverage Ratio of 1.00 to 1.00 at the end of any Fiscal Year (commencing with the Fiscal Year ending June 30, 2053) will constitute an Event of Default hereunder.

3.1.1 For purposes of this Section, "Base Rent," "Additional Rent," "Extraordinary Monthly Rent," and "Expenses have the meaning set forth in the Lease.

3.1.2 "Base Rent Coverage Ratio" means for any period of time the ratio determined by dividing (i) Net Operating School Revenue (as defined below), by (ii) the amount of scheduled Base Rent under the Lease.

3.1.3 "Educational Management Fees" means that portion of an educational management fee, if any, paid to Tenant in connection with management services provided by Tenant or an affiliate thereof and related to or payable from revenues attributable to the applicable Obligated Group School and to any other charter school operated by Tenant on the property subject to the Lease. This fee is subordinate to the payment of Rent due under the Leases.

3.1.4 "Gross School Revenue" means all revenue, income, receipts and money received by Tenant or on behalf of Tenant from all lawfully available sources attributable to its operation of the applicable Obligated Group School and to any other charter school operated by Tenant in the property subject to the Lease, including from any applicable district or county or from the State pursuant to the Charter School Law from the Local Control Funding Formula, general purpose entitlement or revenue limit; but excluding gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for Rent payments or operating expenses. Any other income, revenue, receipts, contributions or other monies received by Tenant not specifically described in the immediately preceding sentence shall not constitute Gross School Revenues.

3.1.5 "Long Term School Indebtedness" means Obligated Group School Indebtedness having an original maturity greater than one year or renewable at the option of Tenant for a period of greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Obligated Group School Indebtedness, no such Obligated Group School Indebtedness is permitted to be outstanding thereunder for a period of at least 20 consecutive days during each calendar year.

3.1.6 "Net Operating School Revenue" means Tenant's Gross School Revenue minus its Operating Expenses; provided, that no determination thereof will take into account: (a) any gain or loss resulting from either the early extinguishment or refinancing of Obligated Group School Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business; (b) gifts, grants, bequests, donations or contributions, and income therefrom, to the extent specifically permanently restricted by the donor or by law to a particular purpose inconsistent with their use for the payment of Operating Expenses; (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (e) unrealized gains or losses that do not result in the receipt or expenditure of cash; and (f) nonrecurring items which involve the receipt, expenditure or transfer of assets.

3.1.7 "Obligated Group School Indebtedness" means Indebtedness (as such term is defined in the Master Indenture) related to or payable from revenues of the School and to any other charter school operated by Tenant at the Premises.

3.1.8 "Operating Expenses" means, except as provided below, all unrestricted expenses of Tenant attributable to operations of the School and to any other charter school operated by the Tenant at the Premises, including maintenance, repair expenses, utility

expenses, equipment lease and other rental expense (excluding the Base Rent and the Extraordinary Monthly Rent, if any, but including Additional Rent and Expenses), administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of Tenant, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of Tenant not otherwise taken into account herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles, all in such amounts as reasonably determined by Landlord. "Operating Expenses" shall exclude, however, (i) all subordinated Educational Management Fees, (ii) depreciation and amortization, and (iii) any expenses which are treated as extraordinary in accordance with generally accepted accounting principles.

3.2 Liquidity Covenant. Tenant shall calculate Consolidated Days Cash on Hand (as defined below) for the Obligated Group Schools as of the last day of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2053, based upon its audited financial statements for such Fiscal Year and file such reports with Master Trustee. For each calculation date, Tenant, on behalf of the Obligated Group Schools, will maintain Consolidated Days Cash on Hand as of the last day of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2053) equal to or greater than 45 days.

3.2.1 "Consolidated Days Cash on Hand" means (i) the sum of Cash and Cash Equivalents of the Obligated Group Schools, as shown on Tenant's audited financial statements for each Fiscal Year, and any State payments accrued to such Fiscal Year and scheduled to be received within two months following the end of such Fiscal Year ("Cash on Hand"); divided by (ii) the Average Daily Expenses for Obligated Group Schools (as calculated for the most recent Fiscal Year ending before such date).

3.2.2 "Average Daily Expenses for Obligated Group Schools" means (A) cash requirements during such Fiscal Year related to or payable from revenues attributable to the schools (the "Obligated Group Schools") operated by Tenant under this Lease and any other lease concerning facilities, that have been financed with Obligations issued under the Master Indenture (the "Obligated Group Leases") (excluding from such calculation all depreciation and other non-cash items), and including within such calculation on behalf of the Obligated Group Schools in the aggregate (i) all Operating Expenses for such Fiscal Year for the Obligated Group Schools, (ii) subordinated Educational Management Fees and (iii) the maximum Base Rent payable under the Obligated Group Leases, taken as a whole, for any Fiscal Year, divided by (B) 365.

3.2.3 Tenant will provide a certificate to the Landlord and Master Trustee at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether Tenant, on behalf of the Obligated Group Schools, has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, Tenant covenants to retain an Independent Consultant, at the expense of Tenant, on behalf of the Obligated Group Schools, within 45 days, to make recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by Tenant may be rejected upon the written request

of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, Tenant covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Landlord and Master Trustee within 90 days after being so retained. Tenant, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant on behalf of the Obligated Group Schools more often than once during any 24 month period.

3.2.4 No proceeds of any Short Term Indebtedness (as defined below) will be considered unrestricted available cash for purposes of such calculation (other than the proceeds of any working capital loans made to bridge deferrals in State payments or start-up loans from the State of California or the California Department of Education).

3.2.5 Failure of Tenant, on behalf of the Obligated Group Schools, to maintain the required amount on deposit shall not constitute a default or an Event of Default under the Lease.

3.3 Limitations on Tenant Indebtedness. Tenant covenants that it will not incur, assume or guarantee ("incur"), any Obligated Group School Indebtedness (secured or unsecured), except Obligated Group School Indebtedness with respect to purposes specifically benefiting Tenant, and except as provided below:

3.3.1 To the extent permitted by applicable law and if no Event of Default under the Lease, or an event that with the giving of notice or passage of time or both would constitute an Event of Default under the Lease, has occurred and is continuing, Tenant may incur or assume Nonrecourse Indebtedness (as defined below), Short-Term Indebtedness (as defined below), and Interim Indebtedness (as defined below) to a total aggregate principal amount outstanding at any time not in excess of the greater of: (1) 25% of Operating Expenses in any Fiscal Year, or (2) the maximum amount of advance apportionment and principal apportionment due to the School in any fiscal year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or Sections 16325.5 and 16326 of the California Government Code, or any subsequent legislation authorizing additional deferrals of such apportionments.

(a) "Nonrecourse Indebtedness" means all Obligated Group School Indebtedness with respect to which the obligee is prevented by applicable law or contractual arrangement from exercising recourse, or any other right or remedy exercisable by a creditor, against all or any part of the Premises or the Facilities in order to pay, satisfy or discharge all or any part of the Obligated Group School Indebtedness.

(b) "Short-Term Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to one year and not renewable at the option of Tenant for a term greater than one year from the date of original incurrence or issuance, provided however, that any Short Term Indebtedness that has been issued as revenue anticipation notes ("RANS") will not be included or counted as Short Term Indebtedness to the

extent that the RANS are secured by deferred state apportionment revenues expressly pledged and deposited in an intercept account to pay such RANS.

(c) "Interim Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to five years and not renewable at the option of Tenant for a term greater than five years from the date of original incurrence or issuance.

3.3.4 Charter School Revolving Fund Loan Program. Notwithstanding the foregoing limitations on Obligated Group School Indebtedness, Tenant shall be permitted to obtain loans with respect to the School operated under Tenant's Charter pursuant to the Charter School Revolving Loan Program established under California Education Code Sections 41365 through 41367 ("Charter School Start-up Loans") and any such Charter School Start-up Loans existing with respect to any School will not be taken into account in applying the foregoing limitations on Non-Recourse Indebtedness, Short-Term Indebtedness, and Interim Indebtedness.

3.4 Reporting Obligations. Tenant agrees to provide Landlord, and upon written request of the Bond Trustee or Master Trustee, to Bond Trustee or Master Trustee as applicable, the following information:

3.4.1 If Tenant is undertaking any construction at the Premises, not later than 60 days after the end of each quarter, a construction progress report with respect to any such construction until such construction is substantially complete.

3.4.2 Quarterly unaudited financial information and operating data of the Obligated Group Schools not later than 60 days after the end of each quarter.

3.4.3 Quarterly, not later than 60 days after the end of each quarter, a report of the Obligated Group Schools' quarterly enrollment data and waitlist data by grade for the previous fiscal quarter.

3.4.4 Prior to the end of each fiscal year, a copy of the annual budget of the School for the subsequent Fiscal Year.

3.4.5 Quarterly, not later than 60 days after the end of each quarter, a year to date comparison of the revenue and expenditures in the unaudited financial statements for such quarter to the annual budget for the applicable fiscal year.

3.4.6 Quarterly, not later than 60 days after the end of each quarter, a copy of any recommendations of any Independent Consultant received in accordance with the Lease pursuant to the Liquidity Covenant and Base Rent Coverage Ratio covenant described above.

3.4.7 Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2053, copies of the audited financial statements of Tenant and the Obligated Group Schools for the prior fiscal year prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available.

3.4.8 Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2053, the certifications and calculations of the Consolidated Days Cash on Hand for the Obligated Group Schools and the Base Rent Coverage Ratio for each Obligated Group School as described in the Liquidity Covenant and Base Rent Coverage Ratio covenant under the Obligated Group Leases described above.

3.4.9 Such other information as may be reasonably requested by Landlord, the Authority, the Bond Trustee or Master Trustee.

EXHIBIT D

FORM OF INTERCEPT NOTICE

(TEACH TECH CHARTER HIGH SCHOOL)

SEE ATTACHED

EXHIBIT D

LEASE AGREEMENT

between

Wooten Avila LLC
a California limited liability company
as Landlord

and

TEACH, Inc.,
a California nonprofit public benefit corporation
(in its capacity as operator of and holder of the charter for
TEACH Tech Charter High School)
as Tenant
dated as of December 14, 2019

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

1. Basic Provisions 1
1.1 Premises 1
1.2 Term 1
1.3 Extension Option 1
1.4 Rent 1
1.5 The Bonds 1
1.6 Intentionally Omitted 1
1.7 Refinancing of Loan 2
1.8 The Intercept 2
1.9 The School 2
1.10 Capitalized Terms 3
2. Premises 3
2.1 Letting 3
2.2 Condition of Premises 3
3. Term 3
3.1 Term 3
3.2 Options to Extend 3
4. Rent; Additional Rent; Expenses 4
4.1 Rent Defined 4
4.2 Base Rent 4
4.3 Additional Rent 5
4.4 Extraordinary Monthly Rent 5
4.5 Expenses 5
4.6 Property Tax 7
4.7 Payment 7
4.8 Late Charge and Interest on Rent in Default 7
4.9 Budgeting Rent 8
4.10 Accounting 8
4.11 Source of Rent Payments 8
5. Mandatory Covenants 8
5.1 Specific Covenants Related to the Loan 8
5.2 Intentionally Omitted 9
5.3 Subordination of Management Agreement or Management Costs and Expenses 9
5.4 Use 9

TABLE OF CONTENTS
(Continued)

Page

5.5 Hazardous Substances....9

6. Maintenance; Repairs....9
6.1 Tenant Fully Responsible....9
6.2 Compliance With Applicable Requirements....10
6.3 Liens....10
6.4 Ownership of Facilities; Removal; Surrender; and Restoration....10

7. Insurance; Indemnity....10
7.1 Liability....10
7.2 Premises....10
7.3 Rental Interruption....11
7.4 Waiver of Subrogation....11
7.5 Indemnity....11
7.6 Exemption of Landlord from Liability....11
7.7 Insurance Requirements of Bond Documents....11

8. Damage or Destruction....12
8.1 Definitions....12
8.2 Damage....12
8.3 Damage—Uninsured Loss....12
8.4 Waive Statutes....13

9. Real Property Taxes....13
9.1 Definition....13
9.2 Payment of Taxes....13
9.3 Personal Property Taxes....13

10. Assignment and Subletting....13
10.1 By Tenant....13
10.2 By Landlord....13

11. Default; Event of Default; Remedies....14
11.1 Default; Event of Default....14
11.2 Remedies....15
11.3 Interest....16
11.4 Landlord Self Help....16

12. Condemnation....16

13. Estoppel Certificates....16

TABLE OF CONTENTS
(Continued)

Page

14. Definition of Landlord 16
15. Severability 16
16. Days 17
17. Limitation on Liability 17
18. Time of Essence 17
19. No Prior or Other Agreements 17
20. Notices 17
20.1 Notice Requirements 17
20.2 Addresses 17
21. Waivers 18
22. No Right To Holdover 18
23. Cumulative Remedies 18
24. Covenants and Conditions; Construction of Agreement 18
25. Binding Effect; Choice of Law 18
26. Landlord's Access; Showing Premises; Repairs 18
27. Quiet Possession 19
28. Counterparts 19
29. Amendments 19
30. Limitation of Rights to Parties 19

TABLE OF CONTENTS
(Continued)

Page

EXHIBIT A LEGAL DESCRIPTION OF PREMISES A-1
EXHIBIT B SCHEDULE OF BASE RENT & ADDITIONAL RENT B-1
EXHIBIT C MANDATORY COVENANTS C-1
EXHIBIT D FORM OF INTERCEPT NOTICE.....D-1

LEASE AGREEMENT

This LEASE AGREEMENT ("**Lease**") dated, for reference purposes only, as of December 14, 2019, is made by and between Wooten Avila LLC, a California limited liability company ("**Landlord**"), and TEACH, Inc., a California nonprofit public benefit corporation (in its capacity as operator of and holder of the charter for the "School" described herein ("**Tenant**") (Landlord and Tenant being sometimes referred to herein collectively as the "**Parties**" and individually a "**Party**").

FOR A VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged: the parties hereby agree as follows:

1. Basic Provisions.

1.1 Premises. The "**Premises"** consists of all of the land and all of the improvements thereon, located on the land commonly referred to as 10616 S. Western Avenue, Los Angeles, California 90047 ("High School Lot"), and more particularly described on the attached Exhibit A. In addition, at such time as Landlord purchases the land, and all improvements located thereon, that is commonly referred to as 10610 S. Western Avenue, Los Angeles, California 90047 ("BBQ Lot"), and more particularly described on the attached Exhibit A, currently estimated to be January 17, 2020, the Premises shall also be expanded to include the BBQ Lot.

1.2 Term. The initial term of this Lease shall be for approximately thirty eight (38) years commencing on December 14, 2019 (the "**Commencement Date**") and ending on June 30, 2058 (the "**Initial Term**"), or such other later date if Tenant exercises any of Extension Options described in Section 3 (such date, as it may be extended, the "**Expiration Date**").

1.3 Extension Option. Tenant shall have three (3) options to extend the Term (such extension terms collectively, the "**Extension Term**" and, collectively with the Initial Term, the "**Term**") on the terms and conditions, and at the Rent, set forth in Section 3 below.

1.4 Rent. As set forth in Section 4.1.

1.5 The Bonds. The California School Finance Authority (the "**Authority**") is concurrently herewith making a loan (the "**Loan**") to Landlord as evidenced by a Loan Agreement dated as of December 1, 2019 (the "**Loan Agreement**"), by and between the Authority and Landlord pursuant to an Indenture (the "Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee thereunder (the "Bond Trustee"). The Loan will be funded by the proceeds of the Authority's California School Finance Authority Charter School Revenue Bonds California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A (Tax-Exempt) and California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable) (collectively, the "**Bonds**") pursuant to the terms of (i) a Master Indenture of Trust dated October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016, and a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master

Indenture"), by and between Cunningham & Morris, LLC, as representative of the Obligated Group and the initial Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and Wilmington Trust, National Association, as master trustee (the "Master Trustee"), (ii) the Indenture, (iii) a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower, and (iv) an Obligation No. 2 ("Obligation No. 2") issued by the Obligated Group Representative to the Bond Trustee pursuant to the Second Supplemental Master Indenture. The Loan Agreement, the Master Indenture of Trust, the Indenture, the Supplemental Indenture, the Second Supplemental Master Indenture, Obligation No. 1, Obligation No. 2, and any related documents and instruments are collectively referred to herein as the "**Bond Documents**."

1.6 Refinancing of Loan. Upon any refinancing of the Loan, the term "**Loan Agreement**" shall thereafter refer to the agreement for the refinancing of the Loan, the term "**Loan**" thereafter shall refer to the refinancing loan, and the term "**Authority**" thereafter shall refer to the lender making the refinancing loan, but otherwise all of the terms, covenants and conditions of this Lease shall remain unmodified and in full force and effect.

1.7 The Intercept. In order to provide for secure and orderly payment of the Base Rent component of Base Rent and for the payment of the Bonds out of such Base Rent payments, simultaneously with the execution and delivery of the Bonds, Tenant shall deliver or cause to be delivered the Intercept Notice, substantially in the form set forth in Exhibit D attached hereto (the "**Intercept Notice**"), to the State Controller of the State of California (the "**State Controller**"). Amounts specified in the Intercept Notice for transfer to the Bond Trustee shall be limited to State Apportionments. Tenant shall promptly amend, supplement or restate the Intercept Notice and deliver such to the State Controller from time to time as necessary or appropriate to cause transfers to the Bond Trustee to pay any changed amount of Base Rent due under this Lease (including without limitation changes resulting from redemption of Bonds prior to maturity) and to cure any delinquency in payment of such amounts, and shall deliver such amended, supplemented or restated Notice to the State Controller not later than the twentieth (20^{th}) calendar day of the month in which the payment is scheduled to become effective. Tenant will cooperate with the Bond Trustee in any manner the Bond Trustee may reasonably request in connection with amending, supplementing, or restating the Intercept Notice. If at any time the Intercept Notice is amended, supplemented, or restated for any reason, Tenant shall promptly provide the Authority and the Bond Trustee with a copy of such amended, supplemented, or restated Intercept Notice. The Intercept Notice may provide additional amounts payable to the Bond Trustee for purposes set forth in the Indenture; provided, that Tenant shall not grant preference or any prior right of funding access or security in respect of the State Apportionment to any other payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code of the State of California. All deposits of moneys derived from payments by the State Controller pursuant to the Intercept Notice from time to time shall be made at the corporate trust office of the Bond Trustee set forth in the Intercept Notice. Tenant shall timely amend, supplement, or restate the Intercept Notice to require transfers to such other location as shall be designated in writing by the Bond Trustee to Tenant.

1.8 The School. The Premises will be used for the operation by Tenant of a charter school known as "TEACH Tech Charter High School" ("TEACH Tech" or the "School"), which operates under a charter issued to Tenant by the Los Angeles Unified School District ("LAUSD").

1.9 Capitalized Terms. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to such terms in the Master Indenture of Trust or, if not defined therein, in the Supplemental Indenture and Second Supplemental Master Indenture.

2. Premises.

2.1 Letting. Landlord hereby leases and hires to Tenant, and Tenant hereby leases and hires from Landlord, the Premises for the Term, at the Rent, and upon and subject to all of the terms, covenants and conditions set forth in this Lease.

2.2 Condition of Premises. Tenant accepts the Premises in its current "as is" condition.

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Term of this Lease are as specified in Section 1.2.

3.2 Options to Extend. Landlord hereby grants to Tenant three (3) options (each, an "**Extension Option**") to extend the term of this Lease, each for a period of five (5) years (each, an "**Extension Term**"). Each Extension Option must be exercised, if at all, by written notice (the "**Option Notice**") delivered by Tenant to Landlord not less than six (6) months prior to the then-scheduled Expiration Date. In the event the Term of this Lease shall be extended under this Section, then all of the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect, except that:

(i) Each Extension Term shall commence immediately upon the expiration of the Initial Term or immediately prior Extension Term, as applicable.

(ii) The Rent for the Extension Term shall be the Base Rent, Additional Rent, Extraordinary Monthly Rent and Expenses, as defined and determined pursuant to this Lease, and, so long as the Loan is outstanding, Base Rent shall be payable with reference to Exhibit B in accordance with the provisions of Section 4.2. If the Loan is no longer outstanding, the Base Rent component of Rent for the Extension Term (or such portion thereof during which the Loan is not outstanding) shall be the "Fair Market Base Rent" determined in accordance with this Section. Fair Market Base Rent shall be the fair market rent of comparable premises (including square footage, location and quality of the Premises) to the Premises subject to the terms and provisions of this Lease, including without limitation Tenant's obligation to pay the Additional Rent (if any) and Expenses. Within thirty (30) days after the exercise or deemed exercise of the Extension Option, Landlord shall notify Tenant in writing as to Landlord's determination, in Landlord's good faith judgment, of the Fair Market Base Rent, together with reasonable back-up material supporting Landlord's determination. Tenant shall have twenty (20) days from receipt of Landlord's determination of the Fair Market Base Rent to accept or reject Landlord's determination.

(iii) If Tenant timely objects to Landlord's determination of Fair Market Base Rent, Landlord and Tenant shall diligently attempt in good faith to agree on the Fair Market Base Rent within ten (10) days of Tenant's notice of objection ("**Outside Agreement**

Date"). If Landlord and Tenant fail to reach agreement by the Outside Agreement Date, each shall make a separate determination of the Fair Market Base Rent within five (5) days of the Outside Agreement Date. Such determination shall then be submitted to arbitration in accordance with (v) below.

(iv) Within fifteen (15) days of the Outside Agreement Date, the parties shall agree upon an arbitrator who shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Base Rent and shall promptly notify Landlord and Tenant of its decision. If the parties are unable to agree upon the arbitrator within fifteen (15) days of the Outside Agreement Date, within five (5) days thereafter, Landlord and Tenant shall each appoint an arbitrator and give notice to the other party of such arbitrator's name and business address. The arbitrator must be a licensed real estate broker or appraiser who has been active in the leasing or appraising of commercial properties in the Los Angeles area for at least five years. If each party appoints an arbitrator, the two appointed arbitrators shall, within ten (10) days after the appointment of the second arbitrator, agree on and appoint a third similarly qualified arbitrator and promptly provide notice to Landlord and Tenant of such arbitrator's name and business address. Within thirty (30) days after the appointment of the third arbitrator, the three (3) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rent and shall promptly notify Landlord and Tenant of their decision. The decision of the majority of the three (3) arbitrators shall be binding on Landlord and Tenant.

(v) Such Base Rent as so determined shall be paid during the Extension Term in installments at the times and in the manner specified in this Lease, or if not so specified, such Base Rent shall be paid on the final day of each month in advance.

(vi) Until the Fair Market Base Rent has been agreed upon, the initial Base Rent for the Extension Term shall be the monthly Base Rent payable during the month preceding the commencement of the applicable Extension Term. In the event the Fair Market Base Rent is determined to be greater than such amount, then Tenant shall promptly pay Landlord any balance due; if Fair Market Base Rent is determined to be less than such amount, then Tenant shall receive a credit against future accruing Base Rent in the amount of such difference..

(vii) Notwithstanding anything herein to the contrary, so long as the Loan is outstanding, in no event shall the Base Rent payable during any Extension Term be less than the debt service in the Bonds for the same month.

4. Rent; Additional Rent; Expenses.

4.1 Rent Defined. Subject to the terms of this Lease, "**Rent**" is defined as and shall consist of the sum of (i) Base Rent, (ii) Additional Rent, (iii) Extraordinary Monthly Rent, and (iv) Expenses (all as defined below), together with all other monetary obligations of Tenant to Landlord or to third parties arising under the terms of this Lease.

Powered by BoardOnTrack

4.2 Base Rent. So long as the Loan is outstanding, Base Rent shall be payable in accordance with the schedule set forth in Exhibit B, subject to downward adjustment in the event of any redemption or defeasance of all or a portion of the Bonds or prepayment of all or a portion of the Loan. In the event of redemption or defeasance of all of the Bonds prior to the Expiration Date such that no Bonds remain outstanding and prepayment of all of the Loan prior to the Expiration Date and without termination of the Lease, commencing on the first day of the first calendar month following such defeasance, redemption or full prepayment, the Base Rent shall be revised to be the Fair Market Base Rent determined in accordance with Section 3.2.

4.3 Additional Rent. Tenant shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Landlord on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule from time to time delivered by Landlord. The amount projected as Additional Rent during the Term, assuming no Extraordinary Monthly Rent, is as set forth on Exhibit B. "Additional Rent" shall consist of the following all amounts required to reimburse Landlord, or satisfy Landlord's obligations, for any fees, expenses, taxes, indemnities, assessments or other payments as Borrower under the Loan Agreement, including, but not limited to, such amounts as described in Section 3.02(d) of the Loan Agreement, and any other amounts required to be paid by the Landlord in order for the Landlord to meet its obligations under the Bond Documents on a full and timely basis.

4.4 Extraordinary Monthly Rent. This Section and all other references to "Extraordinary Monthly Rent, "Related Bond Trustee" and "Related Project" shall be applicable, only if and for so long as there are Outstanding Related Bonds (as defined in the Master Indenture of Trust). In the event that Tenant receives a notice (an "Extraordinary Monthly Rent Notice") from either the Landlord under another Lease (as defined in the Master Indenture of Trust) or from the Related Bond Trustee (as defined in the Master Indenture of Trust) stating the Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Tenant shall pay the its Proportionate Share (as defined below) of the Extraordinary Monthly Rent to the Related Bond Trustee within three (3) Business Days after such Tenant's receipt of the Extraordinary Monthly Rent Notice. Landlord covenants to immediately provide Tenant with a copy of any Extraordinary Monthly Rent Notice received by Landlord pursuant to the terms of the Master Indenture. "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Tenant's Proportionate Share of the Extraordinary Monthly Rent. "Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. If payable, Extraordinary Monthly Rent shall be added to and be a component of Base Rent.

4.5 Expenses. Tenant shall be responsible for all Expenses, which Tenant shall pay directly to the providers of any of the items comprising Expenses prior to delinquency, or shall pay to or reimburse Landlord within thirty (30) days after receiving a statement from Landlord itemizing (with reasonable description) all charges included thereon. "Expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair, or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises, the aggregate of the "Maintenance Expenses" and the "General Expenses" set forth below:

Powered by BoardOnTrack

(i) "Maintenance Expenses" means all costs of maintaining and repairing the Premises, the parking area, athletic fields and other portions of the Premises, deferred maintenance, installing or extending service systems and other built-in equipment, and improving the Premises, including without limitation all of the following:

a. All maintenance, replacement and repair costs of air conditioning, heating and ventilation equipment and systems, elevators (if any), landscaping, service areas, parking lots, athletic fields, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, structural compliments of the Premises , and cost of compliance with applicable laws(including any required upgrades or retrofitting).

b. Supplies, materials, labor, equipment, and utilities used in or related to the repair and maintenance of the Premises and such common areas.

c. Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises.

(ii) "General Expenses" means all of the following, to the extent not included in Maintenance Expenses:

a. Gross receipts taxes, whether assessed against Landlord or assessed against Tenant and collected by Landlord.

b. Water, sewage, and waste or refuse removal charges.

c. Gas, electricity, telephone and other utilities.

d. The cost of monthly or annual contracts for systems or services such as alarm systems, security systems, internet services, janitorial services or landscaping services.

e. All janitorial, cleaning, landscaping, sweeping and repair services relating to the Premises.

f. The costs of signs and directories.

g. The cost of compliance with applicable laws.

h. Reasonable costs incurred by Landlord for operating expenses, including the day-to-day management (if any), including the cost of management personnel (if any), together with any of Landlord's administrative expenses such as state filings, preparation of tax returns or notices, and all taxes, charges, or fees in connection therewith to the extent related to the Premises.

i. Subject to Section 4.6, Real Property Taxes (as defined in Section 10.1 below) and personal property taxes (as described in Section 10.3 below), if any.

Powered by BoardOnTrack

j. Amounts required to be paid as deductibles in connection with any insurance required under the Bond Documents.

k. Any other costs or expenses incurred by Landlord under this Lease.

4.6 Property Tax. Tenant is a public education agency and as such is exempt from ad valorem property taxes. Tenant shall be responsible for the application to the Los Angeles County Tax Assessor for such tax exemption on an annual basis. Landlord shall cooperate with Tenant in obtaining such exemption, and shall execute any application for a tax exemption for the Premises. Any tax refunds and/or tax exemptions received by or granted to Landlord, based on Tenant's tax exempt status during the term of the Lease, shall be credited toward Tenant's Additional Rent payable under this Lease.

4.7 Payment. During the Lease Term, all Rent required to be paid in monthly installments, shall be paid with respect to each calendar month in advance on the twentieth (20th) day of each calendar month immediately preceding the month with respect to which monthly installment of Rent is due. All Rent shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever (except as specifically provided herein), and without any prior demand therefore. All Rent shall be paid to the Master Trustee for deposit in the Revenue Fund (as that term is defined in the Bond Documents), and at such address as the Master Trustee notifies Tenant, or at such other place as Landlord may designate from time to time, with the approval of the Master Trustee as long as Landlord has any obligations pursuant to the terms of the Bond Documents. Notwithstanding the foregoing, Tenant shall receive a credit for Rent owed to Landlord to the extent the Bond Trustee receives monies on behalf of Tenant under the Intercept. Rent for any period during the Term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Subject to the terms of the Indenture, and so long as any of the Bonds or the Loan remains outstanding, Tenant shall through the Intercept Notice, cause the State Controller to transfer the portion of the State Apportionment described in the Intercept Notice and attributable to the School to the Bond Trustee for deposit in the Revenue Fund (as defined in the Indenture). Landlord shall have the right, but not the obligation, to collect and impound, in advance, any or all components of Expenses, Additional Rent, or other Rent based upon Landlord's reasonable estimate of Tenant's future liability for such amounts for any calendar year or other period selected by Landlord. At the end of the calendar year or other period with respect to which any such estimate was prepared, Landlord shall reconcile Tenant's actual obligation for such component of Expenses or other Rent and the estimated amounts previously paid by Tenant.

4.8 Late Charge and Interest on Rent in Default. If any Rent is not received by or one behalf of Landlord from Tenant within ten (10) calendar days after Landlord has notified Tenant in writing that payment has not been received by Landlord, then Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of such delinquent rent as liquidated damages for Tenant's failure to make timely payment, by paying such sum to the Master Trustee for deposit in the Revenue Fund. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay any rent due under this Lease in a timely fashion. If any Rent remains delinquent for a period in

excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the rate of 10% per annum from the date such amount became due until paid by paying such sum to the Master Trustee by depositing the same in the Revenue Fund.

4.9 Budgeting Rent. Tenant covenants to take such action as may be necessary to include all such payments of Rent due hereunder in its annual budgets, to make, as necessary, annual appropriations for all such payments and to take such action annually as shall be required to provide funds in such year for such payments of Rent. Tenant shall budget for and maintain a Base Rent Coverage Ratio as required in Exhibit C.

4.10 Accounting. If Landlord so requests in writing, Tenant agrees to provide Landlord with an annual, or more frequent, accounting of the Expenses paid for Tenant's most recent fiscal year.

4.11 Source of Rent Payments.

(a) Notwithstanding anything in this Lease to the contrary, Tenant's obligation to pay the Rent and the other monetary payments provided for in this Lease to any person or entity, including the Landlord, the Authority or the Bond Trustee, Master Trustee, and their respective successors and assigns, is limited to, and shall not exceed, Gross School Revenues (as defined in Exhibit C), and under no circumstances shall Tenant be required to advance any moneys derived from any source of income other than, or pay Rent or any other monetary obligation under the Lease which is in excess of, the Gross School Revenues, nor shall any other funds or property of Tenant be liable for the payment of Rent or any other monetary obligation under the Lease, and such persons and entities shall look exclusively to Gross School Revenues for satisfaction of any claims hereunder. Landlord covenants that it shall not take recourse against Tenant with respect to the failure by Tenant to make any payment under this Lease except recourse to the Gross School Revenues.

(b) Nothing contained in this Section shall be construed to release Landlord from the performance of any of the agreements on its part herein contained, and in the event Landlord shall fail to perform any such agreements on its part, Tenant may institute such action against Landlord as Tenant may deem necessary to compel performance so long as such action does not abrogate the obligations of Tenant contained in the first sentence of this Section. Tenant may, however, at Tenant's own cost and expense and in Tenant's own name or in the name of Landlord prosecute or defend any action or proceeding or take any other action involving third persons which Tenant deems reasonably necessary in order to secure or protect Tenant's right of possession, occupancy and use hereunder, and in such event Landlord hereby agrees to cooperate fully with Tenant and to take such action necessary to effect the substitution of Tenant for Landlord in such action or proceeding if Tenant shall so request.

5. Mandatory Covenants.

5.1 Specific Covenants Related to the Loan. For so long as the Loan is outstanding and has not been defeased or for so long as any obligations under the Loan Agreement remain

outstanding, the provisions of Exhibit C shall be applicable for the benefit of Landlord and the Authority.

5.2 Intentionally Omitted.

5.3 Subordination of Management Agreement or Management Costs and Expenses. If Tenant engages an education manager that is a separate legal entity (including an affiliate of Tenant) with respect to the School, Tenant shall amend any such management agreement for the School such that, so long as Bonds remain outstanding: (i) the obligation of Tenant to pay educational management fees relating to the School shall be subordinate to its payment of operating expenses of the School and rent payments to Landlord under this Lease; (ii) the obligation of Tenant to pay educational management fees relating to the School shall be suspended for any such time as the payment of educational management fees would cause Tenant to fail to meet any of the financial covenants contained in Sections 3.2 or 3.3 of Exhibit C; and (iii) during any period of time when educational management fees remain unpaid, such fees shall accrue without interest. If Tenant has not engaged a separate education manager with respect to the School, Tenant agrees that it shall not apply any Gross Revenues of the School to education management costs and expenses unless and until all Rent is fully paid and the Loan is not in default.

5.4 Use. In addition to any other restrictions on Tenant's use of the Premises, the Property shall be used by Tenant for the School, for any related and ancillary school and educational purposes, any related administrative purposes, and any related incidental legal uses. Notwithstanding the foregoing, Tenant shall use and occupy the Premises only for "educational facilities" as defined in Section 17173(f) of the Education Code of the State of California in order to operate a charter school that is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the "**Code**") as an organization described in Code Section 501(c)(3) and that qualifies as an "educational organization" as described under Code Section 170(b)(1)(A)(ii); provided that Tenant shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others.

5.5 Hazardous Substances. Tenant shall comply with all obligations and the Bond Documents related to Hazardous Substances and Environmental Regulations, to the extent act applicable to the Premises or Tenant's use and occupancy thereof.

6. Maintenance; Repairs.

6.1 Tenant Fully Responsible. During the Term, except in cases of damage or destruction due to casualty loss, or in the event of Condemnation, all repair, maintenance, restoration, retrofitting, construction or reconstruction with respect to the Facilities shall be the sole responsibility of Tenant, and Landlord shall have no duty to undertake any such repair, maintenance, restoration, retrofitting, construction or reconstruction, or to pay any costs of the same. Provided, however, that Landlord shall provide Tenant access to the moneys in the Repair and Replacement Fund, and to any moneys in the Insurance and Condemnation Proceeds Fund to the extent necessary or appropriate to pay the costs of or to reimburse Tenant for its obligations hereunder, in accordance with the terms and provisions of the Indenture related to the Repair and Replacement Fund and the Insurance and Condemnation Proceeds Fund.

Powered by BoardOnTrack

6.2 Compliance With Applicable Requirements. If any applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the "**Applicable Requirements**") require, during the Term, the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises Tenant hereby agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification, and the costs therefor shall be incurred solely by Tenant.

6.3 Liens. Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Landlord shall have the right to post notices of non-responsibility. If Tenant shall contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend and protect itself, Landlord and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof.

6.4 Ownership of Facilities; Removal; Surrender; and Restoration.

(a) **Ownership.** All Facilities shall be the property of Landlord. Any additional improvements constructed and paid for by Tenant itself shall, at the expiration or termination of this Lease, at the option of Landlord, (i) be removed by Tenant or (ii) become the property of Landlord and be surrendered by Tenant with the Premises

(b) **Surrender and Restoration.** Tenant shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the parts, and surfaces thereof broom clean and free of debris, and in good operating order, condition, and state of repair, ordinary wear and tear excepted. Tenant shall repair any damage occasioned by the installation, maintenance, or removal of any of its furnishings, and equipment. Any personal property of Tenant not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Tenant and may be disposed of or retained by Landlord as Landlord may desire.

7. Insurance; Indemnity.

7.1 Liability. Tenant shall keep in force such liability insurance policies and in such amounts as required in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.2 Premises. Tenant shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Landlord, with loss payable to Landlord and to any lender, including the Bond Trustee and the Master Trustee, insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.3 Rental Interruption. Tenant shall also obtain and keep in force, for the benefit of Landlord, rental interruption insurance insuring Landlord for the amounts of Base Rent arising

Powered by BoardOnTrack

from an interruption of the payment of the Base Rent, Additional Rent and Expenses otherwise payable by Tenant hereunder covering a period of at least 12 months. The limits of such insurance shall be based upon the highest monthly amount of Base Rent and Additional Rent shown on Exhibit B, as revised from time to time. The premium for such insurance shall be paid by Tenant and shall be deemed an "Expense" hereunder.

7.4 Waiver of Subrogation. Without affecting any other rights or remedies, Tenant and Landlord each hereby releases and relieves the other, and waives their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance is not invalidated thereby.

7.5 Indemnity. Except for Landlord's negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, partners, members, directors, and officers, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Tenant. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section 8.5 shall survive the termination of this Lease.

7.6 Exemption of Landlord from Liability. Unless caused by Landlord's negligence or willful misconduct, Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

7.7 Insurance Requirements of Bond Documents. The foregoing notwithstanding, for so long as the Loan is outstanding, Tenant shall be deemed to meet its insurance obligations as set forth in this Section 7 if it carries, and it hereby agrees to carry, the insurance required under the terms of the Bond Documents, as such requirements may change from time to time. Without limiting the foregoing, for so long as the Loan is outstanding, Tenant shall cause the Bond Trustee, Master Trustee and Landlord to be named as additional insureds on Tenant's liability insurance and Bond Trustee and Master Trustee as mortgagees and loss payees on property insurance policies.

8. Damage or Destruction.

8.1 Definitions.

(a) "**Damage**" shall mean damage or destruction to the improvements on the Premises from fire or other casualty.

(b) "**Insured Loss**" shall mean Damage that was caused by an event required to be covered by the insurance described in Section 8.2, irrespective of any deductible amounts or coverage limits involved.

8.2 Damage. Subject to the terms of the Master Indenture of Trust, Landlord shall be entitled to any and all insurance proceeds that are available as a result of any Insured Loss, and Landlord may at its election proceed to reconstruct the Facilities subject to such Damage to their condition existing immediately prior to the Damage, utilizing available insurance proceed and any amounts voluntarily contributed by Landlord in its sole discretion. If Landlord elects not to undertake such restoration, Tenant may (i) if such damage is material, terminate this Lease by providing written notice to Landlord, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Tenant of Landlord's notice of its election not to undertake such restoration, or (ii) require Landlord to restore and rebuild the Premises, so long as the following conditions are met:

(a) The amount of insurance proceeds that are available for restoration, plus any funds that may have been deposited by Tenant, are sufficient to restore and rebuild the Premises to their character, condition and utility immediately prior to the casualty (or to such other condition as Tenant reasonably demonstrates will generate sufficient revenue for Tenant to meet its obligation to pay all Rent thereafter accruing);

(b) The amount of available proceeds of rental interruption insurance plus any funds deposited by Tenant equals an amount determined by Landlord to be sufficient to pay the Rent accruing during the period between the date of such casualty and the date the restoration or rebuilding is substantially completed.

(c) The restoration or rebuilding is estimated by Landlord to be completed at least twelve (12) months prior to the Maturity Date of the Bonds.

(d) In lieu of making any deposit of funds as described above, Tenant shall have the right to provide other assurances of the payment of restoration costs and Rent acceptable to Landlord in its sole discretion, such as a letter of credit.

8.3 Damage—Uninsured Loss. If Damage that is not an Insured Loss occurs, (a) Tenant may repair such damage as soon as reasonably possible at Tenant's expense, in which event this Lease shall continue in full force and effect or, (b) if Tenant elects not to undertake such repair, and such Damage is material, Landlord or Tenant may terminate this Lease by providing written notice to the other party, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Landlord of knowledge of the occurrence of such Damage.

8.4 Waive Statutes. Landlord and Tenant agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith, including California Civil Code Sections 1932(2) and 1933(4).

9. Real Property Taxes.

9.1 Definition. As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Premises, Landlord's right to other income therefrom; and/or Landlord's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to this Lease.

9.2 Payment of Taxes. Tenant shall timely file for exemption from any Real Property Taxes and shall maintain such exemption during the Term. In any event, Tenant shall pay, before the same become past due, the Real Property Taxes applicable to the Premises during the Term to the extent any such Real Property Taxes are charged, levied, assessed, or imposed.

9.3 Personal Property Taxes. Tenant shall timely file for exemption from any taxes fixtures, furnishings, equipment, and all personal property of Tenant and shall maintain such exemption during the Term. Tenant shall pay, prior to delinquency, all such taxes to the extent they are charged, levied, assessed, or imposed after an exemption for such taxes is filed as required hereunder.

10. Assignment and Subletting.

10.1 By Tenant. Tenant shall not sublease, assign, mortgage, pledge, hypothecate or encumber this Lease or any of Tenant's interest hereunder without the prior written consent of Landlord (which shall not be unreasonably withheld). Tenant acknowledges that, pursuant to the Bond Documents, Landlord may be required to obtain the Authority's approval to a sublease, assignment or other transfer of Tenant's interest in the Lease and that Landlord's disapproval shall be deemed reasonable if based on any such disapproval by the Authority. Tenant acknowledges that the financing of the Premises through the Tax-Exempt Bonds may restrict the assignees which could be approved by Landlord. In addition, Tenant shall not sublease, assign, mortgage, pledge, hypothecate, or encumber this Lease unless it receives an Opinion of Bond Counsel confirming that such action will not result in use or operation of the Premises not in conjunction with a charter school under the Act.

10.2 By Landlord. Tenant acknowledges that Landlord's interest in the Premises are subject to a deed of trust in favor of the Master Trustee and that certain of the Landlord's rights

under this Lease are assigned to the Master Trustee as security for the Bonds under the Master Indenture of Trust.

11. Default; Event of Default; Remedies.

11.1 Default; Event of Default. A "**Default**" is defined as a failure by Tenant to comply with or perform any of the terms, covenants or other obligations of Tenant under this Lease. An "**Event of Default**" is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

(a) The abandonment of the Premises.

(b) The failure of Tenant to make any payment of Rent required to be made by Tenant hereunder, whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond required hereunder, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) business days following written notice to Tenant.

(c) Any material representation or warranty made in this Lease, or in any report, certificate, financial statement, or instrument furnished in connection with this Lease, proves to have been false or misleading when made, in any material respect, and is not promptly corrected.

(d) Except as otherwise provided in Exhibit C attached hereto, if Tenant violates or fails to observe or perform any covenant contained in Exhibit C a, and fails to cure the same within any notice or grace period contained in Exhibit C or this Lease.

(e) Reserved.

(f) A Default by Tenant as to the terms, covenants, conditions or provisions of this Lease, other than those described in subparagraphs 12.1(a) through (e) above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Tenant's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(g) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

11.2 Remedies. Upon the occurrence of any Event of Default, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such Event of Default:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees of Landlord and the Authority, and that portion of any leasing commission paid by Landlord in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Landlord to mitigate damages caused by Tenant's Event of Default of this Lease shall not waive Landlord's right to recover damages under Section 11. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Section 11.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Tenant under the unlawful detainer statute shall also constitute the notice required by Section 11.1. In such case, the applicable grace period required by Section 11.1 and the unlawful detainer statute shall run concurrently, and the failure of Tenant to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and an Event of Default under this Lease entitling Landlord to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Tenant's right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Landlord's interests, shall not constitute a termination of Tenant's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under this Lease, including under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Tenant's occupancy of the Premises.

11.3 Interest. Any monetary payment due Landlord hereunder not received by Landlord when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the

date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law.

11.4 Landlord Self Help. If Tenant fails to perform any of its affirmative duties or obligations (other than compliance with the covenants and financial reporting requirements described in Section 5 and Exhibit C), Landlord may, at its option, perform such duty or obligation on Tenant's behalf including, but not limited to, the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Tenant shall pay to Landlord the costs and expenses incurred by Landlord in such performance upon receipt of an invoice therefor.

12. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs, and Expenses thereafter shall be limited to those applying to the remaining Premises subject to this Lease. Subject to the terms of the Master Indenture of Trust, in the event that there is a Condemnation of less than all of the Premises, and such portion so taken is material to Tenant's use and quiet enjoyment of the Premises as a whole, then all available Condemnation awards and/or payments shall be used first, to restore the remaining portion of the Premises to a usable whole, and second, to reduce the balance of any loan made to Landlord and secured by the Premises in proportion to the portion taken or sold. Any portion of the award and/or payment that remains after the foregoing purposes have been satisfied shall be the property of Landlord. Subject to the terms of the Bond Documents, all Condemnation awards and/or payments shall be the property of Landlord.

13. Estoppel Certificates. Each Party (as "**Responding Party**") shall within ten (10) days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

14. Definition of Landlord. The term "**Landlord**" as used herein shall mean the owner or owners at the time in question of the lessor's interest under this Lease. Upon any transfer of such interest in the Premises, the prior Landlord shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the succeeding Landlord. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by Landlord shall be binding only upon Landlord as hereinabove defined.

15. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days. "**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal

Corporate Trust Office (as defined in the Indenture) is located are authorized or obligated by law or executive order to be closed.

17. Limitation on Liability. The obligations of Landlord under this Lease shall not constitute personal obligations of Landlord, and Tenant shall look to the Premises, and to no other assets of Landlord, for the satisfaction of any liability of Landlord with respect to this Lease. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Bond Trustee, Master Trustee, Landlord or Tenant shall be individually or personally liable for the payment of any amounts hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Lease; but nothing herein contained shall relieve any such member, director, officer, agent or employee form the performance of any official duty provided by law or this Lease.

18. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

19. No Prior or Other Agreements. Subject to the terms of the Bond Documents, this Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Each Party represents and warrants that the execution of the Lease will not, to the best of the Party's knowledge, constitute a violation under any material agreements to which such Party is a party.

20. Notices.

20.1 Notice Requirements. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given (a) if hand delivered or delivered by courier, when delivered to the appropriate notice address, or (b) if mailed by first class mail, postage prepaid, six Business Days after deposit in the United States mail addressed to the appropriate notice address. Any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Days. The parties listed below may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice required or permitted hereunder shall be directed to the following notice address:

20.2 Addresses.

Landlord: Wooten Avila LLC
1846 W. Imperial Highway
Los Angeles, California 90047
Attention: President
Telecopy: See Indenture

Tenant: TEACH, Inc.
1846 W. Imperial Highway
Los Angeles, California 90047
Attention: Superintendent
Telecopy: See Indenture

Authority (during the time the Loan is outstanding):

California School Finance Authority
State Treasurer's Office
304 S. Broadway, Suite 550
Los Angeles, California 90013
Attention: Executive Director
Telecopy: (213) 620-6309

21. Waivers. No waiver by Landlord of the Default or Event of Default of any term, covenant or condition hereof by Tenant, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Event of Default by Tenant of the same or of any other term, covenant or condition hereof.

22. No Right To Holdover. Tenant has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Tenant holds over, then the Base Rent shall be increased to 110% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Landlord to any holding over by Tenant.

23. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

24. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Tenant are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

25. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State of California. Any litigation between the Parties hereto concerning this Lease which involve any other Bond Documents shall be initiated in the County of Sacramento, and any other litigation between the parties concerning this Lease shall be initiated in the County of Los Angeles.

26. Landlord's Access; Showing Premises; Repairs. Landlord shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times after two (2) Business Days' prior notice for the purpose of inspecting the Premises, verifying compliance by Tenant with this Lease or exercising its self-help rights under Section 12.4.

27. Quiet Possession. Subject to payment by Tenant of the Rent and performance of all of the covenants, conditions and provisions on Tenant's part to be observed and performed under this Lease, Tenant shall have quiet possession and quiet enjoyment of the Premises during the Term hereof.

28. Counterparts. This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

29. Amendments. Subject to the terms of the Master Indenture of Trust applicable to the modification or amendment of this Lease, this Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Tenant's obligations hereunder, Tenant agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

30. Limitation of Rights to Parties. Except as otherwise provided herein, nothing in this Lease is intended or shall be construed to give to any person other than Landlord and Tenant any legal or equitable right, remedy or claim under or in respect of this Lease or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of Landlord and Tenant.

31. CASp Disclosure. California Civil Code Section 1938 requires Landlord to notify Tenant whether the Premises has undergone inspection by a Certified Access Specialist ("CASp"), as defined in California Civil Code Section 55.52. Landlord hereby states to Tenant that, as of the date this Lease is executed, the property of which the Premises is a part has not undergone such inspection.

(Signatures on next page)

(Signature page of Lease Agreement)

The Parties hereto have executed this Lease as of the day and year first above written.

Landlord:

Wooten Avila LLC
a California limited liability company

By: _____
Name: [ADD]

Title: President

Tenant:

TEACH, Inc.,
a California nonprofit public benefit corporation

By: _____
Name: Dr. Raul Carranza
Title: Superintendent of Schools

EXHIBIT A
Legal Description of Premises

Real property in the City of Los Angeles, County of Los Angeles, California, described as follows:

The Land referred to herein below is situated in the City of Los Angeles, County of Los Angeles, State of California, and is
described as follows:

High School Lot:

PARCEL 1:
THE WESTERLY 154.93 FEET OF LOT 50 OF SUNNYSIDE HEIGHTS TRACT, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8 PAGE(S) 88 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
EXCEPT THAT PORTION, IF ANY, INCLUDED WITHIN THE NORTHERLY 15 FEET OF THE EASTERLY 90 FEET OF SAID LOT.
PARCEL 2:
THE SOUTHERLY 40 FEET OF LOT 49 OF SUNNYSIDE HEIGHTS TRACT, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8 PAGE(S) 88 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY. EXCEPT THEREFROM THE EASTERLY 90 FEET.

BBQ Lot:

LOT 49 OF SUNNYSIDE HEIGHTS, TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8, PAGE 88 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY. EXCEPT THE SOUTH 40 FEET THEREOF. ALSO EXCEPT THE EAST 90 FEET THEREOF. ALSO EXCEPT THAT PORTION DESCRIBED AS FOLLOWS: BEGINNING AT THE INTERSECTION OF THE SOUTH LINE OF THE NORTH 30 FEET OF SAID LOT 49 WITH THE WEST
LINE OF THE EAST 90 FEET OF SAID LOT; THENCE ALONG SAID SOUTH LINE SOUTH 89° 45' WEST 57.46 FEET; THENCE SOUTH 0° 02' 25" EAST 40.26 FEET; THENCE NORTH 89° 45' EAST 12.57 FEET; THENCE SOUTH 0° 02' 25" EAST 39.96 FEET TO A POINT IN THE NORTH LINE OF THE SOUTH 40 FEET OF SAID LOT 49 DISTANT WESTERLY THEREON 134.89 FEET FROM THE EAST LINE OF SAID LOT; THENCE ALONG SAID NORTH LINE NORTH 89° 45' EAST 44.89 FEET TO THE WEST LINE OF THE EAST 90 FEET OF SAID LOT; THENCE ALONG SAID WEST LINE NORTH 0° 02' 25" WEST 79.96 FEET TO THE POINT OF BEGINNING. THE LEGAL IS MADE PURSUANT TO THAT CERTAIN CERTIFICATE OF COMPLIANCE NO. RCOC 2007 00334, RECORDED OCTOBER 1, 2007 AS INSTRUMENT NO. 20072253341, OF OFFICIAL RECORDS.

APN 6059-013-028 (High School Lot) and 6059-013-027 (BBQ Lot)

EXHIBIT B

SCHEDULE OF BASE RENT & ADDITIONAL RENT

TEACH TECH CHARTER HIGH SCHOOL

[ADD]

EXHIBIT C

MANDATORY COVENANTS

Capitalized terms not otherwise defined in this Exhibit C shall have the meanings ascribed to such terms in the Lease and the Master Indenture of Trust.

1. **Tenant Covenants**: Tenant acknowledges that the Premises secure Landlord's obligations under the Bond Documents. Accordingly:

1.1 Tenant covenants and agrees that so long as any bonds or loans remain outstanding, Tenant shall maintain a charter school facility providing educational services to students within the territorial limits required, if any, pursuant to Tenant's charter.

1.2 Tenant covenants and agrees to take all reasonable actions to maintain its current or any future charter ("Tenant's Charter") for the School with a sponsoring entity and to take or cause to be taken any and all actions required to renew or extend the term of its charter with a sponsoring entity. As soon as practicable, Tenant shall provide Landlord with a copy of any notice received with regards to any sponsoring entity's intent to renew or extend the term of any such charter or any notice of any issues which if not corrected or resolved could lead to termination or nonrenewal of any such charter. If such charter is terminated or not renewed, Tenant shall use commercially reasonable efforts, and shall cooperate with Landlord, to assign this Lease to an entity that maintains a charter with a sponsoring entity. In addition, Tenant shall maintain accreditation status under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and related administrative rules and shall satisfy the student performance accountability standards stated in its application for its charter.

1.3 Tenant will permit the Landlord to discuss the affairs, finances and accounts of Tenant or any information the Landlord may reasonably request with appropriate officers of Tenant, and will grant the Landlord access to the facilities, books and records related to the Facilities or Tenant on any business day upon reasonable prior notice.

2. **Bondholder/Authority Protection Regarding Tenant Defaults**: At any time when there is a Security Instrument against the Premises, the following provisions shall apply:

2.1 Prior to exercising any right or remedy which would have the effect of terminating the Lease (or which would terminate the Lease if Tenant does not satisfy conditions, such as payment of delinquent Rents), the Landlord must give the Authority written notice of default and an opportunity to cure (a) monetary defaults within ten (10) days after notice; and (b) all other defaults within the time allowed by the Lease for Tenant to perform.

2.2 Before any termination remedy may be exercised against Tenant, if any cure of a non-monetary default requires that the Authority obtain possession of the Premises, then the time of Authority to cure shall be extended to ten (10) days after it has obtained possession, provided that Landlord has moved with all due diligence to exercise its remedies to obtain possession.

2.3 Before any termination remedy may be exercised against Tenant, if an Event of Default requires more time to cure than allowed above, then on demonstration that the Authority has worked in good faith and with all due speed to cure the Default, the Authority may extend the time to perform by another thirty (30) days.

2.4 Notwithstanding any other provision hereof, no lender shall have a liability or obligation to cure an Event of Default.

2.5 Tenant shall not take any action, or omit to take any action required of it by the Lease, which will impair or diminish the security of the existing Security Instruments, including any acts/omissions which will have a negative effect on the tax status of the Security Instrument.

3. **Tenant's Financial Covenants**. All initially capitalized terms which are not otherwise defined herein shall have the meanings set forth in the Master Indenture, provided that any such definitions therein pertaining to the financial or operational performance of the Landlord (defined therein as a "Member") shall be construed when used herein to refer to the financial or operational performance of Tenant. With respect to any retention of an Independent Consultant hereunder, Tenant hereby covenants that Tenant shall comply with and shall be bound by the selection procedures set forth in the Bond Documents.

3.1 Base Rent Coverage Ratio. Tenant covenants and agrees to calculate for each Fiscal Year its Base Rent Coverage Ratio (as defined below) for each Lease based on its audited financial statements for such Fiscal Year, and to provide a copy of such calculation for such period to the Landlord and the Master Trustee annually commencing with the Fiscal Year ending June 30, 2020. Tenant also covenants to maintain its Net Operating School Revenue (defined below) so that its Base Rent Coverage Ratio at the end of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2020) is not less than 1.10 to 1.00; provided that, except as provided below, Tenant's failure to achieve the required Base Rent Coverage Ratio will not constitute an Event of Default if Tenant promptly engages an Independent Consultant to prepare a report, to be delivered to Tenant, Landlord and Master Trustee within 45 days of engagement, with recommendations for meeting the required Base Rent Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by Tenant may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, Tenant covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to Landlord and Master Trustee within 90 days after being so retained. Tenant, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant more often than once during any 24 month period. Notwithstanding the foregoing, Tenant's failure to achieve a Base Rent Coverage Ratio of 1.00 to 1.00 at the end of any Fiscal Year (commencing with the Fiscal Year ending June 30, 2020) will constitute an Event of Default hereunder.

3.1.1 For purposes of this Section, "Base Rent," "Additional Rent," "Extraordinary Monthly Rent," and "Expenses have the meaning set forth in the Lease.

3.1.2 "Base Rent Coverage Ratio" means for any period of time the ratio determined by dividing (i) Net Operating School Revenue (as defined below), by (ii) the amount of scheduled Base Rent under the Lease.

3.1.3 "Educational Management Fees" means that portion of an educational management fee, if any, paid to Tenant in connection with management services provided by Tenant or an affiliate thereof and related to or payable from revenues attributable to the applicable Obligated Group School and to any other charter school operated by Tenant on the property subject to the Lease. This fee is subordinate to the payment of Rent due under the Leases.

3.1.4 "Gross School Revenue" means all revenue, income, receipts and money received by Tenant or on behalf of Tenant from all lawfully available sources attributable to its operation of the applicable Obligated Group School and to any other charter school operated by Tenant in the property subject to the Lease, including from any applicable district or county or from the State pursuant to the Charter School Law from the Local Control Funding Formula, general purpose entitlement or revenue limit; but excluding gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for Rent payments or operating expenses. Any other income, revenue, receipts, contributions or other monies received by Tenant not specifically described in the immediately preceding sentence shall not constitute Gross School Revenues.

3.1.5 "Long Term School Indebtedness" means Obligated Group School Indebtedness having an original maturity greater than one year or renewable at the option of Tenant for a period of greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Obligated Group School Indebtedness, no such Obligated Group School Indebtedness is permitted to be outstanding thereunder for a period of at least 20 consecutive days during each calendar year.

3.1.6 "Net Operating School Revenue" means Tenant's Gross School Revenue minus its Operating Expenses; provided, that no determination thereof will take into account: (a) any gain or loss resulting from either the early extinguishment or refinancing of Obligated Group School Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business; (b) gifts, grants, bequests, donations or contributions, and income therefrom, to the extent specifically permanently restricted by the donor or by law to a particular purpose inconsistent with their use for the payment of Operating Expenses; (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (e) unrealized gains or losses that do not result in the receipt or expenditure of cash; and (f) nonrecurring items which involve the receipt, expenditure or transfer of assets.

3.1.7 "Obligated Group School Indebtedness" means Indebtedness (as such term is defined in the Master Indenture) related to or payable from revenues of the School and to any other charter school operated by Tenant at the Premises.

3.1.8 "Operating Expenses" means, except as provided below, all unrestricted expenses of Tenant attributable to operations of the School and to any other charter school operated by the Tenant at the Premises, including maintenance, repair expenses, utility

expenses, equipment lease and other rental expense (excluding the Base Rent and the Extraordinary Monthly Rent, if any, but including Additional Rent and Expenses), administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of Tenant, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of Tenant not otherwise taken into account herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles, all in such amounts as reasonably determined by Landlord. "Operating Expenses" shall exclude, however, (i) all subordinated Educational Management Fees, (ii) depreciation and amortization, and (iii) any expenses which are treated as extraordinary in accordance with generally accepted accounting principles.

3.2 Liquidity Covenant. Tenant shall calculate Consolidated Days Cash on Hand (as defined below) for the Obligated Group Schools as of the last day of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, based upon its audited financial statements for such Fiscal Year and file such reports with Master Trustee. For each calculation date, Tenant, on behalf of the Obligated Group Schools, will maintain Consolidated Days Cash on Hand as of the last day of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2020) equal to or greater than 45 days.

3.2.1 "Consolidated Days Cash on Hand" means (i) the sum of Cash and Cash Equivalents of the Obligated Group Schools, as shown on Tenant's audited financial statements for each Fiscal Year, and any State payments accrued to such Fiscal Year and scheduled to be received within two months following the end of such Fiscal Year ("Cash on Hand"); divided by (ii) the Average Daily Expenses for Obligated Group Schools (as calculated for the most recent Fiscal Year ending before such date).

3.2.2 "Average Daily Expenses for Obligated Group Schools" means (A) cash requirements during such Fiscal Year related to or payable from revenues attributable to the schools (the "Obligated Group Schools") operated by Tenant under this Lease and any other lease concerning facilities, that have been financed with Obligations issued under the Master Indenture (the "Obligated Group Leases") (excluding from such calculation all depreciation and other non-cash items), and including within such calculation on behalf of the Obligated Group Schools in the aggregate (i) all Operating Expenses for such Fiscal Year for the Obligated Group Schools, (ii) subordinated Educational Management Fees and (iii) the maximum Base Rent payable under the Obligated Group Leases, taken as a whole, for any Fiscal Year, divided by (B) 365.

3.2.3 Tenant will provide a certificate to the Landlord and Master Trustee at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether Tenant, on behalf of the Obligated Group Schools, has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, Tenant covenants to retain an Independent Consultant, at the expense of Tenant, on behalf of the Obligated Group Schools, within 45 days, to make recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by Tenant may be rejected upon the written request

of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, Tenant covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Landlord and Master Trustee within 90 days after being so retained. Tenant, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant on behalf of the Obligated Group Schools more often than once during any 24 month period.

3.2.4 No proceeds of any Short Term Indebtedness (as defined below) will be considered unrestricted available cash for purposes of such calculation (other than the proceeds of any working capital loans made to bridge deferrals in State payments or start-up loans from the State of California or the California Department of Education).

3.2.5 Failure of Tenant, on behalf of the Obligated Group Schools, to maintain the required amount on deposit shall not constitute a default or an Event of Default under the Lease.

3.3 Limitations on Tenant Indebtedness. Tenant covenants that it will not incur, assume or guarantee ("incur"), any Obligated Group School Indebtedness (secured or unsecured), except Obligated Group School Indebtedness with respect to purposes specifically benefiting Tenant, and except as provided below:

3.3.1 To the extent permitted by applicable law and if no Event of Default under the Lease, or an event that with the giving of notice or passage of time or both would constitute an Event of Default under the Lease, has occurred and is continuing, Tenant may incur or assume Nonrecourse Indebtedness (as defined below), Short-Term Indebtedness (as defined below), and Interim Indebtedness (as defined below) to a total aggregate principal amount outstanding at any time not in excess of the greater of: (1) 25% of Operating Expenses in any Fiscal Year, or (2) the maximum amount of advance apportionment and principal apportionment due to the School in any fiscal year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or Sections 16325.5 and 16326 of the California Government Code, or any subsequent legislation authorizing additional deferrals of such apportionments.

(a) "Nonrecourse Indebtedness" means all Obligated Group School Indebtedness with respect to which the obligee is prevented by applicable law or contractual arrangement from exercising recourse, or any other right or remedy exercisable by a creditor, against all or any part of the Premises or the Facilities in order to pay, satisfy or discharge all or any part of the Obligated Group School Indebtedness.

(b) "Short-Term Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to one year and not renewable at the option of Tenant for a term greater than one year from the date of original incurrence or issuance, provided however, that any Short Term Indebtedness that has been issued as revenue anticipation notes ("RANS") will not be included or counted as Short Term Indebtedness to the

extent that the RANS are secured by deferred state apportionment revenues expressly pledged and deposited in an intercept account to pay such RANS.

(c) "Interim Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to five years and not renewable at the option of Tenant for a term greater than five years from the date of original incurrence or issuance.

3.3.4 Charter School Revolving Fund Loan Program. Notwithstanding the foregoing limitations on Obligated Group School Indebtedness, Tenant shall be permitted to obtain loans with respect to the School operated under Tenant's Charter pursuant to the Charter School Revolving Loan Program established under California Education Code Sections 41365 through 41367 ("Charter School Start-up Loans") and any such Charter School Start-up Loans existing with respect to any School will not be taken into account in applying the foregoing limitations on Non-Recourse Indebtedness, Short-Term Indebtedness, and Interim Indebtedness.

3.4 Reporting Obligations. Tenant agrees to provide Landlord, and upon written request of the Bond Trustee or Master Trustee, to Bond Trustee or Master Trustee as applicable, the following information:

3.4.1 If Tenant is undertaking any construction at the Premises, not later than 60 days after the end of each quarter, a construction progress report with respect to any such construction until such construction is substantially complete.

3.4.2 Quarterly unaudited financial information and operating data of the Obligated Group Schools not later than 60 days after the end of each quarter.

3.4.3 Quarterly, not later than 60 days after the end of each quarter, a report of the Obligated Group Schools' quarterly enrollment data and waitlist data by grade for the previous fiscal quarter.

3.4.4 Prior to the end of each fiscal year, a copy of the annual budget of the School for the subsequent Fiscal Year.

3.4.5 Quarterly, not later than 60 days after the end of each quarter, a year to date comparison of the revenue and expenditures in the unaudited financial statements for such quarter to the annual budget for the applicable fiscal year.

3.4.6 Quarterly, not later than 60 days after the end of each quarter, a copy of any recommendations of any Independent Consultant received in accordance with the Lease pursuant to the Liquidity Covenant and Base Rent Coverage Ratio covenant described above.

3.4.7 Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2020, copies of the audited financial statements of Tenant and the Obligated Group Schools for the prior fiscal year prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available.

3.4.8 Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2020, the certifications and calculations of the Consolidated Days Cash on Hand for the Obligated Group Schools and the Base Rent Coverage Ratio for each Obligated Group School as described in the Liquidity Covenant and Base Rent Coverage Ratio covenant under the Obligated Group Leases described above.

3.4.9 Such other information as may be reasonably requested by Landlord, the Authority, the Bond Trustee or Master Trustee.

EXHIBIT D

FORM OF INTERCEPT NOTICE

TEACH TECH CHARTER HIGH SCHOOL

SEE ATTACHED

EXHIBIT D

$_____
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019A

$_____
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019B (TAXABLE)

BOND PURCHASE AGREEMENT

_____, 2019

The Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

Wooten & Avila LLC
10000 S. Western Avenue
Los Angeles, California 90047

California School Finance Authority
915 Capitol Mall, Room 101
Sacramento, California 95814

TEACH, Inc.
10000 S. Western Avenue
Los Angeles, California 90047

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Bond Purchase Agreement") with the California School Finance Authority (the "Authority"), the Honorable Fiona Ma, Treasurer of the State of California (the "State Treasurer"), as agent for sale on behalf of the Authority, Wooten & Avila LLC, a California limited liability company (the "Borrower") and TEACH, Inc., a California nonprofit public benefit corporation ("TEACH"), operating charter schools established pursuant to the Charter Schools Act of 1992, as amended. Upon the State Treasurer's and the Authority's acceptance hereof, and approval by the Borrower and TEACH, this offer will become binding upon the State Treasurer, the Authority, the Borrower, TEACH and the Underwriter. This offer is made subject to the written acceptance by the State Treasurer and the Authority and approval by the Borrower and TEACH by delivery of an executed counterpart hereof at or prior to 11:00 p.m., Pacific Time, on this date or on such later date as shall have been consented to by the Underwriter. Capitalized terms used in this Bond Purchase Agreement and not defined herein shall have the meanings ascribed thereto in the Bond Indenture, as defined below.

1. Sale of the Bonds.

(a) Upon the basis of the representations, warranties and agreements herein set forth and subject to the terms and conditions contained herein, the Underwriter hereby agrees to purchase from the State Treasurer, as agent for sale on behalf of the Authority, and the State Treasurer, as agent for sale on behalf of the Authority, hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A, in the aggregate principal amount of $_____ (the "Series 2019A Bonds") and the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable), in the aggregate principal amount of

Powered by BoardOnTrack

$_____ (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Bonds").

The State Treasurer, the Authority, and the Underwriter acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length, commercial transaction among the State Treasurer, the Authority, and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the State Treasurer or the Authority; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the State Treasurer or the Authority with respect to this Bond Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, has provided other services or is currently providing other services to the State Treasurer or the Authority on other matters); (iii) the only contractual obligations the Underwriter has to the State Treasurer and the Authority with respect to the transactions contemplated hereby are those set forth in this Bond Purchase Agreement; (iv) the Underwriter has financial and other interests that differ from those of the State Treasurer and the Authority; and (v) the State Treasurer and the Authority have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in this paragraph is intended to limit the Underwriter's obligations of fair dealing under Rule G-17 promulgated by the Municipal Securities Rulemaking Board (the "MSRB").

The Borrower and the Underwriter acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length, commercial transaction between the Borrower and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the Borrower; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Borrower with respect to this Bond Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, has provided other services or is currently providing other services to the Borrower on other matters), (iii) the only contractual obligations the Underwriter has to the Borrower or TEACH with respect to the transactions contemplated hereby are those set forth in this Bond Purchase Agreement, (iv) the Underwriter has financial and other interests that differ from those of the Borrower and (v) the Borrower and TEACH have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in this paragraph is intended to limit the Underwriter's obligations of fair dealing under Rule G-17 promulgated by the MSRB.

The Underwriter will purchase the Bonds at a price of $_____ (being the aggregate principal amount of the Bonds of $_____, [plus/minus] [net/aggregate] original issue [premium/discount] of $_____, less an Underwriter's discount of $_____). The Bonds will be issued pursuant to the Constitution and laws of the State of California (the "State") and particularly under and pursuant to Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the California Education Code (the "Act"), and an Indenture, dated as of December 1, 2019 (the "Bond Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). The Bonds will mature in the amounts and on the dates, and bear interest at the

rates per annum, and shall be subject to redemption prior to maturity as set forth in EXHIBIT A hereto.

The Authority will loan the proceeds of the sale of the Bonds (the "Loan") to the Borrower pursuant to a loan agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower, which proceeds will be used to (i) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain charter school educational facilities (the "Series 2019 Facilities"); (ii) fund a debt service reserve account; (iii) fund capitalized interest on a portion of the Bonds; and (iv) pay certain costs of issuance of the Bonds. The Borrower, the sole managing member of which is TEACH, will lease the Series 2019 Facilities to TEACH pursuant to those certain lease agreements (each a "Series 2019 Lease" and, collectively, the "Series 2019 Leases"), each by and between the Borrower and TEACH, as lessee.

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 2 relating to the Bonds ("Obligation No. 2") issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016, and a Supplemental Master Indenture for Obligation No. 1, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, as representative of the Obligated Group and the initial Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and Wilmington Trust, National Association, as master trustee (the "Master Trustee"). Pursuant to the Master Indenture, the Borrower will deliver a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (each a "Mortgage" and, collectively, the "Mortgages") in favor of the Master Trustee on the Borrower's fee interest in each Series 2019 Facility.

Simultaneously with the issuance of the Bonds, TEACH will provide to the Controller of the State of California (the "Controller"), notices (the "Intercept Notices") with respect to each of TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School ("TEACH Prep") and TEACH Tech Charter High School ("TEACH Tech" and, together with TEACH Prep, the "Series 2019 Schools"), including schedules of transfers to the Trustee for amounts to become due and payable on the Bonds to intercept certain amounts apportioned by the State (the "Intercepts") pursuant to Section 17199.4 of the Act.

To ensure compliance with the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Borrower, TEACH and Wilmington Trust, National Association, as dissemination agent, will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") pursuant to which TEACH will annually prepare and provide audited financial statements and specified other information, as well as provide notices of certain enumerated events.

The Authority approved the issuance of the Bonds and certain related matters pursuant to Resolution No. 19-__ adopted on November __, 2019 (the "Resolution").

(b) The Borrower and TEACH will cooperate in the preparation and delivery to the Underwriter of the Limited Offering Memorandum, dated the date hereof, substantially in the form of the Preliminary Limited Offering Memorandum, dated November __, 2019 (the "Preliminary Limited Offering Memorandum"), with only such changes therein as have been accepted by the Underwriter (the Preliminary Limited Offering Memorandum with such changes, and including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto, being herein called the "Limited Offering Memorandum"), executed by the Borrower and TEACH in such quantities as the Underwriter shall reasonably request. The Borrower, on behalf of itself and TEACH, hereby confirms its authorization to the Underwriter to use the Preliminary Limited Offering Memorandum in connection with the sale of the Bonds.

(c) At 9:00 A.M., Pacific Time, on December __, 2019, or at such other time or on such earlier or later date as we may mutually agree upon (the "Closing Date"), the Authority will deliver or cause to be delivered to such place as we may mutually agree upon, the Bonds, bearing proper CUSIP numbers, duly executed, and the other documents hereinafter mentioned at the offices of Kutak Rock LLP ("Bond Counsel") in Los Angeles, California; and, subject to the conditions of this Bond Purchase Agreement, the Underwriter will cause payment to be made of the purchase price thereof as set forth in paragraph (a) of this Section by federal funds wire payable to the order of the Trustee (such delivery and payment being herein referred to as the "Closing"). Upon initial issuance, the ownership of the Bonds will be registered in such names and in such denominations as the Underwriter shall specify.

(d) Not later than ten calendar days after the Closing Date, the Underwriter shall submit to the Authority the report referenced by Section 1899.532 of Article 4 of Subchapter 4 of Chapter 4, Division 2 of Title 2 of the California Code of Regulations.

(e) The Underwriter has entered into this Bond Purchase Agreement in reliance upon (i) the representations and warranties of the Authority contained herein, (ii) the representations and warranties of the Borrower and TEACH contained herein, (iii) the certificates of the Authority, the Borrower, TEACH, the Master Trustee and the Trustee to be delivered pursuant hereto and (iv) the opinions of Bond Counsel, counsel to the Authority, counsel to the Trustee, and counsel to the Borrower and TEACH required to be delivered hereby.

The Bond Indenture, the Loan Agreement and this Bond Purchase Agreement are sometimes collectively referred to herein as the "Authority Documents."

The Loan Agreement, this Bond Purchase Agreement, the Continuing Disclosure Agreement, the Master Indenture, the Second Supplemental Master Indenture, Obligation No. 2, the Leases, the Mortgages and the Tax Certificate and Agreement, dated the Closing Date, by and between the Authority and the Borrower relating to the Series 2019A Bonds (the "Tax Certificate") are sometimes collectively referred to herein as the "Borrower Documents."

The Leases, this Bond Purchase Agreement and the Continuing Disclosure Agreement are sometimes referred to herein as the "TEACH Documents."

(f) The Underwriter acknowledges the restrictions on registration and transfer of the Bonds described in Section 2.04 of the Bond Indenture and agrees to cause each of the initial purchasers of the Bonds to execute and deliver to the Authority and the Trustee on or prior to the Closing Date an Investor Letter or a Bondholder Representative Letter, as appropriate, forms of which are provided in EXHIBIT E hereto.

2. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the Series 2019A Bonds and shall execute and deliver to the Authority at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as EXHIBIT F, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2019A Bonds.

(b) The Authority will treat the first price at which 10% of each maturity of the Series 2019A Bonds (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Series 2019A Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Series 2019A Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Series 2019A Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Series 2019A Bonds of that maturity or (ii) the 10% test has been satisfied as to the Series 2019A Bonds of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or bond counsel.] For purposes of this Section, if Series 2019A Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Series 2019A Bonds.

(c) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Series 2019A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to report the prices at which it sells to the public the unsold Series 2019A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2019A Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Series 2019A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Series 2019A Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2019A Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Series 2019A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2019A Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2019A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2019A of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Series 2019A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(d) The Authority acknowledges that, in making the representations set forth in this Section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Series 2019A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2019A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2019A Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Series 2019A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2019A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2019A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2019A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2019A Bonds.

(e) The Underwriter acknowledges that sales of any Series 2019A Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2019A Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2019A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2019A Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2019A Bonds to the public),

(iii) a purchaser of any of the Series 2019A Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Bond Purchase Agreement by all parties.

3. Representations and Agreements of the Authority. The Authority represents and warrants to and agrees with the Underwriter and the Borrower that:

(a) The Authority is duly organized and existing under the Constitution and laws of the State of California, has full power and authority to issue the Bonds, to adopt the Resolution, to enter into the Bond Indenture, the Loan Agreement and this Bond Purchase Agreement and to perform its obligations under the Authority Documents, and when executed and delivered by the respective parties hereto and thereto, the Authority Documents will constitute the valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or other laws related to or affecting the enforcement of creditors' rights generally and by the application of equitable principles as the court having jurisdiction may impose, regardless of whether such proceeding is considered in a proceeding in equity or at law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in California;

(b) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has authorized and approved the distribution of the Preliminary Limited Offering Memorandum, has deemed the Authority Information (as defined herein) in the Preliminary Limited Offering Memorandum "final" for purposes of Rule 15c2-12, the distribution of the Limited Offering Memorandum, and the execution and

delivery of, and the performance by the Authority of the obligations on its part contained in, the Bonds and the Authority Documents and the consummation by the Authority of all other financing transactions on its part contemplated by the Limited Offering Memorandum and this Bond Purchase Agreement;

(c) There is no action, suit or proceeding, at law or in equity, before or by any court pending (with service of process having been accomplished against the Authority) or any action, suit, proceeding, inquiry or investigation before any court, governmental agency, public board or body known to the Authority to be threatened against the Authority seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or contesting any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Bonds or the Authority Documents or contesting in any way the completeness or accuracy of the information in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum under the heading "THE AUTHORITY" or "ABSENCE OF MATERIAL LITIGATION – The Authority" (collectively, the "Authority Information") or the existence or powers of the Authority relating to the issuance of the Bonds;

(d) As of the date thereof and as of the date hereof, the statements and information contained in the Authority Information in the Preliminary Limited Offering Memorandum were and are true and correct in all material respects, and did not and do not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading;

(e) The statements and information contained in the Authority Information in the Limited Offering Memorandum are true and correct in all material respects, it being further understood that the Authority makes no representation or warranty regarding any other statement or information in or omissions from the Limited Offering Memorandum;

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in endeavoring (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and, subject to Section 8 and Section 11 hereof, will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Authority be required to qualify as a foreign corporation in any such state or take any action that would subject it to general, special or unlimited service of process in any jurisdiction in which it is now not so subject;

(g) To the best knowledge of the Authority, the execution and delivery by the Authority of the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would have a material

adverse effect on the Authority's ability to perform its obligations under the Authority Documents;

(h) The Authority is not in material breach of or in material default under any applicable law or administrative regulation of the State or the United States or any applicable material judgment or material decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Documents and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material breach of or a material default or a material event of default under any such instrument, which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Documents;

(i) The Authority agrees to provide the Underwriter, at the expense of the Borrower, with a reasonable number of additional copies of the Authority Documents, as the Underwriter shall request. The Authority authorizes the use of the Authority Documents in connection with the offering, sale and distribution of the Bonds;

(j) Any certificate executed by an authorized officer of the Authority and delivered to the Underwriter shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein, and not a representation and warranty of the individual officer executing the same;

(k) If between the date of this Bond Purchase Agreement and up to and including the 25th day following the "end of the underwriting period" (as such term is defined in Rule 15c2-12) an event occurs, of which the Authority has knowledge, which might or would cause the information in the Authority Information contained in the Limited Offering Memorandum, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which they were made, not misleading, or if the Authority is notified by the Borrower pursuant to the provisions of this Bond Purchase Agreement or otherwise requested to amend, supplement or otherwise change the Limited Offering Memorandum, the Authority will notify the Underwriter and the Borrower, and if in the reasonable opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Limited Offering Memorandum, the Authority will cooperate in the amendment or supplementing of the Limited Offering Memorandum in a form and in a manner approved by the Underwriter and counsel to the Authority, provided that all expenses thereby incurred will be paid by the Borrower pursuant hereto and provided further that, for purposes of this provision, the end of the underwriting period shall be the Closing Date unless the Underwriter on or prior to the Closing provides written notice to the contrary to the Authority and the Borrower;

(l) For twenty-five (25) days from the date of the end of the underwriting period, the Authority will not participate in the issuance of any amendment of or supplement to the Limited Offering Memorandum to which, after being furnished with a copy, the Borrower, the Trustee or the Underwriter shall reasonably object in writing or which shall be disapproved by any of their respective counsel; and

(m) The execution and delivery of this Bond Purchase Agreement by the Authority shall constitute a representation by the Authority to the Underwriter that the representations, warranties and agreements contained in this Section 3 are true as of the date hereof; provided, that as to information furnished by the Borrower or TEACH pursuant to this Bond Purchase Agreement or otherwise and in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum, the Authority is relying on such information in making the Authority's representations, warranties and agreements; and as to all matters of law, the Authority is relying on the advice of counsel to the Authority; and provided further, that no member of the governing body of the Authority or officer, employee or agent of the Authority shall be individually liable for the breach of any representation, warranty or agreement contained herein.

4. Representations, Warranties, and Agreements of the Borrower. The Borrower hereby represents and warrants to and agrees with each of the Authority and the Underwriter as follows**:**

(a) The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. The Borrower has and, at the Closing Date will, have requisite limited liability company power and authority (i) to execute and deliver this Bond Purchase Agreement, (ii) to enter into, execute and deliver the Borrower Documents, (iii) to execute the Limited Offering Memorandum and to carry out and consummate all transactions contemplated by the Borrower Documents and the Limited Offering Memorandum and by proper corporate action has duly authorized the execution and delivery of the Borrower Documents and the Limited Offering Memorandum, and the distribution of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum.

(b) No portion of the proceeds of the Bonds will be used to finance or refinance any facility used or to be used for sectarian instruction or as a place for religious worship or any facility used or to be used primarily in connection with any part of the program of a school or department of divinity.

(c) The officers or other designees of the Borrower executing the Borrower Documents and the Limited Offering Memorandum and executing are duly and properly in office and authorized to execute and approve the same.

(d) As of the date hereof, this Bond Purchase Agreement has been duly executed and delivered by the Borrower and, at the Closing Date, (i) the Borrower Documents will be legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforcement of each of such documents may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(e) The Borrower is not (i) in violation of any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, which violation would materially adversely affect the financial position or operations of the Borrower, or (ii) in default under any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Borrower is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the

giving of notice or both, would constitute an event of default under any such instrument, which default would materially adversely affect the financial position or operations of the Borrower.

(f) The execution and delivery of the Borrower Documents and approval of the Limited Offering Memorandum by the Borrower, the consummation by the Borrower of the transactions herein and therein contemplated and the Borrower's fulfillment of or compliance with the terms and conditions thereof will not (i) conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under (A) the articles of organization or operating agreement of the Borrower, (B) any indenture, mortgage, deed of trust, loan agreement, contract, lease or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound or (C) any law or administrative rule or regulation or any court or administrative decree or order applicable to the Borrower; or (ii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower (except for the liens or pledges created by the Borrower Documents), which conflict, violation, breach, default, lien, charge or encumbrance could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents and the Limited Offering Memorandum or the financial condition, assets, properties or operations of the Borrower.

(g) No consent or approval of any trustee or holder of any indebtedness of the Borrower and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except the approval of the Authority for the execution and delivery of the Bonds and in connection with Blue Sky proceedings) is necessary in connection with the execution and delivery of this Bond Purchase Agreement, the execution and delivery of the other Borrower Documents at the Closing, the approval of the Limited Offering Memorandum, or the consummation of any transaction therein contemplated, except in all such cases as have been or will be obtained or made and as are or will be in full force and effect.

(h) There are no actions, suits or proceedings which have been served on the Borrower or, to the best of the knowledge of the Borrower, are otherwise pending or threatened against the Borrower:

(i) seeking to restrain or enjoin the execution or delivery of any of the Bonds, the pledge under the Loan Agreement, or the pledge under the Master Indenture and the Supplemental Master Indenture, or any payments to be made by the Borrower pursuant to the Loan Agreement or pursuant to Obligation No. 2;

(ii) in any way contesting or affecting the authority for the execution or delivery of the Bonds or Limited Offering Memorandum or the validity when executed and delivered of the Borrower Documents or the collection and pledge of any Revenues under the Bond Indenture;

(iii) in any way contesting the existence or powers of the Borrower;

(iv) which, if determined adversely to the Borrower, could reasonably be expected to materially adversely affect the consummation of the transactions contemplated by

the Borrower Documents and the Limited Offering Memorandum or the financial condition, assets or properties of the Borrower; or

(v) contesting or affecting the Borrower's status as a disregarded entity of TEACH or which would subject any income of the Borrower to federal income taxation to such extent as would result in loss of the exclusion from gross income for federal income tax purposes of interest evidenced and represented by any of the Bonds under Section 103 of the Code.

(i) The information in the Preliminary Limited Offering Memorandum (excluding any information with respect to DTC and the book-entry only system, the Underwriter and the Authority Information), as of its date and as of the date hereof, is true and correct in all material respects, and the information in the Preliminary Limited Offering Memorandum, as of its date and as of the date hereof, does not contain any misstatement of any material fact and does not omit any statement necessary to make the statements, in the light of the circumstances in which such statements were made, not misleading.

(j) The Borrower will deliver, or cause to be delivered, to the Underwriter, within seven (7) business days after acceptance hereof, copies of the Limited Offering Memorandum substantially in the form of the Preliminary Limited Offering Memorandum, with only such changes therein as have been accepted by the Underwriter (the Preliminary Limited Offering Memorandum with such changes, and including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto, being herein called the "Limited Offering Memorandum"), signed on behalf of the Borrower by an authorized officer of Borrower (or such other officer as is acceptable to the Underwriter), in such quantities as the Underwriter shall request. The Preliminary Limited Offering Memorandum has been deemed "final" within the meaning of Rule 15c2-12. The Limited Offering Memorandum, as amended or supplemented pursuant to the Bond Purchase Agreement, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) The Borrower has all necessary power and authority to conduct the business now being conducted by it and as contemplated by the Borrower Documents and the Limited Offering Memorandum.

(l) The Borrower will have, at the Closing, a title insurance policy showing it owns good and marketable title to the real property subject to the Mortgages free and clear from all encumbrances, other than Permitted Liens.

(m) If between the date hereof and up to and including the 25th day following the Closing, any event shall occur which might or would cause the Limited Offering Memorandum, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Borrower shall notify the Authority and the Underwriter; and, if in the opinion of the Borrower, TEACH, the Authority or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Limited Offering Memorandum, the Borrower will request the Authority to cooperate with the Borrower to

cause the Limited Offering Memorandum to be amended or supplemented in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid by the Borrower or TEACH.

(n) During the period described in the preceding paragraph, (i) the Borrower will not participate in the issuance of any amendment of or supplement to the Limited Offering Memorandum to which, after being furnished with a copy, either of the Underwriter or the Authority shall reasonably object in writing or which shall be disapproved by their respective counsels and (ii) if any event relating to or affecting the Authority or the Borrower, its operations and financial position or its present or proposed facilities shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriter or the Authority, to amend or supplement the Limited Offering Memorandum in order to make the Limited Offering Memorandum not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Borrower will forthwith prepare and furnish to the Underwriter and the Authority (at the expense of the Borrower or TEACH) a reasonable number of copies of an amendment of or supplement to the Limited Offering Memorandum (in form and substance satisfactory to counsel for the Underwriter and counsel to the Authority) which will amend or supplement the Limited Offering Memorandum so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Limited Offering Memorandum, as so amended or supplemented is delivered to a purchaser, not misleading. For the purposes of this subsection, the Borrower will furnish such information with respect to itself and its present and proposed facilities as any of you may from time to time reasonably request.

(o) To the extent permitted by law, the Borrower agrees to indemnify and hold harmless the Authority, the State Treasurer, the Underwriter and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act")) any of the Underwriter and the members, officers, agents and employees of the State Treasurer and the Authority (collectively, the "Indemnified Persons," and individually, an "Indemnified Person") from and against any and all judgments, losses, claims, damages or liabilities, joint or several, to which any Indemnified Person may become subject insofar as such judgments, losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Limited Offering Memorandum or in the Limited Offering Memorandum (or any supplement or amendment thereto), or that arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Indemnified Person for any legal or other expenses incurred by such Indemnified Person in connection with investigating, defending or preparing to defend any such loss, claim, damage, liability, penalty or any action in respect thereof; provided, however, that the Borrower shall not be liable to the Authority for the information provided by the Authority in the Authority Information of the Limited Offering Memorandum. On the date of delivery of the Bonds, the Borrower will deliver a certificate to the effect that the Limited Offering Memorandum (except for the information provided by the Authority in the Authority Information and the information provided by the Underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum) does not contain a misstatement of a material fact or omit to state a material fact required to be stated therein in order to make the statements therein not misleading.

In case any claim shall be made or action brought against any Indemnified Person based upon the Limited Offering Memorandum, in respect of which indemnity may be sought against the Borrower, the Borrower shall be promptly notified in writing setting forth the particulars of such claim or action and the Borrower shall assume the defense thereof including the retaining of counsel and the payment of all expenses. Any Indemnified Person shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless: (i) the Borrower shall have specifically authorized the retaining of such counsel and has consented to pay the fees and expenses thereof, such consent not to be unreasonably withheld; or (ii) the parties to such suit include said Indemnified Person, and the Borrower and such Indemnified Person or Persons have been advised by such counsel that one or more legal defenses may be available to said Indemnified Person or Persons which may not be available to the Borrower; (iii) the Attorney General assumes the defense of the Authority or the State Treasurer, or any Indemnified Party thereof, in which case the Borrower shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel; or (iv) the Borrower has failed to assume the defense and employ counsel reasonably acceptable to the Indemnitee.

(p) The Borrower hereby agrees to pay the fees and expenses described as payable by it in Section 8 of this Bond Purchase Agreement and to pay any expenses incurred in amending or supplementing the Limited Offering Memorandum pursuant to this Bond Purchase Agreement.

(q) The Borrower is a disregarded entity treated as a 501(c)(3) corporation for federal income tax purposes.

(r) The Borrower is:

(i) is in material compliance with all laws, ordinances, governmental rules and regulations to which they are subject and which are material to its properties, operations, finances or status as an organization, or disregarded entity treated as an organization, described in Section 501(c)(3) of the Code;

(ii) has obtained all licenses, permits, franchises or other governmental authorizations necessary and material to the conduct of its activities, agrees to obtain all permits and approvals or other governmental authorizations that are required and necessary for construction and operation of newly acquired facilities for the Borrower and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for operations in all cases where failure to obtain such licenses, permits, franchises or other governmental authorizations could reasonably be expected to materially and adversely affect the condition (financial or otherwise) of the Borrower or its ability to perform its obligations under the Borrower Documents; and

(iii) is in material compliance with all provisions of the Borrower Documents applicable to the Borrower.

(s) The Project constitutes a "project" as such term is defined in the Act, and the Borrower is a "participating party" as such terms are defined in Section 17173, subdivision (i), paragraph (1), of the Act.

(t) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the Borrower will not have issued, and no other person will have issued in the name and on behalf of the Borrower, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Limited Offering Memorandum or otherwise consented to in writing by the Underwriter.

(u) The representations, warranties, agreements and indemnities herein shall survive the Closing and any investigation made by or on behalf of either of the Authority or the Underwriter or any person who controls either of such parties of any matters described in or related to the transactions contemplated hereby and by the Borrower Documents or the Limited Offering Memorandum.

5. Representations, Warranties, and Agreements of TEACH. TEACH hereby represents and warrants to and agrees with each of the Authority and the Underwriter as follows:

(a) TEACH is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California. TEACH has and at the Closing Date will have requisite corporate power and authority (i) to execute and deliver this Bond Purchase Agreement, (ii) to enter into the TEACH Documents, (iii) to execute the Limited Offering Memorandum, and (iv) to carry out and consummate all transactions contemplated by the TEACH Documents and the Limited Offering Memorandum, and by proper corporate action has duly authorized the execution and delivery of the TEACH Documents and the Limited Offering Memorandum, and the distribution of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum.

(b) TEACH is an institution for elementary and secondary school public education, situated within the State of California, which, by virtue of law or charter, is a nonprofit educational institution empowered to provide a program of public education at the elementary and secondary school levels.

(c) TEACH neither restricts entry on gender, racial or religious grounds nor requires students gaining admission to receive instruction in the tenets of a particular faith.

(d) No portion of the Series 2019 Facilities used by TEACH will be used for sectarian instruction or as a place for religious worship or any facility used or to be used primarily in connection with any part of the program of a school or department of divinity.

(e) The officers or other designees of TEACH executing the TEACH Documents are duly and properly in office and authorized to execute and approve the same.

(f) As of the date hereof, this Bond Purchase Agreement has been duly executed and delivered by TEACH and, at the Closing Date, the TEACH Documents will be duly executed and delivered by TEACH and will constitute legal, valid and binding obligations of TEACH enforceable against TEACH in accordance with their respective terms; except as enforcement of each of the TEACH Documents may be limited by bankruptcy, insolvency,

reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(g) TEACH is not (i) in violation of any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, which violation would materially adversely affect the financial position or operations of TEACH or (ii) in default under any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which TEACH is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, which default would materially adversely affect the financial position or operations of TEACH.

(h) The execution and delivery of the TEACH Documents and approval of the Limited Offering Memorandum by TEACH, the consummation by TEACH of the transactions herein and therein contemplated, and TEACH's fulfillment of or compliance with the terms and conditions thereof will not (i) conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under (A) the articles of incorporation of TEACH, (B) the bylaws of TEACH, (C) any indenture, mortgage, deed of trust, loan agreement, contract, lease or other agreement or instrument to which TEACH is a party or by which it or its properties are otherwise subject or bound, or (D) any law or administrative rule or regulation or any court or administrative decree or order applicable to TEACH, or (ii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of TEACH, except for the liens or pledges created by the TEACH Documents, which conflict, violation, breach, default, lien, charge or encumbrance could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the TEACH Documents, the Limited Offering Memorandum or the financial condition, assets, properties or operations of TEACH.

(i) No consent or approval of any trustee or holder of any indebtedness of TEACH, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except the approval of the Authority for the execution and delivery of the Bonds and in connection with Blue Sky proceedings) is necessary in connection with the execution and delivery of this Bond Purchase Agreement, the execution and delivery of the other TEACH Documents at the Closing, the approval of the Limited Offering Memorandum, or the consummation of any transaction therein contemplated, except in all such cases as have been or will be obtained or made and as are or will be in full force and effect.

(j) TEACH's charters for the Schools (the "Charters") operating or to be operated in the Facilities comply with the Charter School Law and are valid and in full force and effect. TEACH is in material compliance with the provisions of the Charters. TEACH has the right to renew or extend such Charters, has not received oral or written notice from any Person to the contrary and will use all reasonable efforts to renew the Charters. TEACH currently qualifies to apply for fiscal year 2019-20 funding under California Education Code Section 47614.5 for the Schools and will seek funding for the Schools thereunder each year to the maximum extent available or will seek funding under more favorable state or federal programs if available.

(k) There are no actions, suits or proceedings which have been served on TEACH or, to the best of the knowledge of TEACH, are otherwise pending or threatened against TEACH:

(i) seeking to restrain or enjoin the execution or delivery of any of the Bonds or the pledge or collection of the Series 2109 Leases or any payments to be made by TEACH pursuant to the Series 2019 Leases;

(ii) in any way contesting or affecting the authority for the execution or delivery of TEACH Documents, the Limited Offering Memorandum or the Intercepts to be delivered in connection therewith;

(iii) in any way contesting the corporate existence or powers of TEACH;

(iv) which, if determined adversely to it, could reasonably be expected to materially adversely affect the consummation of the transactions contemplated by the TEACH Documents or the Limited Offering Memorandum or the financial condition, assets or properties of TEACH; or

(v) contesting or affecting TEACH's status as an organization described in Section 501 (c)(3) of the Code or which would subject any income of TEACH to federal income taxation to such extent as would result in loss of the exclusion from gross income for federal income tax purposes of interest evidenced and represented by any of the Bonds under Section 103 of the Code.

(l) The information in the Preliminary Limited Offering Memorandum (excluding any information with respect to DTC and the book-entry only system, the Underwriter and the Authority Information), as of its date and as of the date hereof, is true and correct in all material respects, and the information in the Preliminary Limited Offering Memorandum, as of its date and as of the date hereof, does not contain any misstatement of any material fact and does not omit any statement necessary to make the statements, in the light of the circumstances in which such statements were made, not misleading.

(m) TEACH will deliver, or cause to be delivered, to the Underwriter, within seven (7) business days after acceptance hereof, copies of the Limited Offering Memorandum substantially in the form of the Preliminary Limited Offering Memorandum, with only such changes therein as have been accepted by the Underwriter, signed on behalf of TEACH by an authorized officer of TEACH (or such other officer as is acceptable to the Underwriter), in such quantities as the Underwriter shall request. The Preliminary Limited Offering Memorandum has been deemed "final" within the meaning of Rule 15c2-12. The Limited Offering Memorandum, as amended or supplemented pursuant to the Bond Purchase Agreement, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(n) TEACH has all necessary power and authority to conduct the business now being conducted by it and as contemplated by the TEACH Documents and the Limited Offering Memorandum.

(o) If between the date hereof and up to and including the 25th day following the Closing, any event shall occur which might or would cause the Limited Offering Memorandum, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, TEACH shall notify the Authority and the Underwriter; and, if in the opinion of TEACH, the Borrower, the Authority or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Limited Offering Memorandum, TEACH will request the Authority to cooperate with TEACH to cause the Limited Offering Memorandum to be amended or supplemented in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid by TEACH or the Borrower.

During the period described in the preceding paragraph, (i) TEACH will not participate in the issuance of any amendment of or supplement to the Limited Offering Memorandum to which, after being furnished with a copy, either of the Underwriter or the Authority shall reasonably object in writing or which shall be disapproved by their respective counsels and (ii) if any event relating to or affecting the Authority or the TEACH, its operations and financial position or its present or proposed facilities shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriter or the Authority, to amend or supplement the Limited Offering Memorandum in order to make the Limited Offering Memorandum not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, TEACH will forthwith prepare and furnish to the Underwriter and the Authority (at the expense of TEACH or the Borrower) a reasonable number of copies of an amendment of or supplement to the Limited Offering Memorandum (in form and substance satisfactory to counsel for the Underwriter and counsel to the Authority) which will amend or supplement the Limited Offering Memorandum so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Limited Offering Memorandum, as so amended or supplemented is delivered to a purchaser, not misleading. For the purposes of this subsection, TEACH will furnish such information with respect to itself and its present and proposed facilities as any of you may from time to time reasonably request.

(p) TEACH is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, except with respect to any unrelated business income of TEACH, which income is not expected to result from the consummation of any transaction contemplated by the TEACH Documents. TEACH is not a private foundation within the meaning of Section 509(a) of the Code; and TEACH at all times will maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income tax under Section 501(a) of the Code or corresponding provisions of future federal income tax laws. To the best of TEACH's knowledge, the facts and circumstances which formed the basis of TEACH's status as an organization described in Section 501(c)(3) of the Code as represented to the Internal Revenue Service continue substantially to exist.

(q) The audited balance sheet of TEACH and its affiliates as of June 30, 2018 presents fairly, in all material respects, the financial position of TEACH and its affiliates as of June 30, 2018 and there have not been any material adverse change in the assets,

operations or financial condition of TEACH and its affiliates since June 30, 2018, which is not described in the Limited Offering Memorandum, whether or not arising from transactions in the ordinary course of business.

(r) TEACH:

(i) is in material compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as an organization described in Section 501(c)(3) of the Code;

(ii) has obtained all licenses, permits, franchises or other governmental authorizations necessary and material to the ownership of its property or to the conduct of its activities, agrees to obtain all permits and approvals or other governmental authorizations that are required and necessary for construction and operation of newly acquired facilities for TEACH and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for its operations in all cases where failure to obtain such licenses, permits, franchises or other governmental authorizations could reasonably be expected to materially and adversely affect the condition (financial or otherwise) of TEACH or its ability to perform its obligations under the TEACH Documents; and

(iii) is in material compliance with all provisions of the TEACH Documents applicable to TEACH including, but not limited to, the requirements of the Series 2019 Leases that TEACH maintain certain insurance policies or programs.

(s) To the extent permitted by law, TEACH agrees to indemnify and hold harmless each of the Indemnified Persons from and against any and all judgments, losses, claims, damages or liabilities, joint or several, to which any Indemnified Person may become subject insofar as such judgments, losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Limited Offering Memorandum or in the Limited Offering Memorandum (or any supplement or amendment thereto) or that arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and will reimburse each Indemnified Person for any legal or other expenses incurred by such Indemnified Person in connection with investigating, defending or preparing to defend any such loss, claim, damage, liability or any action in respect thereof; provided, however, that TEACH shall not be liable to the Authority for the information in the Authority Information of the Limited Offering Memorandum. As of the date hereof, the Preliminary Limited Offering Memorandum (except for the information provided by the Authority in the Authority Information and the information provided by the Underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum) does not contain a misstatement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. On the date of delivery of the Bonds, TEACH will deliver a certificate to the effect that the Limited Offering Memorandum (except for the information provided by the Authority in the Authority

Information and the information provided by the Underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum) does not contain a misstatement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In case any claim shall be made or action brought against any Indemnified Person based upon the Limited Offering Memorandum, in respect of which indemnity may be sought against TEACH, you shall promptly notify TEACH in writing setting forth the particulars of such claim or action and TEACH shall assume the defense thereof including the retaining of counsel and the payment of all expenses. Any Indemnified Person shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless: (i) TEACH shall have specifically authorized the retaining of such counsel and has consented to pay the fees and expenses thereof, such consent not to be unreasonably withheld; (ii) the Attorney General assumes the defense of the Authority or the State Treasurer, or any Indemnified Party thereof, in which case the Borrower shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel; (iii) the parties to such suit include said Indemnified Person, and TEACH and such Indemnified Person or Persons have been advised by such counsel that one or more legal defenses may be available to said Indemnified Person or Persons which may not be available to TEACH, in which case TEACH shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel; or (iv) TEACH has failed to assume the defense and employ counsel reasonably acceptable to the Indemnitee.

(t) Between the date hereof and the Closing, without the prior written consent of the Underwriter, TEACH will not have issued, and no other person will have issued in the name and on behalf of TEACH, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Limited Offering Memorandum or otherwise consented to in writing by the Underwriter.

(u) The representations, warranties, agreements and indemnities herein shall survive the Closing and any investigation made by or on behalf of either of the Underwriter or the Authority or any person who controls either of such parties of any matters described in or related to the transactions contemplated hereby and by the TEACH Documents or the Limited Offering Memorandum.

6. Conditions to the Obligations of the Underwriter. The obligation of the Underwriter to cause payment of the purchase price for the Bonds on the Closing Date shall be subject to the accuracy in all material respects of the representations, warranties and agreements on the part of the Authority and the Borrower contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers, members, agents and other officials of the Authority, the Borrower and TEACH made in any certificates or other documents furnished pursuant to the provisions hereof, and to the performance by the Authority and the Borrower of their obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the time of Closing, the Authority Documents, the Borrower Documents and the TEACH Documents shall be in full force and effect as valid, binding and enforceable

agreements between or among the various parties thereto, and the Authority Documents, the Borrower Documents, the TEACH Documents and the Limited Offering Memorandum shall not have been amended, modified or supplemented, except as described herein or as may otherwise have been agreed to in writing by the Underwriter, and there shall have been taken therewith, with the execution and delivery of the Bonds and with the transactions contemplated by this Bond Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate;

(b) Between the date hereof and the Closing Date, none of the following shall have occurred:

(i) legislation enacted or introduced in the Congress or in the legislature of the State of California or recommended for passage by the President of the United States or the Governor of the State of California, as the case may be, or a decision rendered by a court established under Article III of the Constitution of the United States or under the Constitution of the State of California, as the case may be, or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official or staff statement issued or made:

(A) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, or any agency, commission or instrumentality of the State of California, with the purpose or effect, directly or indirectly, of imposing federal income taxation or State of California personal income taxation, respectively, upon the interest as would be received by the holders of the Bonds or obligations of the general character of the Bonds, or

(B) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds or the Bonds are not exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), or that the Bond Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), which, in either case, in the reasonable judgment of the Underwriter, would have a material and adverse effect on the market price or marketability of the Bonds; or

(C) which, in the reasonable judgment of the Underwriter, could have a material and adverse effect on the revenues of charter schools in California in general or TEACH in particular;

(ii) the declaration of war or the outbreak or escalation of military hostilities involving the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of or the financial community in the United States which, in the reasonable judgment of the Underwriter, would have a material and adverse effect on the market price or marketability of the Bonds;

(iii) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange or other securities exchange as may be applicable;

(iv) the imposition by the New York Stock Exchange or other national securities exchange or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(v) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official or staff statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Limited Offering Memorandum, is or would be in violation of the federal securities laws as amended and then in effect;

(vi) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, would have a material and adverse effect on the market price or marketability of the Bonds, because it makes untrue in any material respect any statement or information contained in the Limited Offering Memorandum, or has the effect that the Limited Offering Memorandum contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vii) any legislation is passed by the legislature of the State of California or recommended for passage by the Governor of the State of California which would have the effect of amending the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and which, in the reasonable judgment of the Underwriter, would have a material and adverse effect on the market price or marketability of the Bonds; and

(viii) any adverse event occurs with respect to the affairs or financial condition of the Authority, the Borrower, TEACH, the Master Trustee or the Trustee, which, in the reasonable judgment of the Underwriter, would have a material and adverse effect on the market price or marketability of the Bonds.

(c) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) The Authority Documents, the Borrower Documents and the TEACH Documents, each duly executed and delivered by the respective parties;

(ii) Three copies of the Limited Offering Memorandum executed by the Borrower and TEACH;

(iii) An approving opinion, dated the Closing Date and addressed to the Authority, of Bond Counsel, in substantially the form attached to the Limited Offering Memorandum as Appendix G, and a supplemental opinion in a form acceptable to the Authority and the Underwriter, dated the Closing Date, in substantially the form attached hereto as EXHIBIT B;

(iv) An opinion of Young, Minney & Corr, LLP, counsel to the Borrower and TEACH, dated the Closing Date and addressed to the Authority, Bond Counsel and the Underwriter, in substantially the form attached hereto as EXHIBIT C with such changes as may be agreed to by Bond Counsel and counsel to the Underwriter;

(v) The Mortgages, duly executed and delivered by the Borrower;

(vi) An opinion of Counsel to the Underwriter;

(vii) A certificate of an authorized official of the Authority as is acceptable to the Underwriter, dated the Closing Date, to the effect that:

(A) the Authority has fulfilled or performed each of its obligations contained in the Bond Indenture, the Loan Agreement and this Bond Purchase Agreement required to be fulfilled or performed by it as of the Closing Date;

(B) the Bonds have been duly authorized, executed, issued and delivered, and assuming due authentication by the Trustee, constitute valid and binding limited obligations of the Authority, enforceable in accordance with their terms, in conformity with, and entitled to the benefit and security of the Bond Indenture; and

(C) to the best of such official's knowledge, the representations and warranties made by the Authority in the Bond Purchase Agreement are true and correct in all material respects on the Closing Date, with the same effect as if made on and with respect to the facts as of the Closing Date.

(viii) A certified copy of the Resolution of the Authority authorizing the execution and delivery of the Authority Documents and approving the Limited Offering Memorandum;

(ix) A certificate of an authorized official of the Borrower in a form acceptable to Bond Counsel and the Underwriter, dated the Closing Date, to the effect that:

(A) the representations and warranties made by the Borrower in the Borrower Documents are true and correct in all material respects as of the Closing Date;

(B) the Borrower is not in default in the performance of any of the covenants, agreements or provisions contained in the Borrower Documents and applicable to the Borrower;

(C) to the best knowledge of such individual, no event has occurred since the date of the Limited Offering Memorandum which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information (other than the information provided by the Authority in the Authority Information of the Limited Offering Memorandum, the information provided by Stifel, Nicolaus & Company, Incorporated, as underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum and the information regarding The Depository Trust Company in the Limited Offering Memorandum) contained in the Limited Offering Memorandum or is not reflected in the Limited Offering Memorandum but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and

(D) any resolutions necessary in connection with the transactions contemplated by the Limited Offering Memorandum have not been amended, modified or rescinded and are effective as the Closing Date.

(x) A certificate of an authorized official of TEACH in a form acceptable to Bond Counsel and the Underwriter, dated the Closing Date, to the effect that:

(A) the representations and warranties made by TEACH in the TEACH Documents are true and correct in all material respects as of the Closing Date;

(B) TEACH is not in default in the performance of any of the covenants, agreements or provisions contained in the TEACH Documents and applicable to TEACH;

(C) to the best knowledge of such individual, no event has occurred since the date of the Limited Offering Memorandum which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information (other than the information provided by the Authority in the Authority Information of the Limited Offering Memorandum, the information provided by Stifel, Nicolaus & Company, Incorporated, as underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum and the information regarding The Depository Trust Company in the Limited Offering Memorandum) contained in the Limited Offering Memorandum or is not reflected in the Limited Offering Memorandum but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and

(D) any resolutions of the board of directors of TEACH necessary in connection with the transactions contemplated by the

Limited Offering Memorandum have not been amended, modified or rescinded and are effective as the Closing Date.

(xi) Certificates of the Borrower and TEACH to the effect that each of the documents executed by them is legal, binding and valid, reaffirming representations and certifications herein and such other matters as may reasonably be requested by the Underwriter;

(xii) A certificate of an authorized official of the Trustee in form and substance satisfactory to Bond Counsel and the Underwriter, dated the Closing Date;

(xiii) The Articles of Incorporation of TEACH certified by the Secretary of State of the State of California (within thirty days of the Closing Date), a Certificate of Good Standing of TEACH issued by the Secretary of State of the State of California (within 7 business days of the Closing Date), a Certificate of Good Standing regarding TEACH issued by the Franchise Tax Board of the State of California (within seven business days of the Closing Date), and a certified copy of the resolutions authorizing the execution and delivery of the TEACH Documents and the Limited Offering Memorandum;

(xiv) The Articles of Organization of the Borrower certified by the Secretary of State of the State of California (within thirty days of the Closing Date), a Certificate of Good Standing issued by the Secretary of State of the State of California (within 7 business days of the Closing Date), and a Certificate of Good Standing issued by the Franchise Tax Board of the State of California (within seven business days of the Closing Date), and a certified copy of the resolutions authorizing the execution and delivery of the Borrower Documents and the Limited Offering Memorandum;

(xv) A copy of the Charters of the Schools;

(xvi) Evidence that TEACH is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;

(xvii) An opinion of counsel to the Authority, in substantially the form attached hereto as EXHIBIT D;

(xviii) Copies of (i) an ALTA lender's policy of title insurance with respect to the Series 2019 Facilities, dated the Closing Date, in an aggregate amount not less than the principal amount of the Bonds and (ii) evidence of compliance with all other insurance-related requirements set forth in the Loan Agreement, the Master Indenture, and the Series 2019 Leases;

(xix) "Deemed final" certificates of the Borrower, TEACH and the Authority in form satisfactory to the Underwriter;

(xx) An opinion of counsel to the Trustee, and addressed to the Authority, in form and substance satisfactory to the Authority and Underwriter;

(xxi) A copy each Intercept Notice;

(xxii) Evidence of the filing of any UCC Financing Statement necessary to perfect security interests granted by the Borrower or TEACH under the Borrower Documents, TEACH Documents or Mortgage;

(xxiii) A letter(s) from the Los Angeles Unified School District to the effect that each Charter is in effect and good standing;

(xxiv) Copies of an Investor Letter or a Bondholder Representative Letter, as appropriate, forms of which are provided in Exhibit E hereto, executed by each of the initial purchasers of the Bonds;

(xxv) Executed copies of the TEACH Prep PSA, the TEACH Tech PSA and the Resource Center PSA (each as defined in the Limited Offering Memorandum"); and

(xxvi) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, the Authority or Bond Counsel may reasonably request to evidence compliance by the Authority, and the Borrower and TEACH with legal requirements, the truth and accuracy, as of the Closing Date, of the representations (A) of the Authority contained herein, (B) of the Borrower contained herein and in the other Borrower Documents, (C) of TEACH contained herein and in the other TEACH Documents, and the due performance or satisfaction by the Authority and the Borrower at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Borrower.

If the Authority shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Bond Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted herein, this Bond Purchase Agreement shall terminate, and neither the Underwriter nor the Authority shall have any further obligation hereunder.

7. Conditions to Obligations of the Authority. The obligations of the Authority hereunder and under the Bond Indenture to cause the preparation, execution and delivery of the Bonds on the Closing Date shall be subject to the performance by the Underwriter of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) The Authority Documents shall have been executed by the other parties thereto;

(b) No order, decree, injunction, ruling or regulation of any court, regulatory agency, public board or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly, of prohibiting the offering, sale or execution and delivery of the Bonds as contemplated hereby or by the Limited Offering Memorandum;

(c) The documents contemplated by Section 6(c) shall have been delivered substantially in the forms set forth herein or, as the case may be, in form and substance satisfactory to Bond Counsel and to the Authority; and

(d) The Authority shall have received evidence of payment or provision for payment of the fees of the Authority and the State Treasurer as agent for sale of the Bonds.

Each of the State Treasurer and the Authority, acting alone, may terminate this Bond Purchase Agreement if the Underwriter or Borrower shall fail, by the Closing, to perform its obligations contained herein, upon written notice of such termination given to the Underwriter.

8. Fees and Expenses.

(a) The Borrower shall pay, or cause to be paid, all expenses and costs incident to the authorization, execution, sale and delivery of the Bonds to the Underwriter, including: (1) the costs of preparing, printing and delivering the Bonds, the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum (including any supplements or amendments thereto); (2) fees and expenses of the Trustee, accountants, financial advisors or other consultants retained by the Authority or the Borrower; (3) fees for the title insurance; (4) expenses (included in the expense component of the spread) incurred on behalf of the employees or officers of the Borrower or TEACH that are incidental to implementing this Bond Purchase Agreement, including, but not limited to, meals, transportation and lodging of such employees or officers; (5) any out-of-pocket disbursements of the Authority, fees and expenses of each of Bond Counsel, Counsel to the Authority, and Underwriter's Counsel; and (6) any other expenses and costs of the Authority and the Borrower incident to the performance of their respective obligations in connection with the authorization, execution, sale and delivery of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties. All fees and expenses to be paid by the Borrower pursuant to this Bond Purchase Agreement may be paid from Bond proceeds to the extent permitted by the Bond Indenture.

(b) The Underwriter shall pay from the expense component of the Underwriter's spread all expenses incurred by it in connection with the public offering and distribution of the Bonds including, without limitation: (1) all advertising expenses in connection with the offering of the Bonds; and (2) all reasonable out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (excluding the fees and expenses of its counsel) including, CUSIP Bureau and California Debt and Investment Advisory Commission fees, if any, except as provided in subsection (a) above or as otherwise agreed to by the Underwriter, the Authority, and the Borrower.

9. Termination. This Bond Purchase Agreement may be terminated by the Underwriter if any of the conditions specified herein shall not have been fulfilled by the Closing upon written notice of such termination to the Authority and the Borrower. The Underwriter may also terminate this Bond Purchase Agreement prior to the delivery of and payment for the Bonds if, subsequent to the date hereof, there shall have occurred any event described pursuant to Section 6(b) hereof. The Authority and the Borrower may terminate this Bond Purchase Agreement if the Underwriter shall fail, by the Closing, to perform its obligations contained herein, upon written notice of such termination to the Underwriter.

Any notice of termination pursuant to this Section shall be given in the manner provided in the following section hereof. If this Bond Purchase Agreement shall be terminated as provided in the first paragraph of this Section, such termination shall be without any liability of the State Treasurer,

the Authority, the Underwriter or the Borrower; provided, that the obligations of the Borrower set forth in Section 4(o) hereof and Section 8 hereof shall survive any such termination.

10. Notices. Any notice or other communication to be given to the Authority, the State Treasurer, TEACH or the Borrower may be given by delivering the same to the address indicated on the first page hereof, any such notice or other communication to be given to the Underwriter may be given by delivering the same to Stifel, Nicolaus & Company, Incorporated, 515 South Figueroa Street, Suite 1800, Los Angeles, California 90071, Attention: John Kim.

11. Limitation of Liability of Authority and State Treasurer. Neither the Authority nor the State Treasurer shall be directly indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions of any conceivable kind under any conceivable theory under this Bond Purchase Agreement or any document or instrument referred to herein or by reason of or in connection with this Bond Purchase Agreement or such other document or instrument, except to the extent it receives amounts from the Borrower available for such purpose.

12. Indemnification.

(a) The Underwriter agrees to indemnify and hold harmless the Authority and the State Treasurer and the members, officers, agents and employees of the State Treasurer and the Authority against any losses, claims, damages or liabilities to which any of them may become subject, under federal securities laws, or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the "UNDERWRITING" section of the Preliminary Limited Offering Memorandum or Limited Offering Memorandum, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or omission or alleged omission was made in the "UNDERWRITING" section of the Preliminary Limited Offering Memorandum or Limited Offering Memorandum or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Authority by the Underwriter expressly for use therein or reviewed without comment by the Underwriter; and will reimburse such indemnified parties for any legal or other expenses reasonably incurred thereby in connection with investigating or defending any such action or claim.

(b) Promptly after receipt by an indemnified party pursuant to subsection (a) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify of the commencement thereof, and shall be entitled to participate therein and to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party or shall otherwise have an actual or potential conflict in such representation), and, after notice to such indemnified party of its election so to assume the defense thereof, shall not be liable to such indemnified party under such subsection for any legal expenses or other counsel or any other expenses, in each case subsequently incurred by

such indemnified party, in connection with the defense thereof other than costs of investigation; provided, however, that each indemnified party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Underwriter shall pay the fees and expenses of such separate counsel; provided further, however, that such indemnified party may only employ separate counsel at the expense of the Underwriter if (1) the Attorney General assumes the defense of the indemnified party, (2) in the judgment of such indemnified party a conflict of interest exists by reason of common representation, (3) if all parties commonly represented do not agree as to the action (or inaction) of counsel, (4) if substantially different or additional defenses apply to such indemnified party, or (5) the Underwriter has failed to assume the defense and employ counsel reasonably acceptable to the indemnified party.

13. Parties in Interest. This Bond Purchase Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Authority, the State Treasurer, the Borrower, TEACH and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Bond Purchase Agreement may not be assigned by the Authority, the State Treasurer or the Borrower. All of the representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter, the State Treasurer or the Authority; and (ii) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement.

14. Governing Law; Venue. The laws of the State of California govern all matters arising out of or relating to this Bond Purchase Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement. Any party bringing a legal action or proceeding against any other party arising out of or relating to this Bond Purchase Agreement shall bring the legal action or proceeding in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party agrees that the exclusive (subject to waiver as set forth herein) choice of forum set forth in this section does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party waives, to the fullest extent permitted by law, (a) any objection which it may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to this Bond Purchase Agreement brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

15. Section Headings. Section headings have been inserted in this Bond Purchase Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Bond Purchase Agreement and will not be used in the interpretation of any provisions of this Bond Purchase Agreement.

16. Counterparts. This Bond Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

[REMAINDER OF PAGE LEFT BLANK]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Underwriter the enclosed duplicate whereupon it will become a binding agreement among the Authority, the Borrower, TEACH and the Underwriter.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By:_____
Managing Director

[Signatures continue on next page]

[Counterpart signature page to the Bond Purchase Agreement]

ACCEPTED at _____ a.m./p.m. Pacific Time this ____ day of _____, 2019.

TREASURER OF THE STATE OF CALIFORNIA

By:_____
Deputy Treasurer
For California State Treasurer Fiona Ma

CALIFORNIA SCHOOL FINANCE AUTHORITY

By:_____
Executive Director

[Signatures continue on next page]

[Counterpart signature page to the Bond Purchase Agreement]

ACCEPTED at _____ a.m./p.m. Pacific Time this ____ day of _____, 2019.

TEACH, INC., a California nonprofit public benefit corporation

By:_____
Name: _____
Title: Authorized Representative

[Signatures continue on next page]

[Counterpart signature page to the Bond Purchase Agreement]

ACCEPTED at _____ a.m./p.m. Pacific Time this ____ day of _____, 2019.

WOOTEN & AVILA LLC, a California limited liability company

By: TEACH, INC., a California nonprofit public benefit corporation, its Sole Member

By:_____
Name: _____
Title: Authorized Representative

EXHIBIT A

MATURITY SCHEDULE; REDEMPTION

$_____ Series 2019A Bonds

Maturity (June 1)	Type	Principal Amount	Interest Rate	Yield	Initial Offering Price	10% Test Used	Hold the Offering Price Rule Used

$_____ Series 2019B Bonds

Maturity (June 1)	Type	Principal Amount	Interest Rate	Yield	Initial Offering Price

(†) Yield to call at par on June 1, 20__.

Redemption:

Powered by BoardOnTrack

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

December __, 2019

California School Finance Authority
Los Angeles, California

Stifel, Nicolaus & Company, Incorporated
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071

We have acted as bond counsel to the California School Finance Authority (the "Authority") in connection with the issuance of its $_____ Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A (the "Series 2019A Bonds") and its $_____ Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable) (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Bonds").

Reference is made to our approving opinion of even date with respect to the Bonds (the "Legal Opinion"). Capitalized terms not otherwise defined herein have the same meaning as in the Legal Opinion. The Underwriter (as defined below) may rely on the Legal Opinion to the same extent as if it was addressed to them.

This opinion is rendered to satisfy Section 6(c)(iii) of the Bond Purchase Agreement dated _____, 2019 (the "Purchase Agreement"), among the Authority, the Honorable Fiona Ma, Treasurer of the State of California (the "State Treasurer"), Wooten & Avila LLC (the "Borrower"), TEACH, Inc. (the "Lessee") and Stifel, Nicolaus & Company, Incorporated (the "Underwriter").

We have examined: (a) the Securities Act of 1933, as amended (the "1933 Act"), the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the applicable rules, regulations and interpretations under those Acts; (b) executed counterparts of: (i) the Purchase Agreement; (ii) the Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), among Cunningham & Morris, LLC (the "Obligated Group Representative"), the Borrower and Wilmington Trust, National Association, as master trustee (the "Master Trustee"); (iii) the Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture") among the Borrower, the Obligated Group Representative and the Master Trustee; the Indenture of Trust, dated as of December 1, 2019 (the "Bond Indenture"), between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"); (iv) the Loan Agreement, dated as of December 1, 2019, between the Authority and the Borrower (the "Agreement"); (v) the Preliminary Limited Offering Memorandum, dated _____, 2019 (the "Preliminary Limited Offering Memorandum"); (vi) the Limited Offering Memorandum, dated as of _____, 2019 (the "Limited Offering Memorandum"); (vii) the Lease Agreements, each dated as of December 1, 2019, between the Borrower and the Lessee (the "Leases"); and (viii) the Deeds of Trust with Assignment of Rents, Security Agreement and Fixture Filing, each dated as of December 1, 2019 (the "Deeds of Trust"), executed by the Borrower; and (c) the transcript of proceedings to which reference is made, and to the same extent stated, in our Legal Opinion as Bond Counsel. We also examined certain other documents (including all documents constituting the record of proceedings with respect to the

Powered by BoardOnTrack

issuance of the Bonds and the Closing Certificate of Authority, dated the date hereto but did not review any minutes of meetings of the Authority other than those included in that transcript), and we made such investigations concerning applicable laws, as we considered to be appropriate for the purpose of rendering this opinion. For such purpose, we assume the authenticity of all original documents and the conformity to original documents of all copies of documents, the accuracy and completeness of all certificates and records as to factual matters, the authenticity of all signatures on documents and the legal capacity of signers to execute the documents. As to any facts material to our opinion, we have relied upon the aforesaid instruments, certificates and documents.

Based on the foregoing examination and consideration of such matters of law as we have deemed appropriate, we are of the opinion that:

1. No registration is required under the 1933 Act in connection with the primary offering and sale of the Bonds, and the Bond Indenture is exempt from qualification pursuant to the 1939 Act.

2. The Purchase Agreement constitutes the valid and binding agreement of the Authority and is enforceable against the Authority in accordance with its terms except to the extent enforceability may be subject to valid bankruptcy, insolvency, reorganization, moratorium, liquidation, readjustment of debt and other laws affecting creditors' rights and laws affecting the remedies for the enforcement of the rights and security provided for therein, including the remedy of specific performance, and that their enforcement may also be subject to the exercise of the sovereign police powers of the State, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

3. The statements contained in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum under the captions "THE BONDS" (excluding therefrom any information under "Book-Entry Only System"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "TAX MATTERS," Appendix C – "SUMMARY OF PRINCIPAL BOND DOCUMENTS," and Appendix G – "FORM OF OPINION OF BOND COUNSEL" excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements purport to summarize certain provisions of the Bond Indenture, the Master Indenture, the Second Supplemental Master Indenture, Obligation No. 2, the Loan Agreement, the Bonds, and the form and content of our Legal Opinion, are accurate in all material respects.

This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transactions specifically referred to herein. No person other than the above addressees may rely upon this letter without our express prior written consent; provided that the Trustee may rely on our opinion in 1. above that the Bond Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Respectfully submitted,

Powered by BoardOnTrack

EXHIBIT C

FORM OF CONSOLIDATED OPINION OF COUNSEL TO THE BORROWER AND TEACH

_____, 2019

California School Finance Authority
State Treasurer's Office
304 South Broadway, Suite 550
Los Angeles, California 90013

Stifel, Nicolaus & Company, Incorporated
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071

Re: California School Finance Authority Charter School Revenue Bonds
(TEACH Public Schools – Obligated Group),
Series 2019A and Series 2019B (Taxable)

Ladies and Gentlemen:

[BODY OF OPINION LETTER TO COME]

IV . OPINION

Based upon and subject to the foregoing and to the qualifications and limitations set forth below, it is our opinion that, to the extent federal law or the laws of the State of California apply to the Transaction Documents:

1. TEACH is a nonprofit public benefit corporation validly existing and in good standing under the laws of the State of California. The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California.

2. TEACH is the sole member of the Borrower, and the Borrower is disregarded as separate from TEACH for federal income tax purposes.

3. Each Execution Party has the corporate or limited liability company power, as applicable, to enter into and perform its obligations under the Transaction Documents to which it is a party and to carry out its business as presently conducted.

4. Each Execution Party has taken all corporate or limited liability company action, as applicable, necessary to authorize the execution and delivery of, and the performance of its obligations under, the Transaction Documents to which it is a party. Each Execution Party has duly and validly executed and delivered the Transaction Documents to which it is a party.

5. Each of the Transaction Documents to which an Execution Party is a party is a valid and binding obligation of such Execution Party, enforceable against such Execution Party in accordance with its terms, except as the enforceability thereof may be limited by (a) bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting the rights of creditors generally (including, without limitation, fraudulent conveyance laws) and (b) general

principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether considered in a proceeding in equity or at law.

6. All consents, approvals, authorizations or orders of, and filings, registrations and qualifications on the part of each Execution Party with, any United States federal or State of California regulatory authority or governmental body required for the approval and distribution of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum by the Borrower, for the approval of the Indenture by the Borrower, and for each Execution Party to execute and deliver, and perform its obligations under, the Transaction Documents to which it is a party have been obtained or made, other than such filings, recordings or indexing as may be necessary to perfect or give constructive notice of the liens or security interests granted by the Execution Party pursuant to the Transaction Documents, provided that we express no opinion as to any approvals or consents as may be required under any state or federal blue sky securities laws.

7. The approval and distribution of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum by the Borrower and TEACH, the approval of the Indenture by the Borrower, the execution and delivery by each Execution Party of the Transaction Documents to which it is a party, and the performance of the obligations of each Execution Party of its obligations under those Transaction Documents to which it is a party do not and will not (a) violate the articles of incorporation or organization or the bylaws or operating agreement of the Execution Party, (b) violate any United States federal or State of California law, rule or regulation that in our experience is typically applicable to transactions of the nature contemplated by such Transaction Documents or generally applicable to companies engaged in the same line of business as the Execution Party (except for federal or state blue sky or securities laws, as to which no opinion is expressed), (c) result in a breach of or constitute a default under any of the agreements identified to us as agreements to which any of the Execution Parties or any of their properties is bound, the breach of which, non-compliance with which, or default under which would materially and adversely affect the consummation of the Transactions or the financial condition, assets, properties, or operations of any of the Execution Parties (which agreements are listed in Schedule 3 attached hereto), or (d) violate any judgment, order, or decree of any court or arbitrator identified in Schedule 4 attached hereto.

8. The Mortgages (a) in a proper form for recordation, (b) effective to create a lien on the Borrower's fee or leasehold interest in the Property in favor of _____, as trustee, for the benefit of the Master Trustee, as beneficiary, (c) effective to create in favor of the Master Trustee a security interest in the personal property collateral described therein to the extent a security interest in such collateral may be created under Division 9 of the UCC, and (d) in a form sufficient to constitute a fixture filing (as defined in Section 9102(a)(40) of the UCC). The proper recordation and indexing of each Mortgage in the Official Records of Los Angeles County, California, (the "County Records") pursuant to applicable California law will be sufficient to provide constructive notice to third parties of the lien on the Property created by the Mortgages.

9. The security interest of the Trustee in that portion of the collateral described in the Mortgages in which a security interest may be perfected by the filing of a fixture filing (as defined in Section 9102(a)(40) of the UCC) under the UCC will be perfected upon the recording and indexing of the Deed of Trust in the County Records pursuant to applicable California law. The security interest of the Trustee in that portion of the collateral described in the Mortgages in which a security interest may be perfected by the filing of a financing statement under the UCC will be perfected upon the filing of the Member Financing Statement with the office of the Secretary of State of the State of California.

10. The Leases are effective to create in favor of the Borrower a security interest in the personal property collateral described therein to the extent a security interest in such collateral may be created under Division 9 of the UCC. The security interest of the Borrower in the collateral described in the Leases in which a security interest may be perfected by the filing of a financing statement under the UCC will be perfected upon the filing of the TEACH Financing Statement with the office of the Secretary of State of the State of California.

11. Each of TEACH and the Borrower is a "participating party" as defined in the California School Finance Authority Act (constituting Chapter 18 of Part 10 of Division 1 of Title 1 of the California Education Code). TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School and TEACH Tech Charter High School are each a charter school established pursuant to the Charter School Law and their charter petitions have been approved by the Los Angeles Unified School District.

12. For federal income tax purposes, the Borrower is an entity disregarded as separate from its sole member, TEACH, and accordingly the Borrower is exempt from federal income taxation under Section 501(c)(3) of the Code and is not a "private foundation" as the same is described in Section 509 of the Code by reach of TEACH's tax-exempt status.

13. TEACH is an organization described in Section 501(c)(3) of the Code that is exempt from federal income taxes under Section 501(a) of the Code, except with respect to any unrelated business income subject to taxation under Section 511 of the Code, and that is not a "private foundation" as described in Section 509(a) of the Code. We have no current actual knowledge of any pending proceedings or threatened proceedings before the Internal Revenue Service ("IRS") to change such status. Furthermore, we have no current actual knowledge of any information which would indicate that (1) TEACH is no longer an organization described in Section 501(c)(3) of the Code, or (2) TEACH is in violation of the terms, conditions and limitations set forth in the IRS determination letter.

13. TEACH's activity, conducted through the Borrower, of leasing, constructing, improving, equipping and furnishing public charter school facilities and leasing back such facilities to TEACH, as described in the Limited Offering Memorandum, is not an unrelated trade or business activity with respect to TEACH or the Borrower under Section 513(a) of the Code.

14. The statements contained in the Limited Offering Memorandum under the captions "INTRODUCTION," THE BONDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "THE LEASES," and in "APPENDIX D – SUMMARY OF THE LEASES," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Leases, are accurate in all material respects.

15. The conditions set forth in the Master Indenture and the Second Supplemental Master Indenture with respect to the issuance of Obligations No. 2 have been satisfied. The execution of the Second Supplemental Master Indenture is authorized and permitted under the Master Indenture. The Second Supplemental Master Indenture has been duly executed and delivered by the Borrower on behalf of the Obligated Group and constitutes the valid and biding obligation of the Obligated Group, enforceable in accordance with its terms. Obligation No. 2 has been duly authorized, executed and delivered by the Borrower and, upon authentication by the Master Trustee, Obligation No. 2 will be a valid and binding obligation of the Obligated Group, enforceable in accordance with its terms.

16. Obligation No. 2 is not subject to registration under the Securities Act of 1933, as amended (the "1933 Act"), and the Master Indenture is not subject to recordation under the Trust Indenture Act of 1939, as amended. In rendering the foregoing opinion, we have assumed, without investigation or verification, that the Bonds are exempt from registration under the 1933 Act.

V. CONFIRMATIONS

At your request, we confirm to you:

1. We are not representing any Execution Party in any action or proceeding that is pending, or overtly threatened in writing by a potential claimant, that seeks to enjoin the transaction or challenge the validity of the Transaction Documents or the performance by the Execution Party of its obligations thereunder.

2. To our knowledge, there are no pending or threatened actions, suits, proceedings, inquiries or investigations, before or by any court, regulatory agency, public board or body affecting any Execution Party or any of their respective assets or operations that, in the opinion of the Chief Executive Officer and Director of Finance of the Execution Party (in the case of the Borrower and TEACH) or the Execution Party's manager (in the case of the Borrower), if determined adversely to such entity, would materially and adversely affect the consummation of the transactions contemplated by the Transaction Documents and the Limited Offering Memorandum, or the validity of the Transaction Documents or the financial condition, assets or operations of any Execution Party.

3. To our knowledge, no Execution Party is in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental agency, which default, in the opinion of the Chief Executive Officer and Director of Finance of the Execution Party (in the case of the Borrower and TEACH) or the Execution Party's manager (in the case of the Member), might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Transaction Documents, and the Limited Offering Memorandum, or the financial condition, assets, or operations of any Execution Party.

4. As special counsel to the Execution Parties, we reviewed the Limited Offering Memorandum and participated in discussions with your representatives and your counsel regarding the Limited Offering Memorandum and related matters. We did not participate in the preparation of the Limited Offering Memorandum (other than the portions entitled "THE PROJECT," "THE LEASES," "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP," and "APPENDIX D – SUMMARY OF THE LEASES") or any documents (other than the Leases) incorporated by reference in the Limited Offering Memorandum, except that we provided comments on the Limited Offering Memorandum and the Transaction Documents.

5. The purpose of our professional engagement was not to establish or to confirm factual matters set forth in the Limited Offering Memorandum, and we have not undertaken to verify independently any of such factual matters. Moreover, many of the determinations required to be made in the preparation of the Limited Offering Memorandum involve matters of a non-legal nature.

6. Subject to the foregoing and on the basis of the information we gained in the course of performing the services referred to above, we confirm to you that nothing has come to our

attention that caused us to believe that the Limited Offering Memorandum, as of its date and as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, provided, however, that we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Limited Offering Memorandum, and we do not express any belief with respect to the financial statements or other financial, statistical, or accounting data or information or assessments of or reports on the effectiveness of internal control over financial reporting contained in the Limited Offering Memorandum or as to the accuracy, completeness or fairness of the information, with respect to the Trustee, the Authority, or any appraiser identified in the Limited Offering Memorandum or the information contained in the sections entitled "THE AUTHORITY," "THE BONDS—Book Entry-Only System," "ABSENCE OF MATERIAL LITIGATION—The Authority," "TAX MATTERS," "UNDERWRITING," or in Appendices B, C, F, G or H to the Limited Offering Memorandum.

Schedule 1

Transaction Documents

[TO COME]

Schedule 2

Documents of Execution Parties

[TO COME]

Schedule 3

Agreements

[TO COME]

Schedule 4

Judgments, Orders and Decrees

[TO COME]

Exhibit A

Member Financing Statement

(see attached)

4824-9180-7915/200356-0344

Exhibit B

TEACH Financing Statement

(see attached)

Exhibit C

CLAS Litigation Search

(see attached)

Powered by BoardOnTrack

EXHIBIT D

FORM OF OPINION OF COUNSEL TO THE AUTHORITY

_____, 2019

California School Finance Authority
915 Capitol Mall, Suite 101
Sacramento, California 95814

$_____
California School Finance Authority
Charter School Revenue Bonds
(TEACH Public Schools – Obligated Group)
Series 2019A

$_____
California School Finance Authority
Charter School Revenue Bonds
(TEACH Public Schools – Obligated Group)
Series 2019B (Taxable)

Ladies and Gentlemen:

We have acted as counsel to the California School Finance Authority (the "Authority") in connection with the issuance of the above-referenced bonds (the "Bonds"). This opinion is delivered to you pursuant to Section 6(c)(xvii) of the Bond Purchase Agreement, dated _____, 2019 (the "Purchase Agreement"), among the Authority, the Treasurer of the State of California, as agent for sale on behalf of the Authority, and Stifel, Nicolaus & Company, Incorporated, as underwriter, and approved by Wooten & Avila LLC (the "Borrower") and TEACH, Inc.

The Bonds are being issued pursuant to the provisions of the California School Finance Authority Act, constituting Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code (the "Act") and under an indenture, dated as of December 1, 2019 (the "Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). The proceeds of the Bonds are being loaned by the Authority to the Borrower pursuant to a loan agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower. Capitalized terms used herein and not otherwise defined have the meanings given in the Indenture.

The only source of payment for the principal of and premium, if any, and interest on, the Bonds are the revenues to be received from sources other than the Authority and pledged under the Indenture and amounts held in certain funds and accounts under the Indenture to the extent described in the Indenture. The principal of and premium, if any, and interest on, the Bonds is payable solely from such revenues and amounts. Neither the faith and credit nor the taxing power of the State of California or any subdivision thereof, or any local agency, is pledged to the payment of the principal of and premium, if any, and interest on, the Bonds. The Authority has no taxing power with which to provide for payment of the principal of and premium, if any, and interest on, the Bonds, nor does it

Powered by BoardOnTrack

have the power to commit the faith and credit or the taxing power of the State of California or any subdivision thereof, or any local agency, to the payment of the principal of and premium, if any, and interest on, the Bonds.

In such connection, we have reviewed the Indenture, the Purchase Agreement, the Loan Agreement (the "Authority Documents"), certificates of the Authority and others, certain parts of the Limited Offering Memorandum relating to the Bonds, dated as of _____, 2019 (the "Limited Offering Memorandum") under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority," and such other documents, opinions and matters to the extent deemed necessary to render the opinions set forth herein. As to questions of fact material to this opinion, we have relied upon representations contained in the Authority Documents and in certain certificates, documents, records, statements and opinions furnished by, or on behalf of, the Borrower and the Authority, without undertaking to verify such facts by independent investigation. In addition, we have assumed compliance by the parties with the covenants and agreements contained in Authority Documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the immediately preceding paragraph hereof.

We express no opinion as to whether interest on the Bonds is excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Although one or more Authority Documents may reference or incorporate the Tax Agreement, we express no opinion regarding the Tax Agreement. We take no responsibility for the accuracy, completeness or fairness of the Limited Offering Memorandum or other offering material relating to the Bonds and express no opinion with respect thereto, except as expressly set forth in numbered paragraph 2 below.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Authority is duly organized and validly existing under the Constitution and laws of the State of California.

2. The Limited Offering Memorandum has been duly authorized, executed and delivered by the Authority, and the information contained in the Limited Offering Memorandum under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" is true and correct.

3. Resolution No. 19-__ of the Authority, adopted on November __, 2019, approving and authorizing the execution and delivery of the Authority Documents and the Bonds, was duly adopted at a meeting of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

4. There is no action, suit or proceeding pending (with service of process against the Authority having been accomplished) or any action, suit, proceeding, inquiry or investigation before any court, governmental agency, public board or body to our knowledge threatened against the Authority to restrain or enjoin the issuance or delivery of the Bonds, the collection of revenues pledged under the Indenture, the assignment of the Loan Agreement under the Indenture or the loaning of the proceeds of the Bonds to the Borrower under the Loan Agreement, or contesting any authority for the issuance of the Bonds, the validity of the Bonds or the Authority Documents, or contesting the existence or powers of the Authority with respect to the issuance of the Bonds or the security therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Authority Documents or the validity of the Bonds (it being understood that we have made no docket search of state or federal courts nor any other similar inquiry regarding such matters).

5. The execution and delivery of the Bonds and the Authority Documents and compliance with the provisions thereof under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument known to me to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which would, in any such case, adversely affect the Authority's ability to perform its obligations under the Authority Documents; provided that no representation is made regarding compliance with any federal or state securities or "blue sky" laws.

6. The Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Authority Documents by the other parties thereto, the Authority Documents are valid and binding obligations of the Authority, and the Bonds have been duly authorized, executed and delivered and, assuming proper authentication by the Trustee, constitute valid and binding limited obligations of the Authority, payable only from revenues pledged under the Indenture and from certain other specified funds in accordance with their terms and secured as provided in the Indenture, in each case, enforceable in accordance with their respective terms, subject to the laws relating to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws related to or affecting creditors' rights generally and to the application of equitable principles as the court having jurisdiction may impose, regardless of whether such enforceability is considered in a proceeding in equity or at law, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability, or waiver provisions contained in the Authority Documents.

We are furnishing this letter to you as your counsel. It is being delivered to you as issuer of the Bonds, is solely for your benefit as such issuer, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Sincerely,

Deputy Attorney General

For XAVIER BECERRA
Attorney General

4824-9180-7915/200356-0344

EXHIBIT E

FORMS OF INVESTOR LETTER

FORM OF INVESTOR LETTER

The Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

California School Finance Authority
304 South Broadway
Los Angeles, California 90013

Wilmington Trust, National Association
650 Town Center Drive, Suite 600
Costa Mesa, California 92626

Stifel, Nicolaus & Company, Incorporated
515 S. Figueroa Street, Suite 1800
Los Angeles, California 90071

Re: $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A and $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable)

Ladies and Gentlemen:

The undersigned (the "Investor") hereby acknowledges that it is purchasing $_____ aggregate principal amount of California School Finance Authority (the "Authority") Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019 (the "Bonds"), issued pursuant to an indenture, dated as of December 1, 2019 (the "Indenture"), between the Authority and Wilmington Trust, National Association (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

This letter is being provided pursuant to a Bond Purchase Agreement, dated [DATE] (the "Purchase Agreement"), among the Authority, the Treasurer of the State of California, as agent for sale on behalf of the Authority, Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), and approved by Wooten Avila LLC (the "Borrower") and TEACH Inc. ("TEACH" or the "Lessee").

The undersigned acknowledges that the Bonds are being delivered for the purpose of financing the acquisition, expansion, remodeling, renovation, and/or equipping of certain charter school facilities located in Los Angeles, California (the "Project") on behalf of the Borrower, as more particularly described in the Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower. The undersigned further acknowledges that the Borrower will lease the charter school facilities to the Lessee pursuant to those certain leases (the "Leases") between the Lessor and the Lessee.

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 2 relating to the Bonds ("Obligation No. 2") issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016, and a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, as representative and initial Member of the Obligated Group, the Borrower, and Wilmington Trust, National Association, as master trustee (the "Master Trustee"). The Indenture, the Loan Agreement, the Leases, the Master Trust Indenture, and the Second Supplemental Master Indenture are referred to herein as the "Bond Documents."

In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority and is duly authorized to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is either (a) a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933, as amended (the "Act"), or (b) an "accredited investor," as defined under Regulation D promulgated under the Act, and therefore has sufficient knowledge and experience in financial and business matters, including in the purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Bonds are being acquired by the Investor for investment and not with a current view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate, subject to the transfer restrictions set forth in the Bonds and in the Indenture. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since a sale of the Bonds, or any portion thereof, prior to maturity may not be possible.

4. The Investor understands that the Bonds are not registered under the Act and that such registration is not legally required as of the date hereof and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable due to restrictions on transfer.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, which it has requested from the Borrower and which the Investor believes to be significant in making investment decisions, which information is included in the Preliminary Limited Offering Memorandum, dated [DATE] (the "Preliminary Limited Offering Memorandum"), and the Limited Offering Memorandum, dated [DATE] (the "Limited Offering Memorandum"), and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project, the Lessee, the Bond Documents and the Bonds and the security therefor so that the Investor has been able to make a decision to purchase the Bonds.

6. The Investor has received a copy of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum. The Investor acknowledges that it has not relied upon any advice, counsel, representation or information of the Authority in connection with the Investor's purchase of the Bonds.

7. The Investor acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from amounts paid to the Authority or the Trustee from the Borrower pursuant to the Loan Agreement and Obligation No. 2 and the Authority shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of the Authority to pay any portion of the costs of the Project, the Costs of Issuance, or any other costs or expense in connection with the Project, the Costs of Issuance, the Bonds or the Bond Documents. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the Authority (which has no taxing power), the State of California or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal of or interest on the Bonds and that

the liability of the Authority and the State of California with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Investor is aware that the business of the Borrower, the Member and the Lessee involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Investor has reviewed the documents executed in conjunction with the issuance of the Bonds, or summaries thereof, including, without limitation, the Indenture, the Master Indenture, the First Supplemental Master Indenture, the Leases and the Loan Agreement.

9. The Investor acknowledges and agrees that the Authority takes no responsibility for, and makes no representation to the Investor, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bonds in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The Investor also acknowledges that, with respect to the Authority's obligations and liabilities, the Investor is solely responsible for compliance with the sales restrictions on the Bonds in connection with any subsequent transfer of the Bonds made by the Investor.

10. The Investor agrees that it is bound by and will abide by the provisions of the Indenture relating to transfer, the restrictions noted on the face of the Bonds and this Investor Letter. The Investor also covenants to comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Bonds by the Investor.

11. The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

12. The Investor hereby waives any and all claims, actions, or causes of action which the Investor may have from and after the date hereof against the Authority, counsel to the Authority, and their respective members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Authority took or could have taken in connection with the authorization, execution, delivery, and sale of the Bonds or the purchase of the Bonds by the undersigned or in connection with any statements or representations which induced the undersigned to purchase the Bonds. This waiver does not go to the Borrower, the Underwriter, Bond Counsel, the Lessee, or their counsel, their respective members, officers, agents, or employees.

The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

Date: _____, 2019

Very truly yours,

_____
NAME OF INVESTOR
By: _____
Name: _____
Title: _____

4824-9180-7915/200356-0344

FORM OF BONDHOLDER REPRESENTATIVE LETTER

The Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

California School Finance Authority
304 South Broadway
Los Angeles, California 90013

Wilmington Trust, National Association
650 Town Center Drive, Suite 600
Costa Mesa, California 92626

Stifel, Nicolaus & Company, Incorporated
515 S. Figueroa Street, Suite 1800
Los Angeles, California 90071

Re: $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A and $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable)

Ladies and Gentlemen:

In connection with the sale of $____ aggregate principal amount (the "Purchased Bonds") of California School Finance Authority (the "Authority") Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019 (the "Bonds"), issued pursuant to an indenture, dated as of December 1, 2019 (the "Indenture"), between the Authority and Wilmington Trust, National Association (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

This letter is being provided pursuant to a Bond Purchase Agreement, dated [DATE] (the "Purchase Agreement"), among the Authority, the Treasurer of the State of California, as agent for sale on behalf of the Authority, Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), and approved by Wooten Avila LLC (the "Borrower") and TEACH Inc. ("TEACH" or the "Lessee").

The undersigned acknowledges that the Bonds are being delivered for the purpose of financing the acquisition, expansion, remodeling, renovation, furnishing and/or equipping of certain charter school facilities located in Los Angeles, California (the "Projects") on behalf of the Borrower, as more particularly described in the Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower. The undersigned further acknowledges that the Lessor will lease the charter school facilities to the Lessee pursuant to those certain leases (the "Leases") between the Lessor and the Lessee.

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 2 relating to the Bonds ("Obligation No. 2") issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016, and a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, as representative and initial Member of the Obligated Group, the Borrower and Wilmington Trust, National Association, as master trustee (the "Master Trustee"). The Indenture, the Loan Agreement, the Leases, the Master Trust Indenture, and the Second Supplemental Master Indenture are referred to herein as the "Bond Documents."

In connection with the sale of the Purchased Bonds, the undersigned (the "Bondholder Representative") hereby makes the following representations upon which you may rely:

1. The Bondholder Representative is a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933, as amended (the "Act") or a registered investment adviser as defined in the Investment Advisers Act of 1940, responsible for managing at least $1 billion in assets.

2. The Bondholder Representative has discretionary authority over the investments of its clients who will be the owners of the Purchased Bonds (the "Owners"), is the duly appointed representative of the Owners of all of the Purchased Bonds and is authorized to act on behalf of the Owners.

3. Each Owner is an "accredited investor" as defined in Regulation D of the Act, or a "qualified institutional buyer" as defined in Rule 144A of the Act, and therefore has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the Purchased Bonds.

4. The Bondholder Representative, on behalf of itself and each Owner, understands that the Bonds are not registered under the Act and that such registration is not legally required as of the date hereof and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) may not be readily marketable due to restrictions on transfer.

5. Each Owner is acquiring its Bonds for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and each Owner intends to hold its Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of its Bonds. However, each Owner, or the Bondholder Representative on behalf of such Owner, may sell such Owner's Bonds at any time such Owner, or the Bondholder Representative on behalf of such Owner, deems appropriate, subject to the transfer restrictions set forth in the Bonds and in the Indenture. Each Owner understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

6. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, which it has requested from the Borrower and to which a reasonable investor would attach significance in making investment decisions, which information is included in the Preliminary Limited Offering Memorandum, dated [DATE] (the "Preliminary Limited Offering Memorandum"), and the Limited Offering Memorandum, dated [DATE] (the "Limited Offering Memorandum"), and the Bondholder Representative, on behalf of itself and each Owner, has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project, the Lessee, the Bond Documents and the Bonds and the security therefor so that, as a reasonable investor, the Bondholder Representative, on behalf of itself and each Owner, has been able to make a decision to purchase the Bonds.

7. The Bondholder Representative, on behalf of itself and each Owner, has received a copy of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that it has not relied upon any advice, counsel, representation or information of the Authority in connection with the Investor's purchase of the Bonds.

8. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from amounts paid to the Authority or the Trustee from the Borrower pursuant to the Loan Agreement and Obligation No. 2 and the Authority shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of the Authority to pay any portion of the costs of the Project, the Costs of Issuance, or any other costs or expense in connection with the Project, the Costs of Issuance, the Bonds or the Bond Documents. The

Bondholder Representative, on behalf of itself and each Owner, understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the Authority (which has no taxing power), the State of California or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal of or interest on the Bonds and that the liability of the Authority and the State of California with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

9. The Bondholder Representative, on behalf of itself and each Owner, has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Bondholder Representative and each Owner are aware that the business of the Borrower, the Member and the Lessee involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Bondholder Representative, on behalf of itself and each Owner, has also reviewed the documents executed in conjunction with the issuance of the Bonds, or summaries thereof, including, without limitation, the Indenture, the Master Indenture, the First Supplemental Master Indenture, the Leases and the Loan Agreement.

10. The Bondholder Representative, on behalf of itself and each Owner, acknowledges and agrees that the Authority takes no responsibility for, and makes no representation to the Bondholder Representative or such Owner, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bonds in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The Bondholder Representative, on behalf of itself and each Owner, also acknowledges that, with respect to the Authority's obligations and liabilities, the Bondholder Representative and such Owner are solely responsible for compliance with the sales restrictions on the Bonds in connection with any subsequent transfer of the Bonds made by such Owner or by the Bondholder Representative on behalf of such Owner.

11. The Bondholder Representative, on behalf of itself and each Owner, agrees that it is bound by and will abide by the provisions of the Indenture relating to transfer, the restrictions noted on the face of the Bonds and this Investor Letter. The Bondholder Representative and each Owner will comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Purchased Bonds by such Owner, or by the Bondholder Representative on behalf of such Owner.

12. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that the sale of the Bonds to such Owner is made in reliance upon the certifications, representations and warranties herein by such Owner and by the Bondholder Representative on behalf of itself and on behalf of such Owner.

13. The Bondholder Representative, on behalf of itself and each Owner, hereby waives any and all claims, actions, or causes of action which such Owner or the Bondholder Representative on behalf of such Owner may have from and after the date hereof against the State Treasurer, the Authority, counsel to the Authority, counsel to the State Treasurer and their respective members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Authority or the State Treasurer took or could have taken in connection with the authorization, execution, delivery, and sale of the Bonds or the purchase of the Bonds by the undersigned or in connection with any statements or representations which induced the undersigned to purchase the Bonds.

14. The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

Date: _____, 2019

Very truly yours,

_____
NAME OF BONDHOLDER REPRESENTATIVE

By: _____
Name: _____
Title: _____

4824-9180-7915/200356-0344

EXHIBIT F

FORM OF ISSUE PRICE CERTIFICATE

$_____
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019A

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated ("Stifel") hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the "Bonds").

1. ***Sale of the Bonds***. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity was sold to the Public is the respective prices listed in Schedule I.

2. ***Defined Terms***.

(a) *Issuer* means the California School Finance Authority.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2019.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Powered by BoardOnTrack

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Regulatory Agreement to which this certificate is included as Exhibit B and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Bonds is excludable from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By:_____
Managing Director

Dated: December __, 2019

4824-9180-7915/200356-0344

LOAN AGREEMENT

between

CALIFORNIA SCHOOL FINANCE AUTHORITY,

and

WOOTEN AVILA LLC,
a California limited liability company, as Borrower,

Dated as of [December] 1, 2019

Relating to:

CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019A (TAX-EXEMPT)

and

CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019B (TAXABLE)

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS 2

SECTION 1.01 Definitions 2

SECTION 1.02 Interpretation 2

ARTICLE II FINDINGS, REPRESENTATIONS, COVENANTS AND WARRANTIES 3

SECTION 2.01 Findings by the Authority 3

SECTION 2.02 Representations and Warranties of the Borrower 3

ARTICLE III LOAN FINANCING; LOAN REPAYMENTS; INDEMNIFICATION; CONSTRUCTION DRAWS 9

SECTION 3.01 Agreement to Issue Bonds and Application of Bond Proceeds 9

SECTION 3.02 The Loan; Loan Repayments; Intercept; Additional Payments 10

SECTION 3.03 Costs of Issuance and Other Expenses 14

SECTION 3.04 [Reserved] 14

SECTION 3.05 Indemnification 14

SECTION 3.06 Construction Draws 16

ARTICLE IV ADDITIONAL COVENANTS AND AGREEMENTS OF BORROWER 16

SECTION 4.01 Inspection of Books 16

SECTION 4.02 Reports and Information 17

SECTION 4.03 Notice 17

SECTION 4.04 Reports and Budgets 17

SECTION 4.05 Reliance 17

SECTION 4.06 Tax Covenants 18

SECTION 4.07 Continuing Disclosure 19

SECTION 4.08 Warranty of Truth 19

SECTION 4.09 [Reserved] 19

SECTION 4.10 [Independent Consultant Report 19

SECTION 4.11 Prohibited Uses 20

SECTION 4.12 Indenture Provisions 20

SECTION 4.13 Term of Lease 20

TABLE OF CONTENTS
(continued)

Page

ARTICLE V [RESERVED] 20
ARTICLE VI DEFAULTS AND REMEDIES 20
SECTION 6.01 Events of Default 20
SECTION 6.02 Remedies 21
SECTION 6.03 Additional Remedies 22
SECTION 6.04 No Remedy Exclusive 22
SECTION 6.05 No Additional Waiver Implied by One Waiver 22
SECTION 6.06 Agreement to Pay Fees and Expenses Upon Default 22
ARTICLE VII PREPAYMENT 23
SECTION 7.01 Prepayment of the Loan 23
SECTION 7.02 Redemption of Bonds Upon Prepayment 24
SECTION 7.03 Amount of Prepayment 24
ARTICLE VIII MISCELLANEOUS 24
SECTION 8.01 Notice 24
SECTION 8.02 Concerning Successors and Assigns 24
SECTION 8.03 Governing Law; Venue 24
SECTION 8.04 Amendments; Modifications in Writing 25
SECTION 8.05 Captions 25
SECTION 8.06 Severability 25
SECTION 8.07 Counterparts 25
SECTION 8.08 Effective Date and Term 25
SECTION 8.09 Non-Liability of Authority 25
SECTION 8.10 Waiver of Personal Liability 26
SECTION 8.11 No Prevailing Party Provision 26
SECTION 8.12 Binding Effect 26
EXHIBIT A THE PROJECT
EXHIBIT B FORM OF COMPLETION CERTIFICATE
EXHIBIT C SCHEDULE OF LOAN REPAYMENTS

Powered by BoardOnTrack

THIS LOAN AGREEMENT (this "Loan Agreement"), dated as of [December] 1, 2019, is by and between the **CALIFORNIA SCHOOL FINANCE AUTHORITY** (the "Authority"), a public instrumentality of the State of California and **WOOTEN AVILA LLC**, a California limited liability company, whose sole member is a California nonprofit public benefit corporation (the "Borrower").

W I T N E S S E T H:

WHEREAS, the Authority is a public instrumentality of the State of California, created by the California School Finance Authority Act (constituting Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State of California) (the "Act") and is authorized to issue bonds and loan the proceeds thereof for purposes of financing or refinancing the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities (as defined in the Act) to a participating party (as defined in the Act), including an entity that undertakes the financing or refinancing of a project (as defined in the Act) pursuant to the Act in conjunction with schools ("charter schools") established pursuant to the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the Education Code) (the "Charter School Law");

WHEREAS, the Authority proposes to issue its California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A (Tax-Exempt) in the aggregate principal amount of $[PARA] (the "Tax-Exempt Bonds") and its California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable) (the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds") in the aggregate principal amount of $[PARB] pursuant to an Indenture, dated as of [December] 1, 2019, as originally executed and as amended and supplemented from time to time (the "Indenture"), by and between the Authority and Wilmington Trust, National Association (the "Bond Trustee");

WHEREAS, proceeds of the Bonds will be applied to fund a loan to the Borrower to (i) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain educational facilities (as more particularly defined in the Indenture, the "Facilities") as described in Exhibit A hereto (as set forth in Exhibit A, the "Project") to be used by or operated in conjunction with the operations of charter schools known or to be known as [TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary] and TEACH Tech Charter High (collectively, as more particularly defined in the Indenture, the "Schools"), [(b) pay certain expenses incurred in connection with the issuance of the Bonds, (c) pay capitalized interest on the Bonds, and (d) fund a debt service reserve fund, a repair and replacement fund, and/or related working capital with respect to the Bonds;]

WHEREAS, the Authority and the Borrower desire to enter into this Loan Agreement to specify the terms and conditions of the loan by the Authority to the Borrower of proceeds of the Bonds;

WHEREAS, under this Loan Agreement, the Borrower is required to make Loan Repayments (defined herein) sufficient to pay when due the principal of, and premium, if any, and interest on, the Bonds;

WHEREAS, each of the Authority and the Borrower has duly authorized the execution, delivery and performance of this Loan Agreement;

WHEREAS, the Facilities will be leased by the Borrower, the sole member of which is TEACH, Inc. (the "Lessee"), a California nonprofit public benefits corporation and which is an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), for use and occupancy by the Lessee pursuant to the Leases;

WHEREAS, during the term of the Leases, the Facilities will be used and operated in conjunction with the applicable School;

WHEREAS, each School has elected to provide for payment of the amounts due to the Lessor from the Lessee under the Leases relating to such School, and in turn, the Bonds pursuant to and in accordance with Section 17199.4 of the California Education Code;

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to constitute this Loan Agreement a valid and binding legal agreement of the Authority for the uses and purposes herein set forth, in accordance with its terms, have been done and taken, and the execution and delivery of this Loan Agreement by the Authority have been in all respects duly authorized; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, all capitalized terms used herein but not defined shall have the meanings assigned to such terms in Section 1.01 of the Indenture.

SECTION 1.02 Interpretation. In this Loan Agreement, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "herein," "hereunder," "hereinafter" and any similar terms as used in this Loan Agreement, refer to this Loan Agreement as a whole and not to a particular section or provision of this Loan Agreement, and the term "heretofore" shall mean before, and the term "hereafter" shall mean after, the effective date of this Loan Agreement.

(b) Words of any gender shall mean and include correlative words of any other gender, and words importing the singular number shall mean and include the plural number, and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

(d) Any headings or titles preceding the texts of the several Articles and Sections of this Loan Agreement, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall neither constitute a part of this Loan Agreement nor affect its meaning, construction or effect.

(e) Any certificates, letters or opinions required to be given pursuant to this Loan Agreement shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Loan Agreement.

(f) Every "request," "order," "demand," "application," "notice," "statement," "certificate," "consent," "instruction," or similar action hereunder shall, unless the form thereof is specifically provided herein, be in writing, and in the case of the Authority or the Borrower, signed by an authorized representative of the Authority or the Authorized Borrower Representative, as the case may be.

(g) The parties hereto acknowledge that each such party and their respective counsel have participated in the drafting and revision of this Loan Agreement and the Indenture. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Loan Agreement or the Indenture or any amendment or supplement or exhibit hereto or thereto.

ARTICLE II

FINDINGS, REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.01 Findings by the Authority. The Authority hereby finds and determines, based upon the representations, warranties and agreements of the Borrower and such other information as the Authority deems necessary, that (i) the Borrower using proceeds of the Bonds is a "participating party" as such term is defined in the Act; (ii) the Loan to be made hereunder with proceeds of the Bonds will promote the purposes of the Act by providing funds to pay the costs of a "project" as defined in the Act; (iii) said Loan is in the public interest, serves a public purpose and meets the requirements of the Act; and (iv) the amount of the Loan (corresponding to the portion of the proceeds of the Bonds allocated under the Indenture to the funding of the Project) does not exceed the costs of the Project as determined by the Borrower.

SECTION 2.02 Representations and Warranties of the Borrower. The Borrower represents and warrants to the Authority that, as of the date of the execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the Authority or the results thereof):

(a) The Borrower is a California limited liability company whose sole member (the "Sole Member") is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State, and has full legal right, power and authority to enter into the Borrower Documents, and to carry out all of its obligations under and consummate all transactions contemplated by the Borrower Documents, and by proper

corporate action has duly authorized the execution, delivery and performance of the Borrower Documents.

(b) The officers of the Sole Member or the Borrower, as applicable, executing the Borrower Documents are duly and properly in office and fully authorized to execute the same.

(c) The Borrower Documents have been duly authorized, executed and delivered by the Borrower.

(d) The Borrower Documents, when assigned to the Bond Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower by the Bond Trustee in accordance with their terms for the benefit of the Holders of the Bonds, and any rights of the Authority and obligations of the Borrower not so assigned to the Bond Trustee constitute the legal, valid, and binding agreements of the Borrower enforceable against the Borrower by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy, or the exercise of judicial discretion in appropriate cases.

(e) The execution and delivery of the Borrower Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of organization of the Borrower, its operating agreement, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents, or the financial condition, assets, properties or operations of the Borrower.

(f) No consent or approval of any trustee or holder of any indebtedness of the Borrower or any guarantor of indebtedness of or other provider of credit or liquidity of the Borrower, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Borrower Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or the assets, properties or operations of the Borrower which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Borrower Documents, or upon the financial condition, assets, properties or operations of the Borrower, and the Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents, or the financial condition, assets, properties or operations of the Borrower. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of the Facilities, subject to the TEACH High Lease.

(h) No written information, exhibit or report furnished to the Authority by the Borrower in connection with the negotiation of the Borrower Documents contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Sole Member is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, except for unrelated business taxable income under Section 511 of the Code, and is not a private foundation as described in Section 509(a) of the Code.

(j) The Borrower is a disregarded entity for federal income tax purposes. The Borrower has not filed Form 8832 to treat the Borrower as a corporation and has not otherwise made an election to be treated as a corporation for federal income tax purposes.

(k) The Sole Member is the sole member of the Borrower. The Sole Member has not filed Form 8832 to treat the Borrower as a corporation and has not otherwise made an election to treat the Borrower as a corporation for federal income tax purposes.

(l) The Loan will be used by the Borrower solely to satisfy one or more of the Sole Member's charitable purposes, which have been previously recognized by the Internal Revenue Service as bona fide charitable purposes. The Borrower has full power and authority to carry on its business as now being conducted and to enter into the Borrower Documents and the transactions contemplated therein.

(m) The Lessee's audited consolidated balance sheets for the years ended [June 30, 2019] and [June 30, 2018] and the related consolidated statements of income and consolidated statements of cash flows for the years ended [June 30, 2019] and [June 30, 2018] (copies of which have been furnished to the Authority) fairly and accurately present the financial position of the Lessee at such date, respectively, and the results of operations for the years ended on such date, and since [June 30, 2019], there has been no material adverse change in the financial condition or results of the Lessee.

(n) The Borrower's purposes, character, activities, and methods of operation have not changed since its organization and are not different from the purposes, character, activities and methods of operation contemplated at the time of its Sole Member's determination by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Code; the Borrower has not and will not divert any part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or operated; the Borrower has not operated, and will not operate, in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3)-(1)(c)(3) of the Regulations, including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities; none of its directors, officers, or any related Persons, or any other Person having a private or professional interest in the Borrower's activities has acquired or received, nor will such Persons be allowed to acquire or receive, directly or indirectly, any of the Borrower's goods, services, income or assets, without fair compensation or consideration received in exchange therefor; it has not received any indication or notice to the effect that the Sole Member's exemption from federal income taxation under Section 501(c)(3) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect; the Borrower has not devoted and will not devote more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code; and the Borrower has not taken any action, nor knows of any action that any other Person has taken, nor knows of the existence of any condition that would cause the Sole Member to lose its exemption from federal income taxation under Section 501(c)(3) of the Code or cause interest on the Tax-Exempt Bonds to be includable in the income of the recipients thereof for federal income tax purposes. As long as the Tax-Exempt Bonds are Outstanding, the Borrower will not take, permit to be taken, fail to take, or permit to fail to be taken, any action that would cause the interest on the Tax-Exempt Bonds to become includable in the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes.

(o) The Borrower shall not use (or permit the use of) any proceeds of the Tax-Exempt Bonds, or any income from the investment thereof or any property financed or refinanced with such proceeds or income, in any trade or business carried on by any Person that is not an Exempt Person or in any unrelated trade or business, as defined in Section 513(a) of the Code, of an Exempt Person or permit the direct or indirect loan of any such proceeds, income, or property to any Person other than an Exempt Person or to any Person that is an Exempt Person for use in an unrelated trade or business, as defined in Section 513(a) of the Code, if the amount of such proceeds, income, or property so used or loaned or portions thereof so used in the aggregate, when added to the cost of issuance financed

directly or indirectly with the Tax-Exempt Bond proceeds, exceeds 5% of the proceeds of the Tax-Exempt Bonds.

(p) Except as provided in the Indenture and this Loan Agreement, the Borrower shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under this Loan Agreement and shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of the Bonds.

(q) The Borrower has made and shall continue to make all required contributions to all employee benefit plans, if any, and Borrower has no knowledge of any material liability which has been incurred by the Borrower and remains unsatisfied for any taxes or penalties with respect to any employee benefit plan or any multi-employer plan, and each such plan has been administered in compliance with its terms and the applicable provisions of ERISA and any other federal or state law.

(r) The Borrower has no known material contingent liabilities, and has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower is otherwise bound, other than obligations incurred in connection with the ownership and operation of the Facilities incurred in the ordinary course of business, none of which constitutes indebtedness for borrowed money.

(s) The Borrower has not entered into this transaction or any Borrower Document with the actual intent to hinder, delay, or defraud any creditor and the Borrower has received reasonably equivalent value in exchange for its obligations under the Borrower Documents. Giving effect to the transactions contemplated by the Borrower Documents, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Borrower Documents, exceed the Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Borrower Documents, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including, without limitation, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

(t) The Borrower is not (1) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (2) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (3) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

(u) The Borrower reasonably believes that the Gross Revenues will be sufficient (without any other borrowing) during the term of the Loan to pay the principal of, prepayment premium, if any, and interest on the Loan.

(v) The Borrower has not applied for the Authority's assistance in financing the Loan for the purpose of covering any long-term budget deficit or shortfall in operating funding of the Borrower or any of the Members of the Obligated Group.

(w) All representations, warranties and certifications made by the Lessee, the Borrower or the Sole Member in connection with the delivery of the Bonds on the Closing Date, including, but not limited to, those representations, warranties and certifications contained in any certificate or agreement concerning the exclusion of interest on the Tax-Exempt Bonds from gross income for purposes of federal income taxation executed by the Borrower, are true, correct, and complete in all material respects as of the Closing Date.

(x) The Borrower is a "participating party" as defined in the Act, and the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the Project is a "project" as defined in the Act. The Borrower shall use the Loan to finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the Project.

(y) The Borrower does not have any material contingent liability in connection with any release of any Hazardous Substances into the environment.

(z) All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State and the federal government have been or will be obtained with respect to the Project and will be acquired, constructed, expanded, remodeled, renovated, improved, furnished, equipped and/or installed (as applicable) and the Facilities will be operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

(aa) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing and refinancing to which the Borrower is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Borrower Documents and the Indenture or otherwise relied on the Authority for any advice.

(bb) The Project and the Facilities are not in violation of any federal, state or local Environmental Regulations. Neither the Borrower nor any of the Facilities is the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Regulations or to respond to a release of any Hazardous Substances into the environment.

(cc) The Borrower has or will have good and marketable title to the Facilities free and clear from all encumbrances other than Permitted Liens.

(dd) The Borrower has and will have title or leasehold possession to the Facilities sufficient to carry out the purposes of this Loan Agreement and the Lease.

(ee) The Project and the Facilities are not in violation of any federal, state or local Environmental Regulations. Neither the Borrower nor the Facilities are subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Regulations or to respond to a release of any Hazardous Substances into the environment.

(ff) The Borrower has no material contingent liability in connection with any release of any Hazardous Substances into the environment.

ARTICLE III

LOAN FINANCING; LOAN REPAYMENTS; INDEMNIFICATION; CONSTRUCTION DRAWS

SECTION 3.01 Agreement to Issue Bonds and Application of Bond Proceeds.

(a) To fund the Loan and for the other purposes set forth in the Indenture, the Authority, concurrently with the execution of this Loan Agreement, will issue, sell and deliver the Bonds and direct the proceeds thereof to be deposited with the Bond Trustee and applied as provided in Article III of the Indenture. The Authority and the Borrower hereby agree that the proceeds of the Bonds shall be applied solely in accordance with the Indenture.

(b) The Borrower hereby approves the terms and provisions of the Indenture and, to the extent applicable, agrees to be bound by such terms.

(c) In consideration of the issuance of the Bonds by the Authority and the application of the proceeds thereof as provided in the Indenture, the Borrower agrees to issue, or cause to be issued, and to cause to be authenticated and delivered to the Authority or its designee, pursuant to the Master Indenture of Trust and the Supplemental MTI for Obligation No. 2, concurrently with the issuance and delivery of the Bonds, Obligation No. 2 in substantially the form described in Section 11 and set forth in Exhibit A of the Supplemental MTI for Obligation No. 2. The Authority agrees that Obligation No. 2 shall be registered in the name of the Bond Trustee. The Borrower agrees that the aggregate principal amount of Obligation No. 2 shall be limited to [_____] ($[PAR]), except for any Obligation No. 2 subsequently authenticated and delivered in lieu of another Obligation No. 2 as provided in Section 7 of the Supplemental MTI for Obligation No. 2 with respect to the mutilation, destruction, loss or theft of Obligation No. 2 or, subject to the provisions of Section 6 of the Supplemental MTI for Obligation No. 2, upon transfer of registration of Obligation No. 2. Issuance and delivery of the Bonds by the Authority shall be a condition of the issuance and delivery of Obligation No. 2.

(d) The Borrower agrees that, except as otherwise provided in this Section 3.01(d), so long as any Bond remains Outstanding, Obligation No. 2 shall be issuable only as a single obligation without coupons, registered as to principal and interest

in the name of the Bond Trustee, and no transfer of Obligation No. 2 shall be registered under the Master Indenture of Trust or be recognized by the Borrower except for transfers to a successor Bond Trustee. Upon the principal of Obligation No. 2 being declared immediately due and payable, Obligation No. 2 may be transferred if and to the extent that the Bond Trustee requests that the aforementioned restrictions on transfers of this Section 3.01(d) be terminated.

SECTION 3.02 The Loan; Loan Repayments; Intercept; Additional Payments.

(a) The Loan. The Authority agrees, upon the terms and conditions herein specified, to loan to the Borrower that portion of the proceeds received by the Authority from the sale of the Bonds by causing such proceeds to be deposited with the Bond Trustee for disposition as provided in the Indenture. The obligation of the Authority to make the Loan is limited solely to such sale proceeds of the Bonds received by the Authority and shall be deemed fully discharged upon the deposit of the proceeds of the Bonds with the Bond Trustee pursuant hereto.

(b) Loan Repayments. In consideration of the issuance of the Bonds by the Authority and the loan of the proceeds thereof to the Borrower, the Borrower agrees that, on or before the 25th day of each month and as long as any of the Bonds remain Outstanding, it shall pay to the Bond Trustee for deposit in the Revenue Fund such amount as is required by the Bond Trustee to make the transfers and deposits required on such date by Section 5.02 of the Indenture, including amounts necessary for deposit into the Repair and Replacement Fund. Notwithstanding the foregoing, if five business days prior to any interest or principal payment date with respect to the Bonds, the aggregate amount in the Revenue Fund is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the Borrower shall promptly provide written notice to each Member and forthwith pay (or cause to be paid) the amount of any such deficiency (which, in the event there is more than one Member of the Obligated Group, such deficiency shall be made up by the various Members of the Obligated Group as set forth in the Master Indenture of Trust) to the Bond Trustee. Each payment by the Borrower to the Bond Trustee hereunder (the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Bond Trustee at its designated corporate trust office and held, invested, disbursed and applied as provided in the Indenture. Notwithstanding anything to the contrary herein, the Borrower shall instruct or cause the Lessor to instruct the Lessee to cause the Schools to pay any shortfall in Base Rent directly to the Bond Trustee for deposit in the Revenue Fund.

The Borrower shall pay, or cause to be paid, the Loan Repayments from the Gross Revenues of the Borrower, including the Rental Payments, or from any other legally available funds of the Borrower, without any further notice thereof except as may be specifically required by this Section 3.02. The Loan Repayments payable by the Borrower under this Loan Agreement are expected to be equal in the aggregate to an amount which, together with other funds in the Revenue Fund then available for the payment of principal and interest on the Bonds, shall be sufficient to provide for the payment in full of the

interest on, premium, if any, and principal of the Bonds as the same become due and payable.

(c) Intercept. Simultaneously with the execution and delivery of the Bonds, the Borrower shall cause the Lessee to deliver an Intercept Notice to the State Controller.

Not later than the fifteenth (15th) calendar day of any month in which a payment hereunder is scheduled, the Borrower may revise any Intercept Notice and cause such revision to be delivered to the State Controller from time to time as necessary or appropriate (including without limitation as a result of redemption prior to maturity) to specify transfers to the Bond Trustee necessary to pay the amounts due under this Loan Agreement and other costs necessary or incidental to the financing pursuant to the Act relating to the Bonds, as the same become due, and to cure any delinquency in payment of such amounts. The Borrower shall, and shall cause the Lessee to, cooperate with the Bond Trustee in any manner the Bond Trustee may request (but has no duty to request) in connection with revising an Intercept Notice. If at any time an Intercept Notice is revised for any reason, the Borrower shall cause the Lessee to promptly provide to the Authority, the Department of Education and the Bond Trustee a copy of such revised Intercept Notice. An Intercept Notice may provide additional amounts payable to the Bond Trustee for purposes set forth in the Indenture; provided the Lessee shall not grant preference or any prior right of funding access or security in respect of any payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code or any successor provision. The Borrower agrees and acknowledges that any revision to the Intercept Notice may take up to 60 days for the State Controller to process.

All deposits hereunder of moneys derived from the Intercept hereunder shall be made at the corporate trust office of the Bond Trustee set forth in each Intercept Notice. The Borrower shall cause the Lessee to timely revise the Intercept Notices to require transfers to such other location as shall be designated in writing by the Bond Trustee.

(d) Additional Payments. In addition to the Loan Repayments, the Borrower shall also pay to the Authority or to the Bond Trustee, or to the appropriate payee, as the case may be, "Additional Payments," as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition

of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Bond Trustee;

(ii) All reasonable fees, charges and expenses of the Bond Trustee for services rendered under the Indenture and all amounts referred to in Section 8.06 of the Indenture, as and when the same become due and payable;

(iii) All reasonable fees, charges and expenses of the Master Trustee for services rendered under the Master Indenture and all amounts referred to in Section 5.05 of the Master Indenture, as and when the same become due and payable;

(iv) The fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement, the other Borrower Documents or the Indenture;

(v) All fees and expenses of any Rating Agency, including the S&P Surveillance Fee (if any), and the Rebate Analyst, and if a deposit is required to be made to the Rebate Fund as a result of any calculation made pursuant to Section 5.07 of the Indenture, the amount of such deposit, which shall be deposited in the Rebate Fund not later than the tenth day of the calendar month immediately following the date on which such calculation was made pursuant to Section 5.07 of the Indenture;

(vi) All amounts necessary for deposit into the Repair and Replacement Fund pursuant to Sections 5.02 and 5.10 of the Indenture;

(vii) The annual fee of the Authority and the fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with this Loan Agreement, the other Borrower Documents, the Bonds or the Indenture, including, without limitation, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving this Loan Agreement, the other Borrower Documents, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of this Loan Agreement and the other Borrower Documents; and

(viii) The amount necessary to replenish any fund established under the Indenture, but only to the extent then required under Section 5.02 of the Indenture.

All such payments shall be made by the Borrower from the Gross Revenues for payment to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Bond Trustee under the Indenture.

(e) Failure to Make Payments. In the event the Borrower shall fail to deposit, or fail to cause to be deposited, with the Bond Trustee any Loan Repayments or Additional Payments as required by this Section 3.02, the Loan Repayments, Additional Payments or other payments required hereunder not paid from such Gross Revenues shall continue to be an obligation hereunder of the Borrower until the amount in default shall have been fully paid.

(f) Obligations of Borrower Unconditional.

(i) The Borrower shall pay to or upon the order of the Authority, at or before the time when payable by the Authority, all costs and liabilities incurred by the Authority, including without limitation fees and expenses of counsel to the Authority, in connection with the issuance of the Bonds and the making of the Loan to the Borrower herein, or otherwise as a result of the transactions contemplated by the Borrower Documents or the Indenture.

(ii) Subject to the provisions of Section 3.02(f)(iii), the obligation of the Borrower to make the payments as required in this Section 3.02, and to perform and observe any and all of the other covenants and agreements on its part contained herein, shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim which the Borrower may otherwise have against the Authority, with the exception of any Intercept Payments received, which shall be credited against any amounts due. The Borrower shall not: (1) suspend, discontinue, or abate any payment required by this Section 3.02 (except as expressly provided herein); (2) fail to observe any of its other covenants or agreements in this Loan Agreement; or (3) terminate this Loan Agreement for any cause whatsoever (except as provided in Section 7.01 hereof), including without limiting the generality of the foregoing, any declaration or finding that the Bonds, the Indenture, or any portion of this Loan Agreement are invalid or unenforceable, and, any failure of the Authority to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation, arising out of or in connection with this Loan Agreement or otherwise.

(iii) Notwithstanding anything herein to the contrary, the liability of the Borrower or any of its Affiliates under this Loan Agreement to any person or entity, including, but not limited to, the Bond Trustee or the Authority and their respective successors and assigns, is limited to the Gross Revenues and the amounts held in the funds and accounts created under the Indenture (except the Rebate Fund) or hereunder, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Loan Agreement or any other agreement securing the obligations of the Borrower with respect to the Loan or the Bonds.

(iv) The Authority covenants that it shall not take recourse against the Borrower or any of its Affiliates with respect to the failure by the Borrower or any of its Affiliates to make any payment under this Loan Agreement or the Bonds except recourse to the Gross Revenues and the amounts held in the funds and

accounts created under the Indenture (except the Rebate Fund) or hereunder, or to such other security as may from time to time be given for the payment of obligations arising out of this Loan Agreement or any other agreement securing the obligations of the Borrower with respect to the Loan or the Bonds.

SECTION 3.03 Costs of Issuance and Other Expenses. In addition to the payments required to be paid by the Borrower under Section 3.02 hereof, the Borrower agrees that it shall pay from the proceeds of the Bonds or Gross Revenues or other legally available funds of the Borrower, all Costs of Issuance of the Bonds. The Borrower agrees that it also shall pay all expenses incurred by it, including the expenses of its counsel. The Borrower shall also pay the costs of filing any financing statement(s) pursuant to Section 3.02 hereof or the Indenture.

The Borrower acknowledges that certain provisions of the Indenture set forth Administrative Fees and Expenses of the Bond Trustee as the amount of annual compensation and reimbursement payable from funds held under the Indenture to the Bond Trustee. In the event that the Bond Trustee incurs fees and expenses in the course of performing its duties in excess of Administrative Fees and Expenses or in excess of the funds available for the payment thereof under the Indenture, the Borrower agrees to compensate and reimburse the Bond Trustee from Gross Revenues or other funds of the Borrower, for Administrative Fees and Expenses and for any extraordinary fees and expenses, which compensation to the Bond Trustee shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust.

The Borrower covenants and agrees to pay and indemnify the Authority, the State Treasurer and the Bond Trustee against all fees, costs and charges, including fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Bond Trustee, without negligence) and arising out of or in connection with the Borrower Documents, the Bonds or the Indenture. These obligations and those in Section 3.05 hereof shall remain valid and in effect notwithstanding repayment of the Loan hereunder or the Bonds or termination of this Loan Agreement or the Indenture or resignation or removal of the Bond Trustee.

SECTION 3.04 [Reserved].

SECTION 3.05 Indemnification. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Authority, the State Treasurer, the Bond Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, suits, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, attorneys' fees and expenses, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(a) the Bonds, the Indenture, the Borrower Documents or the Tax Certificate or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(b) any act or omission of the Borrower or the Lessee or any of their agents, contractors, servants, employees or licensees in connection with the Loan, the Facilities, the Project or the Lease, the operation of the Facilities or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Facilities, including the Project, or any part thereof;

(c) any lien or charge upon payments by the Borrower or the Lessee to the Authority or the Bond Trustee, as the case may be, hereunder or under the Lease, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Bond Trustee in respect of any portion of the Project or the Facilities;

(d) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances at, on or under the Facilities or any part thereof;

(e) any defeasance or redemption, in whole or in part, of the Bonds;

(f) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or any failure to timely file any continuing disclosure document in connection with the Bonds required by any undertaking or by any applicable law, rule or regulation;

(g) any declaration that interest on the Tax-Exempt Bonds is included in gross income for federal income tax purposes, or allegations that interest on the Tax-Exempt Bonds is included in gross income for federal income tax purposes or any regulatory audit or inquiry regarding whether interest on the Tax-Exempt Bonds is included in gross income for federal income tax purposes; and

(h) the Bond Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Bond Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or the State Treasurer or any of their officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the

Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel, or in the case of the Authority or the State Treasurer or any of its officers, members, directors, employees, attorneys and agents, such Indemnified Party engages the Attorney General of the State as separate counsel.

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 3.02 and 3.03 hereof and this Section 3.05 shall survive the final payment or defeasance of the Bonds and in the case of the Bond Trustee any resignation or removal. The provisions of this Section 3.05 shall survive the termination of this Loan Agreement.

SECTION 3.06 Construction Draws. The Borrower may draw the amounts from the Project Fund for construction advances subject to the requirements of the Indenture and this Loan Agreement, upon submission to the Bond Trustee of a Requisition of the Borrower (which includes an acknowledgment by the Lessee), pursuant to Section 5.08 of the Indenture. Upon the final disbursement from the Project Fund, an Authorized Borrower Representative, on behalf of the Borrower, shall provide a Certificate of the Borrower certifying the same to the Authority and the Bond Trustee. In the event the moneys in the Project Fund should be insufficient to pay the costs of the Project in full, the Borrower agrees to pay directly, or to deposit in the Project Fund moneys sufficient to pay, any costs of completing the Project in excess of the moneys available for such purpose in such Project Fund. The Authority makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Project costs under the provisions of this Loan Agreement, will be sufficient to pay all the amounts which may be incurred for such Project costs. The Borrower agrees that if, after exhaustion of the moneys in the Project Fund, the Borrower should pay, or deposit moneys in the Project Fund for the payment of, any portion of the Project costs pursuant to the provisions of this Section 3.06, it shall not be entitled to any reimbursement therefor from the Authority, the Bond Trustee or the Holders of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable hereunder. Upon Completion of the Project, the Borrower shall file with the Bond Trustee and the Authority the Completion Certificate with respect to the Project pursuant to Section 5.08 of the Indenture.

ARTICLE IV

ADDITIONAL COVENANTS AND AGREEMENTS OF BORROWER

SECTION 4.01 Inspection of Books.

(a) The Authority and the Bond Trustee shall have the right, but not obligation, upon reasonable notice, during business hours, to examine and audit any and all of the

Borrower's records or accounts pertaining to the Loan, the Lease, the Indenture, the Intercept and this Loan Agreement.

(b) Upon written notice to the Borrower delivered at least five Business Days in advance of an inquiry, the Borrower shall make its management personnel available for periodic inquiries from the Authority; provided that the Borrower shall not be obligated to incur any material out-of-pocket costs in connection with such meetings or inquiries.

SECTION 4.02 Reports and Information.

(a) At the request of the Authority or the Bond Trustee, their agents, employees or attorneys, the Borrower shall furnish to the Authority and the Bond Trustee, such information as may be reasonably requested in writing from time to time relative to compliance by the Borrower with the provisions of this Loan Agreement, including, without limitation, the most recently prepared consolidated financial statements.

(b) Within sixty (60) days of the Authority's request, which request is to be made on or about July 1 of each year (commencing July 1, 2020), the Borrower shall provide information to the Authority needed for the Authority to comply with the reporting requirements contained in California Government Code Section 8855(k)(1). The covenant contained in this Section 4.02(b) shall remain in effect until the later of the date (i) the Bonds are no longer Outstanding or (ii) the proceeds of the Bonds have been fully spent.

SECTION 4.03 Notice. Promptly following obtaining knowledge of an Event of Default under any Borrower Document, the Borrower hereby agrees to provide to the Bond Trustee and to the Authority notice of such Event of Default (such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default).

SECTION 4.04 Reports and Budgets. The Borrower shall, within 60 days after the end of each quarter, provide to the Bond Trustee a copy of the unaudited quarterly financial statements of the Sole Member on a consolidated basis, together with a certificate signed by an Authorized Borrower Representative whether any Event of Default (or any event that with the giving of notice or passage of time would constitute an Event of Default) has occurred and is continuing under the Loan Agreement as of the date of such certificate.

SECTION 4.05 Reliance. The Borrower hereby recognizes and agrees that the representations and covenants set forth in this Loan Agreement may be relied upon by all Persons interested in the legality and validity of the Bonds and in the exemption from federal income taxation of the interest on the Tax-Exempt Bonds including, without limitation, the Bond Trustee for the benefit of the Owners of the Bonds. In performing its duties and obligations hereunder, the Bond Trustee may rely upon statements and certificates of the Borrower believed in good faith to be genuine and upon audits of the books and records of the Borrower pertaining to the Loan. The Bond Trustee, in its name or as assignee of the Authority, may, for and on behalf of the Bondholders, enforce all rights of the Authority which have been assigned to and are held by the Bond Trustee and all obligations of the Borrower under and pursuant to this Loan Agreement, whether or not the Authority has pursued or attempted to enforce any of such rights and obligations. In addition, the Authority and the Bond Trustee may consult with counsel, and the

opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Authority or the Bond Trustee hereunder in good faith and in conformity with the opinion of such counsel. In determining whether any default or lack of compliance by the Borrower exists under this Loan Agreement, none of the Bond Trustee or the Authority shall be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely upon any notice or certificate delivered to the Bond Trustee by the Borrower with respect to the occurrence or absence of a default.

SECTION 4.06 Tax Covenants.

(a) It is the intention of the Borrower that interest on the Tax-Exempt Bonds shall be and remain excluded from the gross income of the Beneficial Owners thereof for federal income tax purposes, and to that end the covenants and agreements of the Borrower in this Section and in the Tax Certificate are for the benefit of the Bond Trustee on behalf of and for each and every Beneficial Owner of the Tax-Exempt Bonds.

(b) The Borrower covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority hereunder or any other funds of the Borrower, directly or indirectly, or direct the Bond Trustee to invest any funds held by it hereunder or under the Indenture, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Tax-Exempt Bonds that would, or take or omit to take any other action that would cause any Tax-Exempt Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) In the event that at any time the Borrower is of the opinion or becomes otherwise aware, including from the Lessee, that for purposes of this Section or Section 6.10 of the Indenture it is necessary to restrict or to limit the yield on the investment of any moneys held by the Bond Trustee under the Indenture, the Borrower shall determine the limitations and so instruct the Bond Trustee in writing and cause the Bond Trustee to comply with those limitations under the Indenture. The Borrower will take such action or actions as may be reasonably necessary in the opinion of Bond Counsel, or of which it otherwise becomes aware, to comply fully with Section 148 of the Code.

(d) The Borrower shall not, pursuant to an arrangement, formal or informal, purchase Tax-Exempt Bonds in an amount related to the amount of the Loan, except as otherwise permitted under the Indenture.

(e) To maintain the exclusion of interest on the Tax-Exempt Bonds from the gross income of the owners thereof for federal income purposes and to assure compliance with the laws of the State, the Borrower hereby agrees that it shall, concurrently with or before the execution and delivery of the Tax-Exempt Bonds, execute and deliver the Tax Certificate, and shall comply with every term of the Tax Certificate. The Borrower covenants with the Authority, for the benefit of the Owners of the Tax-Exempt Bonds from time to time outstanding, that so long as any Tax-Exempt Bonds remain Outstanding,

moneys on deposit in any fund, or account in connection with the Tax-Exempt Bonds, whether or not such moneys were derived from the proceeds of the sale of the Tax-Exempt Bonds or from any other sources, and moneys pledged directly or indirectly to the payment or for the securing of the Tax-Exempt Bonds, will not be used by or for the Borrower in a manner that will cause the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The Borrower expressly recognizes that, to the extent required by Section 148 of the Code, "proceeds" of the Tax-Exempt Bonds (including investment proceeds and "replacement" proceeds) may be required to be invested at a yield not exceeding the yield on the Tax-Exempt Bonds to comply with this Section. In furtherance of the covenant in this Section, the Borrower agrees that it will not direct any investments or reinvestments that would contravene either the investment representations made by the Authority in the Tax Certificate or any investment directions provided by the Authority and deemed reasonably necessary in the opinion of Bond Counsel to preserve the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes.

(f) In the event of any conflict between the terms of this Loan Agreement and the requirements of the Tax Certificate, the Tax Certificate shall control.

SECTION 4.07 Continuing Disclosure. The Borrower hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Loan Agreement or the Indenture, failure of the Borrower or the Dissemination Agent (as defined in the Continuing Disclosure Agreement) to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder or under the Indenture.

SECTION 4.08 Warranty of Truth. The Borrower covenants that no information, certificate, statement in writing or report required by this Loan Agreement, any other Borrower Documents or otherwise furnished by the Borrower to the Authority or the Bond Trustee shall contain any untrue statement of a material fact or omit a material fact necessary to make such information, certificate, statement or report not misleading as it relates to the Borrower.

SECTION 4.09 [Reserved].

SECTION 4.10 [Independent Consultant Report. No later than [_____ 1, 2024], and each fifth anniversary thereafter, the Borrower shall engage an Independent Consultant who shall, within 60 days of each engagement, provide to the Borrower (copies of which shall be provided to the Bond Trustee and the Master Trustee) (i) an Independent Consultant Report and (ii) recommendations as to any required change in the Repair and Replacement Fund Requirement to provide for the proper maintenance and upkeep of the Facilities. Within fourteen Business Days of its receipt of the Independent Consultant Report, the Borrower shall either (i) accept the recommendations of the initial Independent Consultant or (ii) engage and immediately accept the recommendations (which shall be made within 60 days of such engagement) of a different Independent Consultant in the event the recommendations outlined in the initial Independent Consultant Report are deemed by the Borrower to be unreasonable or inconsistent with the respective Schools' operation and maintenance practices.]

SECTION 4.11 Prohibited Uses. No portion of the proceeds of the Bonds shall be used to finance or refinance any facility, place or building to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship or (2) by a person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Borrower and the Lessee) in an "unrelated trade or business" (as set forth in Section 513(a) of the Code), in such a manner or to such extent as would result in any of the Tax-Exempt Bonds being treated as an obligation not described in Section 103(a) of the Code. The Borrower may not cause or permit any portion of the Facilities that are part of the Project to be used or operated in any manner except in conjunction with a school under the Charter School Law.

SECTION 4.12 Indenture Provisions. The execution and delivery of this Loan Agreement shall constitute conclusive evidence of approval of the Indenture by the Borrower. Whenever the Indenture by its terms imposes a duty or obligation upon the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Indenture, and the Borrower shall carry out and perform all of its obligations under the Indenture as fully as if the Borrower were a party to the Indenture

SECTION 4.13 Term of Lease. If any Bonds are Outstanding, the Borrower may not voluntarily terminate its Lease, or consent to the termination of any Lease, before completion of its stated term nor amend the Lease, or consent to the termination of any Lease, to result in an earlier end of its stated term; provided that nothing in this section limits the exercise of or the remedies provided in the Lease in the event of Lessee default.

ARTICLE V

[RESERVED]

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01 Events of Default. Any one of the following which occurs and continues shall constitute an Event of Default hereunder:

(a) failure by the Borrower to pay or cause to be paid the Loan Repayments when due, or

(b) failure by the Borrower to pay or cause to be paid when due any other amounts required to be paid under this Loan Agreement and continuation of such failure to pay for ten (10) Business Days following the giving of written notice thereof to the Borrower; or

(c) failure of the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder (other than failure by the Borrower to pay the amounts required to be paid hereunder, as referred to in Section 6.01(a) or (b) above, and other than as provided in subparagraph (d) below) after the Borrower shall have been given 60 days' written notice specifying such default and requesting it be remedied, unless the Bond Trustee shall have consented to an extension beyond such 60-

day period, which extension shall not exceed 90 days; provided that the Borrower or a Member of the Obligated Group shall have commenced cure and be diligently pursuing cure thereof in good faith; or

(d) voluntary initiation by the Borrower or any Member of the Obligated Group of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower or any Member of the Obligated Group of any such proceeding that shall remain undismissed for 60 calendar days, or failure by the Borrower or any Member of the Obligated Group to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower or any Member of the Obligated Group to carry on its operations, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower or any Member of the Obligated Group into an agreement of composition with creditors or the failure generally by the Borrower or any Member of the Obligated Group to pay its debts as they become due;

(e) occurrence and continuance of an "Event of Default" under the Indenture or any of the Borrower Documents, provided, however, that an Event of Default under the Indenture arising solely from the actions or inactions of the Authority or the Bond Trustee shall not be an Event of Default hereunder; or

(f) any representation or warranty made herein or any statement or representation made by the Borrower in any certificate, report, opinion, financial statement or other instrument furnished in connection with the Loan or any of the Borrower Documents proves to be false or misleading in any material respect when made.

SECTION 6.02 Remedies.

(a) Upon the occurrence of an Event of Default pursuant to Section 6.01 hereof and at any time thereafter during the continuance of such Event of Default, the Bond Trustee, subject to the Bond Trustee's right and protections under the Indenture, may take one or more or any combination of the following remedial steps:

(i) By written notice to the Borrower, declare the unpaid indebtedness on the Bonds and all amounts then due and payable hereunder, whether by acceleration of maturity or otherwise, to be immediately due and payable, whereupon the same shall become immediately due and payable; and

(ii) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement, the Bonds or any other Borrower Document.

Any amounts collected pursuant to action taken by the Bond Trustee under this Section 6.02(a) shall be applied in accordance with provisions of the Indenture. Notwithstanding anything herein to the contrary, the indebtedness of the Borrower under

this Loan Agreement may be separately and independently accelerated with or without an acceleration of the Bonds.

(b) If the Bond Trustee shall have proceeded to enforce the rights of the Authority under this Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Authority, then the Borrower, the Bond Trustee and the Authority shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Authority and the Bond Trustee shall continue as though no such proceedings had taken place.

SECTION 6.03 Additional Remedies. In addition to the above remedies, if an Event of Default occurs hereunder, the Authority and the Bond Trustee shall have the right and remedy, without posting bond or other security, to have the provisions of this Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach will cause irreparable injury to the Bond Trustee or the Authority and that money damages will not provide an adequate remedy thereto.

SECTION 6.04 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Bond Trustee or the Authority to exercise any remedy reserved to it in this Article VI, it shall not be necessary to give notice, other than such notice as may be required in this Article VI. Such rights and remedies as are given the Authority hereunder shall also extend to Bond Trustee on behalf of the Holders of the Bonds, who shall be entitled to the benefit of all covenants and agreements herein contained.

SECTION 6.05 No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Loan Agreement should be breached by the Borrower and thereafter waived by the Authority or the Bond Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 6.06 Agreement to Pay Fees and Expenses Upon Default. In the event the Borrower is in default under any provision of this Loan Agreement or causes an event of default under the other Borrower Documents, the Borrower shall be liable to, and upon demand shall pay to, the Authority and the Bond Trustee all reasonable fees and disbursements of such Persons and their respective agents (including attorneys' fees and expenses) that are reasonably connected therewith or incidental thereto, except with respect to the Bond Trustee and the Authority, such payment obligation shall be reduced to the extent such fees and disbursements are paid to the Bond Trustee and the Authority from money available therefor under the Indenture.

ARTICLE VII

PREPAYMENT

SECTION 7.01 Prepayment of the Loan.

(a) General. As further described below, the Borrower shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable redemption price, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the applicable account of the Redemption Fund and, at the request of and as determined by the Borrower, credited against payments due hereunder or used for the redemption of Outstanding Bonds in the manner and subject to the terms and conditions set forth in Section 4.01 or Section 4.02 of the Indenture. The Borrower also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Bond Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made hereunder remain unpaid, the Borrower shall not be relieved of its obligations hereunder.

(b) Prepayment in Whole or in Part. The Loan may be prepaid in whole or in part at any time by delivering to the Bond Trustee amounts sufficient to defease a like principal amount of Bonds to their optional redemption date pursuant to Section 4.02 and Article X of the Indenture.

(c) Prepayment in Whole or in Part from Amounts Transferred from Insurance and Condemnation Proceeds Fund. The Loan may be prepaid in whole or in part at any time in a principal amount corresponding to amounts transferred from the Insurance and Condemnation Proceeds Fund pursuant to the Indenture and used to redeem Bonds at the option of the Borrower pursuant to Section 4.01(a) the Indenture.

(d) Prepayment in Part from Amounts Transferred from Project Fund. The Loan may be prepaid in part at any time in a principal amount corresponding to amounts transferred from the Project Fund pursuant to Section 5.08(e) of the Indenture and used to redeem Bonds at the option of the Borrower pursuant to Section 4.01(b) of the Indenture.

(e) Prepayment in Part from Escrowed Proceeds. The Borrower may also prepay or cause to be prepaid part of its obligations hereunder in an amount equal to the escrowed proceeds of the Bonds applied to the redemption of the Bonds pursuant to the provisions of Sections 4.01(e) and 5.08(d) of the Indenture.

(f) Prepayment in Whole or in Part from Amounts Deposited with Trustee in connection with Prohibited Use. The Loan may be prepaid in whole or in part at any time in the event the Project is used or operated in any manner that violates the provisions of

the Act, in a principal amount corresponding to amounts transferred to the Redemption Fund subject to EXHIBIT C hereto and used to redeem Bonds pursuant to Section 4.01(d) of the Indenture.

SECTION 7.02 Redemption of Bonds Upon Prepayment. Upon prepayment of the Loan as provided in Section 7.01, the Bond Trustee shall do any of the following, as applicable: (1) call all or part of the Bonds for redemption, as required by the Indenture in the respective amounts set forth in the applicable paragraph of Section 4.01 or Section 4.02 of the Indenture and (2) provide for the defeasance of Bonds pursuant to Article X of the Indenture.

SECTION 7.03 Amount of Prepayment. In the event of any prepayment pursuant to Section 7.01, the amount of the Loan deemed to be prepaid shall be equal to the principal amount of Bonds defeased or redeemed as described in Section 4.01 or Section 4.02 of the Indenture. In the case of prepayment of the Loan in full, the Borrower shall pay to the Bond Trustee an amount sufficient, together with other funds held by the Bond Trustee and available for such purpose, to pay all reasonable and necessary fees and expenses (including attorneys' fees) of the Authority, the Bond Trustee and any paying agent accrued and to accrue through final payment of the Bonds and all other liabilities of the Borrower accrued and to accrue under this Loan Agreement and shall pay to the Authority an amount required by Section 3.02(d). In the case of partial prepayment of the Loan, the Borrower shall pay or cause to be paid to the Bond Trustee an amount sufficient, together with other funds held by the Bond Trustee and available for such purpose, to pay expenses of redemption of the Bonds to be redeemed upon such prepayment.

The Borrower agrees that it will not prepay the Loan or any part thereof, except in amounts sufficient to redeem Bonds in Authorized Denominations.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Notice. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or by messenger or overnight delivery service or by Electronic Notice, to the notice addresses set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by the Authority or the Borrower shall also be given to the Bond Trustee. The Authority, the Borrower and the Bond Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 8.02 Concerning Successors and Assigns. All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the execution and delivery of this Loan Agreement by the Authority and the Borrower. Whenever in this Loan Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower that are contained in this Loan Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Authority.

SECTION 8.03 Governing Law; Venue. This Loan Agreement is a contract made under the laws of the State of California, and shall be governed by and construed in accordance with the Constitution and the laws applicable to contracts made and performed in said State. This Loan Agreement shall be enforceable in the State of California, and any action arising out of this Loan Agreement shall be filed and maintained in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement.

SECTION 8.04 Amendments; Modifications in Writing. Except as otherwise provided in this Loan Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, this Loan Agreement may be effectively amended, changed, modified, altered or terminated only as permitted under the Indenture, by written instrument executed by the parties hereto. The Authority hereby agrees that it will not consent to an amendment of the Indenture without the approval of the Borrower.

SECTION 8.05 Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Loan Agreement.

SECTION 8.06 Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 8.07 Counterparts. This Loan Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 8.08 Effective Date and Term. This Loan Agreement shall become effective upon its execution and delivery by the Parties hereto, shall remain in full force from the date thereof and, subject to the provisions hereof, shall continue in effect as long as any of the Bonds are outstanding or the Bond Trustee holds any money under the Indenture.

SECTION 8.09 Non-Liability of Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from certain Payments. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under this Loan Agreement.

The Borrower hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower to the Bond Trustee pursuant to this Loan Agreement, together with other amounts received by the Bond Trustee pursuant to the Indenture and investment income on certain funds and accounts held by the Bond Trustee under the Indenture, and hereby agrees that if such amounts shall ever prove insufficient to pay all

principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Borrower, the Authority or any third party, subject to any right of reimbursement from the Bond Trustee, the Authority or any such third party, as the case may be, therefor.

SECTION 8.10 Waiver of Personal Liability. No member, officer, agent or employee of the Borrower, the Lessee or any School or of the Authority shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; 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 by this Loan Agreement.

SECTION 8.11 No Prevailing Party Provision. Nothing in this Loan Agreement shall be construed to provide for award of attorneys' fees and costs to the Authority or the Borrower for the enforcement of this Loan Agreement as described in Section 1717 of the Civil Code. Nothing in this Section affects the rights of the Bond Trustee provided herein.

SECTION 8.12 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority, the Bond Trustee, the Borrower, and their respective successors and assigns, subject, however, to the limitations contained in Section 8.02 hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement as of the date stated above.

CALIFORNIA SCHOOL FINANCE AUTHORITY

By:_____
Deputy Treasurer for Chair, State Treasurer, Fiona Ma

By:_____
Executive Director

4824-2905-3096.4

WOOTEN AVILA LLC,
a California limited liability company

By: **TEACH, Inc.**, its Sole Member

By:_____
[_____]
[_____]]

Acknowledged and agreed by the Initial Member (as defined in the Master Indenture):

CUNNINGHAM & MORRIS, LLC,
a California limited liability company

By: **TEACH, Inc.**, its Sole Member

By:_____
[_____]
[_____]]

[Loan Agreement Signature Page]

EXHIBIT A

THE PROJECT

The "Project" shall consist of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of charter school of the following: (a) educational facilities and administrative facilities known as TEACH Tech Charter High School located at 10616 South Western Avenue (the "High School Facilities"); (b) facilities for TEACH Tech Charter High School located at 10600 South Western Avenue, Los Angeles, California 90047 (the "Resource Center"); and (c) educational facilities and administrative facilities known as TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School located at 1750 West Century Blvd., Los Angeles, California 90047 (the "Elementary School Facilities"); and (d) capital improvements to the High School Facilities, the Elementary School Facilities, and the middle school facilities known as TEACH Academy of Technologies located at 10045 South Western Avenue, Los Angeles, California 90047.

Powered by BoardOnTrack

EXHIBIT B

FORM OF COMPLETION CERTIFICATE

_____ __, 20__

Wilmington Trust, National Association, as trustee

Re: California School Finance Authority
Charter School Revenue Bonds (TEACH Public Schools - Obligated Group)
Series 2019

Ladies and Gentlemen:

The undersigned, being the owner of the Project, hereby certifies to the Bond Trustee that "Completion" (as defined by the Indenture) of the Project has been attained as of the date hereof and all conditions relating thereto as set forth in that certain Loan Agreement dated as of [December] 1, 2019, by and between the undersigned and the California School Finance Authority (the "Loan Agreement"), have been satisfied. Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Indenture or the Loan Agreement.

The undersigned hereby represents and warrants that:

1. Attached hereto is an original, executed certificate of completion of the architect.

2. Attached hereto are true, complete and correct copies of all use and occupancy permits issued in connection with the Project (the "Permits"). The Permits are all of the permits, licenses or approvals required for the occupancy of the Project as a school facility. No appeal, action or proceeding challenging any of the Permits has been filed; there is no pending claim, litigation or governmental proceeding challenging the Permits.

3. Attached hereto is a true, correct and complete list of all contractors, subcontractors and materialmen who have supplied labor and materials in respect of the Project, together with lien waivers meeting the requirements of the Loan Agreement.

4. Attached hereto is evidence of insurance meeting the requirements of the Loan Agreement, and evidence of payment of real estate taxes or evidence of an exemption therefrom.

Powered by BoardOnTrack

The undersigned acknowledge that the foregoing documents or other written materials are being submitted to the Bond Trustee for file keeping purposes only and the Bond Trustee shall have no duty to review any of such documents or be familiar with or verify or authenticate the contents thereof, including without limitation, any calculations or factual representations.

WOOTEN AVILA LLC,
a California limited liability company

By: **TEACH, Inc.**, its Sole Member

By: _____
Authorized Borrower Representative

4824-2905-3096.4

SCHEDULE OF ATTACHMENTS TO COMPLETION CERTIFICATE

- Architect's Completion Certificate
- Occupancy Permit
- List of Contractors, Subcontractors and Materialmen and Lien Waivers
- Endorsement to Mortgagee's Title Policy
- Insurance Certificates
- Evidence of Payment of Real Estate Taxes (or Abatement)

[TO BE DETERMINED]

Powered by BoardOnTrack

EXHIBIT C

SCHEDULE OF LOAN REPAYMENTS

SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 2

CUNNINGHAM & MORRIS, LLC,
a California limited liability company, as Obligated Group Representative,

WOOTEN AVILA LLC
as a new Member of the Obligated Group

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Master Trustee

Dated as of [December] 1, 2019

Supplementing the Master Indenture of Trust
Dated as of October 1, 2016

4813-8886-5704.3

TABLE OF CONTENTS

Page

Section 1.	Definitions	2
Section 2.	Issuance of Obligation No. 2	2
Section 3.	Purpose for Which Obligation No. 2 Is Being Issued	3
Section 4.	Payments on Obligation No. 2; Credits	3
Section 5.	Prepayment of Obligation No. 2	4
Section 6.	Registration, Number, Negotiability and Transfer of Obligation No. 2	4
Section 7.	Mutilation, Destruction, Loss and Theft of Obligation No. 2	5
Section 8.	Execution and Authentication of Obligation No. 2	5
Section 9.	Partial Prepayment of Obligation No. 2	6
Section 10.	Effect of Prepayment	6
Section 11.	Form of Obligation No. 2	6
Section 12.	Representations of Wooten Avila	6
Section 13.	Event of Default	7
Section 14.	Ratification of Master Indenture	7
Section 15.	Severability	7
Section 16.	Interpretation	7
Section 17.	Miscellaneous	7
Section 18.	Counterparts	8
Section 19.	Governing Law	8

EXHIBIT A FORM OF OBLIGATION NO. 2

SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 2

THIS SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 2, dated as of [December] 1, 2019 ("Supplement No. 2"), among **WOOTEN AVILA LLC**, a California limited liability company, as a new Member of the Obligated Group (the "Wooten Avila"), **CUNNINGHAM & MORRIS, LLC**, a California limited liability company, as Obligated Group Representative (the "Corporation") pursuant to the Master Indenture (defined herein), and **WILMINGTON TRUST, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as master trustee (the "Master Trustee"), under and pursuant to that certain Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), among the Obligated Group Representative, the Initial Members and the Master Trustee;

W I T N E S S E T H

WHEREAS, the Obligated Group Representative, the Initial Members and the Master Trustee have entered into the Master Indenture, which provides for the issuance by the Obligated Group Representative of Obligations thereunder upon the Obligated Group Representative, any new Member and the Master Trustee entering into an indenture supplemental to the Master Indenture;

WHEREAS, the Corporation, as Obligated Group Representative, has all requisite corporate power and is authorized under the terms of the Master Indenture to issue Obligations, which constitute the joint and several Obligations of the Members;

WHEREAS, the Obligated Group Representative has heretofore issued Obligation No. 1 pursuant to the Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016.

WHEREAS, the Corporation, as Obligated Group Representative, desires to issue an Obligation (pursuant to Section 2.05 of the Master Indenture) hereunder to secure the obligations arising under and pursuant to a loan agreement, dated as of [December] 1, 2019, between the California School Finance Authority and Wooten Avila, as acknowledged and agreed to by the Initial Members; and

WHEREAS, all acts and things necessary to constitute this Supplement No. 2 a valid supplemental indenture and agreement according to its terms have been done and performed, and the Obligated Group Representative and Wooten Avila have duly authorized the execution and delivery hereof and of the Obligation issued hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Obligation issued hereunder by the Holder thereof, the Obligated Group Representative and Wooten Avila covenant and agree with the Master Trustee for the benefit of the Holder from time to time of the Obligation issued hereby, as follows:

Section 1. Definitions. Unless otherwise required by the context, all terms used herein that are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

"Authority" means the California School Finance Authority and its successors or assigns.

"Obligation No. 2" means the Obligation issued pursuant hereto.

"Series 2019 Bond Indenture" means that certain Indenture, dated as of [December] 1, 2019, between the Authority and the Series 2019 Bond Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Series 2019 Bond Trustee" means Wilmington Trust, National Association, a national banking association duly organized and existing under the laws of the United States of America, in its capacity as trustee under the Series 2019 Bond Indenture, and any successor to its duties or co-trustee under the Series 2019 Bond Indenture.

"Series 2019 Bonds" means the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019A (Tax-Exempt) and the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019B (Taxable).

"Series 2019 Loan Agreement" means that certain Loan Agreement, dated as of [December] 1, 2019, between the Authority and Wooten Avila, as acknowledged and agreed to by the Initial Members, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Series 2019 Bond Indenture.

"Series 2019 Loan Repayments" means all of the payments so designated and required to be made by Wooten Avila pursuant to Section 3.02 of the Series 2019 Loan Agreement.

"Supplement No. 2" means this Supplemental Master Indenture for Obligation No. 2.

Section 2. Issuance of Obligation No. 2. There is hereby created and authorized to be issued an Obligation in an aggregate principal amount of [_____] Dollars ($[PAR]). This Obligation shall be dated as of [December] 1, 2019, shall be designated "Obligation No. 2" and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 2 as provided in Section 11 hereof.

The aggregate principal amount of Obligation No. 2 is limited to [_____] Dollars ($[PAR]), except for any Obligation No. 2 authenticated and delivered in lieu of another Obligation No. 2 (as provided in Section 7 hereof), with respect to any Obligation No. 2 mutilated, destroyed, lost or stolen or, subject to the provisions of Section 6 of this Supplement No. 2, upon transfer of registration of Obligation No. 2.

Section 3. Purpose for Which Obligation No. 2 Is Being Issued. Obligation No. 2 is being issued to evidence the Members' obligation to ensure performance of the obligations of Wooten Avila arising under the Series 2019 Loan Agreement.

Section 4. Payments on Obligation No. 2; Credits.

(a) Principal of and interest and any applicable redemption premium on Obligation No. 2 are payable in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts. Except as provided in subsection (b) of this Section with respect to credits, and Section 5 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Obligation No. 2 shall be made at the times and in the amounts specified in Obligation No. 2 by the Members (i) depositing the same with or to the account of the Series 2019 Bond Trustee at or prior to the opening of business on the day such payments shall become due or payable (or the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal corporate trust office of the Series 2019 Bond Trustee is located), and (ii) giving notice to the Master Trustee and the Series 2019 Bond Trustee of each payment of principal, interest or premium on Obligation No. 2, specifying the amount paid and identifying such payment as a payment on Obligation No. 2.

(b) The Members shall receive credit for payment on Obligation No. 2, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 2 in an amount equal to moneys deposited in the Interest Account created under the Series 2019 Bond Indenture which amounts are available to pay interest on the Series 2019 Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2;

(ii) On installments of principal of Obligation No. 2 in an amount equal to moneys deposited in the Principal Account created under the Series 2019 Bond Indenture which amounts are available to pay principal of the Series 2019 Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2;

(iii) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Series 2019 Bonds for the redemption or payment of which sufficient amounts (as determined by Section 10.03 of the Series 2019 Bond Indenture) in cash or securities are on deposit as provided in said Section 10.03 of the Series 2019 Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 2, and the interest on such Series 2019 Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 2 that would have been used, but for such call for payment or redemption, to pay principal of and interest on such Series 2019 Bonds when due;

(iv) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Series 2019 Bonds acquired by any Member and surrendered to the Series 2019 Bond Trustee for cancellation or purchased by the Series 2019 Bond Trustee and canceled, and the interest on such Series 2019 Bonds from and after the date interest thereon has been paid prior

to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 2 that would have been used, but for such cancellation, to pay principal of and interest on such Series 2019 Bonds when due; and

(v) On amounts deposited with the Series 2019 Bond Trustee to satisfy any other payment obligations under the Series 2019 Loan Agreement but not transferred by the Series 2019 Bond Trustee to Wooten Avila pursuant to Section 5.02 of the Series 2019 Bond Indenture.

Section 5. Prepayment of Obligation No. 2.

(a) So long as all amounts that have become due under Obligation No. 2 have been paid or credits for such payments have occurred, the Members shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 2. Prepayments may be made by payments of cash or surrender of the Series 2019 Bonds, as contemplated by subsections 4(b)(iii) and (iv) hereof. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of the Series 2019 Bonds) shall be deposited and applied in the manner and subject to the terms and conditions set forth in the Series 2019 Bond Indenture. Notwithstanding any such redemption or surrender of the Series 2019 Bonds, as long as any Series 2019 Bonds remain Outstanding (as defined in the Series 2019 Bond Indenture) or any additional payments required to be made hereunder remain unpaid, the Members shall not be relieved of their obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Obligation No. 2 as provided in Section 4 hereof.

(c) The Members may also prepay all of their indebtedness under Obligation No. 2 by providing for the payment of Series 2019 Bonds in accordance with Article X of the Series 2019 Bond Indenture.

Section 6. Registration, Number, Negotiability and Transfer of Obligation No. 2.

(a) Except as provided in subsection (b) of this Section, so long as any Series 2019 Bonds remain Outstanding, Obligation No. 2 shall consist of a single Obligation without coupons, registered as to principal and interest in the name of the Series 2019 Bond Trustee, and no transfer of Obligation No. 2 shall be permitted or shall be registered under the Master Indenture except for transfers to a successor Series 2019 Bond Trustee.

(b) Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 2 may be transferred, if and to the extent the Master Trustee requests that the restrictions of subsection (a) of this Section 6 on transfers be terminated.

(c) Obligation No. 2 shall be registered on the register to be maintained by the Master Trustee as registrar for that purpose at the Corporate Trust Office of the Master

Trustee and Obligation No. 2 shall be transferable only upon presentation of Obligation No. 2 at said Corporate Trust Office by the Holder or by the Holder's duly authorized attorney. Such transfer shall be without charge to the Holder thereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Obligated Group Representative shall execute and the Master Trustee shall authenticate and deliver in exchange for Obligation No. 2 a new registered Obligation without coupons, registered in the name of the transferee.

(d) Prior to due presentment of Obligation No. 2 for registration of transfer, the Members, the Master Trustee, any paying agent and any registrar with respect to Obligation No. 2 may deem and treat the person in whose name Obligation No. 2 is registered as the absolute owner hereof for all purposes; and neither the Members, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, sufficient to satisfy and discharge the liability for moneys payable on Obligation No. 2.

Section 7. Mutilation, Destruction, Loss and Theft of Obligation No. 2. If (a) Obligation No. 2 is surrendered to the Master Trustee in a mutilated condition, or the Obligated Group Representative and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of Obligation No. 2, and (b) there is delivered to the Obligated Group Representative and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to the Obligated Group Representative and the Master Trustee that Obligation No. 2 has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Obligated Group Representative and the Master Trustee, the Obligated Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation No. 2 or in lieu of such destroyed, lost or stolen Obligation No. 2, a new Obligation No. 2 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Obligation No. 2 has become or is about to become due and payable, Obligation No. 2 may be paid when due instead of delivering a new Obligation No. 2.

Section 8. Execution and Authentication of Obligation No. 2. Obligation No. 2 shall be executed for and on behalf of the Obligated Group Representative by its Authorized Representative and attested by its secretary, an assistant secretary or another Authorized Representative. The signatures of either or both of such officers may be mechanically or photographically reproduced on Obligation No. 2. If any officer whose signature appears on Obligation No. 2 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 2 shall be manually authenticated by an authorized signatory of the Master Trustee, without which authentication Obligation No. 2 shall not be entitled to the benefits hereof.

Section 9. Partial Prepayment of Obligation No. 2. Upon the selection and call for prepayment and the surrender of Obligation No. 2 for prepayment in part only, the Obligated Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Members, a new

Obligation No. 2 in principal amount equal to the unredeemed portion of Obligation No. 2, which new Obligation No. 2 shall be a fully registered Obligation without coupons.

The Obligated Group Representative may agree with the Holder of Obligation No. 2 that such Holder may, in lieu of surrendering the Obligation for a new fully registered Obligation without coupons, endorse on the Obligation a notice of such partial prepayment, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial prepayment shall be valid upon payment of the amount thereof to the registered owner of Obligation No. 2 and the Members and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Obligation No. 2 by the Holder thereof and irrespective of any error or omission in such endorsement.

Section 10. Effect of Prepayment. On the date cash or securities (as and to the extent permitted by the Series 2019 Bond Indenture), or both, are deposited with the Trustee (for a corresponding amount of Series 2019 Bonds with respect to the Series 2019 Bonds to be redeemed on the date fixed for redemption all as provided in the Series 2019 Bond Indenture), Obligation No. 2 shall be deemed paid (in an amount corresponding to the Series 2019 Bonds to be redeemed on the date fixed for redemption) and such corresponding amount of Obligation No. 2 shall be deemed not to be outstanding, as defined in the Master Indenture, and shall no longer be entitled to the benefits of the Master Indenture.

Section 11. Form of Obligation No. 2. Obligation No. 2 shall be in substantially the form attached hereto as Exhibit A, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Master Indenture and are approved by those officers executing such Obligation on behalf of the Corporation and execution thereof by such officers shall constitute conclusive evidence of such approval.

Section 12. Representations of Wooten Avila. Wooten Avila hereby (1) agrees to become a Member; (2) agrees to be bound by the terms and restrictions imposed by the Master Indenture; (3) irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants to the Obligated Group Representative full power to execute Related Supplements authorizing the issuance of Obligations and to execute and deliver Obligations.

Section 13. Event of Default. The Corporation, Wooten Avila and the Master Trustee hereby covenant to exercise any and all remedies available under any Lease and shall foreclose on the related Mortgage upon an Event of Default provided that the Master Trustee shall only exercise remedies under the Mortgages described in clause (1) of the definition thereof, set forth in the Master Indenture for the benefit of Obligation No. 2.

Section 14. Ratification of Master Indenture. As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 15. Severability. If any provision of this Supplement No. 2 shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and

any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplement No. 2 shall not affect the remaining portions of this Supplement No. 2 or any part thereof.

Section 16. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

Section 17. Miscellaneous.

(a) No covenant or agreement contained in Obligation No. 2 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member or of the Master Trustee in an individual capacity, and no incorporator, member, officer or member of the governing board of any Member shall be liable personally on Obligation No. 2 or be subject to any personal liability or accountability by reason of the issuance of Obligation No. 2.

(b) The Master Trustee hereby acknowledges and agrees that the Leases executed in connection with the Series 2019 Bonds provide for payment of rental directly to the Series 2019 Bond Trustee for deposit in the Revenue Fund established in the Series 2019 Bond Indenture and that such deposits constitute credits for purposes of Section 4 hereof.

(c) The Master Trustee hereby further acknowledges that the Members may approve amendments to the Leases subject to the limitations of Section 3.06 of the Master Indenture.

Section 18. Counterparts. This Supplement No. 2 may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 19. Governing Law. This Supplement No. 2 shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, the Obligated Group Representative and Wooten Avila have caused these presents to be signed in their names and on their behalf by Authorized Representatives and, to evidence its acceptance of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name and on its behalf by a Responsible Officer, all as of the day and year first above written.

Cunningham & Morris, LLC, a California limited liability company, as Obligated Group Representative

By: TEACH, Inc., its Sole Member

By: _____
[_____]
[_____]]

Wooten Avila LLC, a California limited liability company

By: TEACH, Inc., its Sole Member

By: _____
[_____]
[_____]]

Wilmington Trust, National Association, as Master Trustee

By: _____
Responsible Officer

[Signature Page — Obligation No. 2]

4813-8886-5704.3

EXHIBIT A

FORM OF OBLIGATION NO. 2

CUNNINGHAM & MORRIS, LLC
and
THE LIMITED LIABILITY COMPANIES
LISTED ON APPENDIX A OF THE HEREINAFTER
DEFINED MASTER INDENTURE,
as Initial Members of the Obligated Group

Obligation No. 2

$[PAR]

KNOW ALL BY THESE PRESENTS that CUNNINGHAM & MORRIS, LLC (the "Corporation"), a California limited liability company, as Obligated Group Representative under the Master Indenture (as defined below), for value received hereby acknowledges itself and each Member of the Obligated Group (as such terms are defined in the Master Indenture) obligated to, and promises to pay to Wilmington Trust, National Association, as trustee (the "Series 2019 Bond Trustee") under the Series 2019 Bond Indenture dated as of [December] 1, 2019 (the "Series 2019 Bond Indenture"), between the Series 2019 Bond Trustee and the California School Finance Authority (the "Authority"), and any successor trustee under the Series 2019 Bond Indenture, or registered assigns, the principal sum of [_____] Dollars ($[PAR]), and to pay interest on the unpaid balance of said sum from the date hereof on the dates and in the manner hereinafter described.

This Obligation No. 2 is a single Obligation limited to [_____] Dollars ($[PAR]) in principal amount (except as provided in the Master Indenture), designated as "Obligation No. 2" ("Obligation No. 2" and, together with all other obligations issued under the Master Indenture hereinafter identified, "Obligations"), issued under and pursuant to the Supplemental Master Indenture for Obligation No. 2, dated as of [December] 1, 2019 (the "Supplemental Indenture"), supplementing and amending the Master Indenture of Trust, dated as of [December] 1, 2019 and as may be further restated, supplemented or amended, between the Corporation, the Initial Members (as defined therein) and Wilmington Trust, National Association, as trustee (the "Master Trustee"). The Master Indenture of Trust, as supplemented and amended in accordance with its terms, is hereinafter called the "Master Indenture."

Principal hereof, interest hereon and any applicable redemption premium, are payable in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts semiannually on [_____] 25th and [_____] 25th of each year in an amount equal to the amount necessary for the Series 2019 Bond Trustee to make the transfers and deposits required pursuant to Section 5.02 of the Series 2019 Bond Indenture.

The Members shall receive credit for payment on Obligation No. 2, in addition to any credits resulting from payment or prepayment from other sources, as follows: (i) on installments of interest of Obligation No. 2 in an amount equal to moneys deposited in the Interest Account created under the Series 2019 Bond Indenture which amounts are available to pay interest on the

Series 2019 Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2; (ii) on installments of principal of Obligation No. 2 in an amount equal to moneys deposited in the Principal Account created under the Series 2019 Bond Indenture which amounts are available to pay principal on the Series 2019 Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2; (iii) on installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Series 2019 Bonds for the redemption or payment of which sufficient amounts (as determined by Section 10.03 of the Series 2019 Series 2019 Bond Indenture) in cash or securities are on deposit as provided in Section 10.03 of the Series 2019 Series 2019 Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 2, and the interest on such Series 2019 Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 2 that would have been used, but for such call for payment or redemption, to pay principal of and interest on such Series 2019 Bonds when due; (iv) on installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Series 2019 Bonds acquired by any Member and surrendered to the Series 2019 Series 2019 Bond Trustee for cancellation or purchased by the Series 2019 Series 2019 Bond Trustee and canceled, and the interest on such Series 2019 Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 2 that would have been used, but for such cancellation, to pay principal of and interest on such Series 2019 Bonds when due; and (v) on amounts deposited with the Series 2019 Bond Trustee to satisfy any other payment obligations under the Series 2019 Loan Agreement.

The Corporation, as Obligated Group Representative, further acknowledges itself and the other Members obligated to, and promises to pay to the Authority, all amounts required to be paid by the Corporation to the Series 2019 Bond Trustee for deposit in the Reserve Account established under the Series 2019 Bond Indenture. The Members shall receive credit for payment pursuant to this paragraph in an amount equal to moneys deposited with the Series 2019 Bond Trustee pursuant to the Series 2019 Bond Indenture.

Upon payment by the Members of a sum, in cash or securities (as specified in Article X of the Series 2019 Bond Indenture), or both, sufficient, together with any other cash and securities permitted by the Series 2019 Bond Indenture to be held by the Trustee and available for such purpose, to cause all outstanding Bonds to be deemed to have been paid within the meaning of Article X of the Series 2019 Bond Indenture and to pay all other amounts referred to in Article X of the Series 2019 Bond Indenture, accrued and to be accrued to the date of discharge of the Series 2019 Bond Indenture, Obligation No. 2 shall be deemed to have been paid and to be no longer outstanding under the Master Indenture.

Copies of the Master Indenture and the Supplemental Indenture are on file at the corporate trust office of the Master Trustee, in Costa Mesa, California and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holders of Obligations issued under the Master Indenture, the terms and conditions on which, and the purposes for which Obligations are to be issued and the rights, duties and obligations of the Members and the Master Trustee under the Master Indenture, to all of which the holder hereof, by acceptance of this Obligation No. 2, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the provisions of the Master Indenture, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligations issued under the Master Indenture over any other such Obligations except as expressly provided or permitted in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications or changes to the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Members and of the holders of Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes that would affect the rights of the holder of this Obligation No. 2 may be made only with the consent of the holders of not less than a majority in aggregate principal amount of Obligations then outstanding under the Master Indenture. No modification or change shall be made that will (i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest payable on any Obligation without the consent of the holder of such Obligation; (ii) modify, alter, amend, add to or rescind any of the terms or provisions contained in Article IV of the Master Indenture in any manner that would materially and adversely affect the interests of holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the holders of all Obligations then outstanding; or (iii) reduce the aggregate principal amount of Obligations then outstanding the consent of the holders of which is required to authorize such modifications or changes without the consent of the holders of all Obligations then outstanding. Any such consent by the holder of this Obligation No. 2 shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 2, unless such consent is revoked as provided in the Master Indenture.

Upon the occurrence of certain "Events of Default" (as defined in the Master Indenture), the principal of all Obligations then outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

The Holder of this Obligation No. 2 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 2 is issuable only as a registered Obligation without coupons.

Unless the principal of all Obligations then outstanding has been declared immediately due and payable, no transfer of this Obligation No. 2 shall be permitted except for transfers to a successor trustee under the Series 2019 Bond Indenture. This Obligation No. 2 shall be registered on the register to be maintained by the Master Trustee as registrar for the Members for that purpose at the principal corporate trust office of the Master Trustee and this Obligation No. 2 shall be transferable only upon presentation of this Obligation No. 2 at said office by the Holder or by the

Holder's duly authorized attorney and subject to the limitations, if any, set forth in the Supplemental Indenture. Such transfer shall be without charge to the Holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Corporation, as Obligated Group Representative, shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 2 a new registered Obligation without coupons, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Members, the Master Trustee, any paying agent and any registrar with respect to this Obligation No. 2 may deem and treat the Person in whose name this Obligation No. 2 is registered as the absolute owner hereof for all purposes; and neither the Members, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 2.

No covenant or agreement contained in this Obligation No. 2 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member or of the Master Trustee in his individual capacity, and no incorporator, member, officer or member of the Governing Body of any Member shall be liable personally on this Obligation No. 2 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 2.

This Obligation No. 2 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 2 shall have been manually authenticated by the execution by an authorized officer of the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Corporation, as Obligated Group Representative, has caused this Obligation No. 2 to be executed in its name and on its behalf by the signature of an Authorized Representative all as of [December] 1, 2019.

CUNNINGHAM & MORRIS, LLC,
a California limited liability company, as Obligated Group Representative

By: TEACH, Inc., its Sole Member

By:_____
[_____]
[_____]]

4813-8886-5704.3

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. 2 is one of the Obligations described in the within-mentioned Master Indenture.

Dated: _____, 20__

Wilmington Trust, National Association, as
Master Trustee

By: _____
Responsible Officer

(Supplemental Master Trust Indenture for Obligation No. 2 Signature Page)

4813-8886-5704.3

INDENTURE

between

CALIFORNIA SCHOOL FINANCE AUTHORITY,
as Issuer

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Bond Trustee

Dated as of [December] 1, 2019

Relating to:

CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS - OBLIGATED GROUP)
SERIES 2019A (TAX-EXEMPT)

and

CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS - OBLIGATED GROUP)
SERIES 2019B (TAXABLE)

4844-7580-7912.4

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS 2

SECTION 1.01. Definitions 2

SECTION 1.02. Content of Certificates and Opinions 15

SECTION 1.03. Article and Section Headings and References 15

SECTION 1.04. Construction 15

ARTICLE II THE BONDS 16

SECTION 2.01. Authorization of Bonds 16

SECTION 2.02. Terms of Bonds 16

SECTION 2.03. [Reserved] 18

SECTION 2.04. Restrictions on Registration and Transfer of the Bonds 18

SECTION 2.05. Execution of Bonds 18

SECTION 2.06. Transfer of Bonds 19

SECTION 2.07. Exchange of Bonds 19

SECTION 2.08. Bond Register 19

SECTION 2.09. Temporary Bonds 19

SECTION 2.10. Bonds Mutilated, Lost, Destroyed or Stolen 20

SECTION 2.11. Use of Depository 20

SECTION 2.12. Validity of Bonds 21

ARTICLE III ISSUANCE OF BONDS; ESTABLISHMENT OF CERTAIN FUNDS AND APPLICATION OF PROCEEDS 22

SECTION 3.01. Authentication and Delivery of Bonds 22

SECTION 3.02. Application of Proceeds of Bonds and Certain Other Moneys 22

ARTICLE IV REDEMPTION OF THE BONDS 22

SECTION 4.01. Special Redemption 22

SECTION 4.02. Optional Redemption 24

SECTION 4.03. Mandatory Sinking Account Redemption 24

SECTION 4.04. Notice of Redemption 24

SECTION 4.05. Effect of Notice 26

SECTION 4.06. Right to Rescind Notice 26

SECTION 4.07. Funds for Redemption 26

TABLE OF CONTENTS
(continued)

Page

SECTION 4.08. Selection of Bonds for Redemption....27

ARTICLE V PLEDGE AND ASSIGNMENT; ESTABLISHMENT AND APPLICATION OF FUNDS AND ACCOUNTS....27

SECTION 5.01. Pledge and Assignment....27

SECTION 5.02. Allocation of Payments....28

SECTION 5.03. Application of Interest Account; [Establishment and Application of Capitalized Interest Subaccount]....30

SECTION 5.04. Application of Principal Account....30

SECTION 5.05. Application of Reserve Account....33

SECTION 5.06. Establishment and Application of Redemption Fund....33

SECTION 5.07. Rebate Fund....34

SECTION 5.08. Establishment and Application of Project Fund....35

SECTION 5.09. Establishment and Application of Costs of Issuance Fund; Insurance and Condemnation Proceeds Fund....37

SECTION 5.10. Establishment and Application of the Repair and Replacement Fund....37

SECTION 5.11. Establishment and Application of Administration Fund....38

SECTION 5.12. Extraordinary Monthly Rent Notice....38

SECTION 5.13. Investment of Moneys in Funds and Accounts....38

SECTION 5.14. Amounts Remaining in Funds and Accounts....39

ARTICLE VI COVENANTS....39

SECTION 6.01. Punctual Payment....39

SECTION 6.02. Extension of Payment of Bonds....39

SECTION 6.03. Encumbrance upon Payments....40

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment....40

SECTION 6.05. Accounting Records and Financial Statements....40

SECTION 6.06. Other Covenants; Amendment of the Loan Agreement and the Lease....40

SECTION 6.07. [Reserved]....41

SECTION 6.08. Further Assurances....41

SECTION 6.09. Continuing Disclosure....41

SECTION 6.10. Tax Covenants....42

Powered by BoardOnTrack

TABLE OF CONTENTS
(continued)

Page

SECTION 6.11. Intercept Covenants 42
ARTICLE VII EVENTS OF DEFAULT; REMEDIES ON DEFAULT....43
SECTION 7.01. Events of Default; Waiver of Default....43
SECTION 7.02. Institution of Legal Proceedings by Bond Trustee 43
SECTION 7.03. Application of Moneys Collected by Bond Trustee 44
SECTION 7.04. Effect of Delay or Omission to Pursue Remedy....45
SECTION 7.05. Remedies Cumulative....45
SECTION 7.06. Covenant to Pay Bonds in Event of Default....45
SECTION 7.07. Bond Trustee Appointed Agent for Bondholders....46
SECTION 7.08. Power of Bond Trustee to Control Proceedings 46
SECTION 7.09. Limitation on Bondholders' Right to Sue....46
SECTION 7.10. Authority Retained Rights 47
ARTICLE VIII THE BOND TRUSTEE....47
SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee....47
SECTION 8.02. Merger or Consolidation....49
SECTION 8.03. Rights of Bond Trustee....49
SECTION 8.04. Right of Bond Trustee to Rely on Documents....52
SECTION 8.05. Preservation and Inspection of Documents 52
SECTION 8.06. Compensation and Indemnification of Bond Trustee....52
ARTICLE IX MODIFICATION OF INDENTURE....53
SECTION 9.01. Modification Without Consent of Bondholders 53
SECTION 9.02. Modification with Consent of Bondholders 54
SECTION 9.03. Effect of Supplemental Indenture....55
SECTION 9.04. Opinion of Counsel as to Supplemental Indenture....55
SECTION 9.05. Notation of Modification on Bonds; Preparation of New Bonds....55
ARTICLE X DEFEASANCE....56
SECTION 10.01. Discharge of Indenture 56
SECTION 10.02. Discharge of Liability on Bonds....56
SECTION 10.03. Deposit of Money or Securities with Bond Trustee 57

Powered by BoardOnTrack

TABLE OF CONTENTS
(continued)

Page

SECTION 10.04. Payment of Bonds After Discharge of Indenture 57
ARTICLE XI MISCELLANEOUS 58
SECTION 11.01. Liability of Authority Limited to Payments 58
SECTION 11.02. Successor Is Deemed Included in All References to Predecessor 58
SECTION 11.03. Limitation of Rights to Parties, Borrower and Bondholders 58
SECTION 11.04. Waiver of Notice.....58
SECTION 11.05. Destruction of Bonds 58
SECTION 11.06. Severability of Invalid Provisions 59
SECTION 11.07. Notices 59
SECTION 11.08. Evidence of Rights of Bondholders.....59
SECTION 11.09. Disqualified Bonds 60
SECTION 11.10. Money Held for Particular Bonds.....60
SECTION 11.11. Funds and Accounts.....61
SECTION 11.12. Waiver of Personal Liability.....61
SECTION 11.13. Execution in Several Counterparts 61
SECTION 11.14. Governing Law; Venue.....61
SECTION 11.15. Complete Agreement.....61
SECTION 11.16. Action to Be Taken on Days Other Than Business Days.....61
EXHIBIT A FORM OF BONDS
EXHIBIT B FORM OF REQUISITION FROM THE PROJECT FUND
EXHIBIT C FORM OF REQUISITION FROM THE REPAIR AND REPLACEMENT FUND
EXHIBIT D FORMS OF INVESTOR LETTER
EXHIBIT E FORM OF DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

Powered by BoardOnTrack

THIS INDENTURE, made and entered into as of [December] 1, 2019, by and between the **CALIFORNIA SCHOOL FINANCE AUTHORITY**, a public instrumentality of the State of California (as hereinafter in Section 1.01 further defined, the "Authority"), and **WILMINGTON TRUST, NATIONAL ASSOCIATION**, a national banking association, being qualified to accept and administer the trusts hereby created (as hereinafter in Section 1.01 further defined, the "Bond Trustee").

W I T N E S S E T H:

WHEREAS, the Authority is a public instrumentality of the State of California, created by the California School Finance Authority Act (constituting Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State of California) (as hereinafter in Section 1.01 further defined, the "Act") and is authorized to issue bonds and loan the proceeds thereof for purposes of financing or refinancing the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities (as defined in the Act) to a participating party (as defined in the Act), including an entity that undertakes the financing or refinancing of a project (as defined in the Act) pursuant to the Act in conjunction with schools ("charter schools") established pursuant to the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the Education Code) (as more particularly defined herein, the "Charter School Law");

WHEREAS, Wooten Avila LLC (the "Borrower," "Lessor" and "Landlord"), a California limited liability company, the sole member of which is TEACH, Inc. (the "Lessee"), a California nonprofit public benefits corporation and which is an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), has applied for a loan of proceeds of revenue bonds of the Authority to finance the Project (as defined herein) at the Facilities (as defined herein);

WHEREAS, the Facilities will be leased to the Lessee, pursuant to the Leases (as defined herein);

WHEREAS, during the term of the Leases, the Facilities will be used and operated in conjunction with the Schools (as defined herein);

WHEREAS, the Authority has duly entered into a loan agreement with the Borrower (the "Loan Agreement"), of even date herewith, specifying the terms and conditions of a loan by the Authority to the Borrower to finance the Project and of the payment by the Borrower to the Authority of amounts sufficient for the payment of the principal and redemption price, if any, of, and interest on the Bonds and certain related expenses;

WHEREAS, the Authority authorized the issuance of its California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019A (Tax-Exempt) (the "Tax-Exempt Bonds") and its California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019B (Taxable) (the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds") in the aggregate principal amounts specified in Section 2.01 of this Indenture to fund the loan to the Borrower under the Loan Agreement to (i) finance the Project, [(b) pay certain expenses incurred in

connection with the issuance of the Bonds, (c) pay capitalized interest on the Bonds, and (d) fund a debt service reserve fund, a repair and replacement fund, and/or related working capital with respect to the Bonds;]

WHEREAS, to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal, and redemption price, if any thereof, and the interest thereon, the Authority has authorized the execution and delivery of this Indenture;

WHEREAS, the Bonds, the certificate of authentication and registration to be executed thereon and the form of assignment to appear thereon are to be in substantially the form set forth in Exhibit A hereto and made a part hereof with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Bond Trustee and duly issued, the valid, binding, and legal limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order further to secure the payment of the principal and redemption price, if any, of, and interest on, all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Bond Trustee, for the equal and proportionate benefit of the Holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of any indenture supplemental hereto, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

"***Accredited Investor***" shall have the meaning given to an "accredited investor" in Regulation D of the Securities Act of 1933.

"***Act***" means the California School Finance Authority Act, constituting Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

"***Additional Payments***" shall have the meaning given thereto in the Loan Agreement.

"***Administrative Fees and Expenses***" means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Bond Trustee in connection with the Bonds, including Additional Payments.

"***Administration Fund***" means the fund by that name established pursuant to Section 5.11 hereof.

"***Authority***" means the California School Finance Authority, a public instrumentality of the State established by the Act, and its successors and assigns.

"***Authorized Borrower Representative***" means the [Chief Financial Officer, President of the Board] or such other person as may be designated by the Board of Directors of the Borrower or any of such officials to sign for the Borrower, by written certificate furnished to the Authority and the Bond Trustee, as a person authorized to act on behalf of the Borrower. Such certificate shall contain the specimen signature of such person, shall be signed on behalf of the Borrower by any officer of the Borrower and may designate an alternate or alternates.

"***Authorized Denominations***" means $250,000 and any integral multiple of $5,000 in excess thereof, subject to the provisions of Section 2.04 hereof.

"***Authorized Signatory***" means any member of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

"***Beneficial Owner***" means, (i) when used with reference to the Book Entry Only System, the person who is considered the beneficial owner of the Bonds and, with respect to the Bonds pursuant to the arrangements for book entry determination of ownership applicable to the Depository and, (ii) for purposes of Section 6.09 hereof, any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds and, with respect to the Bonds (including persons holding such through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds and, with respect to the Bonds for federal income tax purposes.

"***Bondholder***" or "***Holder***" means, with respect to any Bond, the person in whose name such Bond is registered.

"***Bond Purchase Agreement***" means and refers to that certain Bond Purchase Agreement, dated [_____], 2019, among the Authority, the Underwriter, and the State Treasurer, as agent for sale on behalf of the Authority, the Borrower and the Lessee.

"***Bond Trustee***" means Wilmington Trust, National Association, or the successor as Bond Trustee hereunder as provided in Section 8.01 or 8.02 of this Indenture.

"***Bond Year***" means the period beginning on the Closing Date and ending on the first anniversary of the Closing Date and each succeeding one-year period (with the last Bond Year ending on the first date that none of the Bonds remain Outstanding).

"***Bonds***" has the meaning set forth in the recitals to this Indenture.

"***Borrower,***" "***Landlord,***" and "***Lessor***" means Wooten Avila LLC, a California limited liability company, and its successors and assigns.

"***Borrower Documents***" means the Master Indenture of Trust, the Supplemental MTI for Obligation No. 2, the Loan Agreement, the Bond Purchase Agreement, the Lease, the Continuing Disclosure Agreement, the Tax Certificate and the Borrower Resolution.

"***Borrower Resolution***" means the resolution or other authorizing action adopted by the Sole Member on behalf of the Borrower authorizing the Loan and the execution and delivery of the Borrower Documents.

"***Business Day***" means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal Corporate Trust Office is located are authorized or obligated by law or executive order to be closed.

["***Capitalized Interest Subaccount***" means the subaccount by that name in the Interest Account in the Revenue Fund established pursuant to Section 5.03 hereof.]

"***Certificate of the Authority***," "***Consent of the Authority***," "***Order of the Authority***," "***Request of the Authority***" or "***Requisition of the Authority***" mean, respectively, a written certificate, consent, order, request or requisition of the Authority signed by or on behalf of the Authority by an Authorized Signatory authorized by the Authority to execute such a document on its behalf.

"***Certificate of the Borrower***," "***Consent of the Borrower***," "***Request of the Borrower***," "***Requisition of the Borrower***" or "***Statement of the Borrower***" mean, respectively, a written certificate, request, requisition or statement of the Borrower executed on its behalf by an Authorized Borrower Representative.

"***Charter School Law***" means the Charter Schools Act of 1992, constituting Part 26.8, commencing with Section 47600 of Division 4 of Title 2 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

"***Closing Date***" means [December __], 2019, the date of original issuance and delivery of the Bonds.

"***Code***" means the Internal Revenue Code of 1986, or any successor code or law, and any regulations in effect or promulgated thereunder.

"***Completion***" means satisfaction of all of the conditions to completion of the Project as described in the Loan Agreement including delivery of the Completion Certificate pursuant to Section 3.06 of the Loan Agreement.

"***Completion Certificate***" means a Completion Certificate in a form substantially similar to EXHIBIT B of the Loan Agreement.

"***Continuing Disclosure Agreement***" means the Continuing Disclosure Agreement, dated as of [December] 1, 2019, among the Borrower, the Lessee and the Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"***Controller***" means the Controller of the State of California or any other official of the State charged with the disbursement of State funds to State public schools.

"***Costs of Issuance***" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, fees and expenses of the Authority, the State Treasurer's Office, the Bond Trustee, the Master Trustee, legal fees and charges of bond counsel, special counsel, disclosure counsel, underwriter's counsel, Master Trustee's and Bond Trustee's counsel, underwriters' discount, rating agency fees and any other costs, charges or fees in connection with the original delivery of the Bonds.

"***Costs of Issuance Fund***" means the fund by that name established pursuant to Section 5.09 hereof.

"***Debt Service***" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Bonds, (b) that portion of the principal amount of all Outstanding Bonds maturing on each principal payment date during such period, and (c) that portion of the principal amount of all Outstanding Bonds which are Term Bonds required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon).

"***Depository***" means The Depository Trust Company and its successors and assigns, or any other depository selected as set forth in Section 2.11 hereof which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

"***Dissemination Agent***" means the dissemination agent appointed pursuant to the Continuing Disclosure Agreement. The initial Dissemination Agent shall be [_____].

"***Education Code***" means the Education Code of the State of California.

"***Electronic Notice***" means notice through telecopy, telegraph, telex, facsimile, transmission, internet, e-mail or other electronic means of communication, capable of making a written record.

"***Eligible Securities***" means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held hereunder and then proposed to be invested therein (provided that the Bond Trustee shall be entitled to rely upon a Request of the Borrower as conclusive evidence that the investments described therein are so authorized under the laws of the State) and shall be the sole investments in which amounts on deposit in any fund or account created hereunder or under the Loan Agreement shall be invested:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself); U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(c) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(d) Bonds or notes issued by any state or municipality which are rated, at the time of purchase, by S&P, Fitch and Moody's in one of the three highest rating categories assigned by such agencies;

(e) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank (including an affiliate of the Bond Trustee), which, in either case, is rated (at the time the investment is entered into) "A" or better by S&P and Moody's, provided that (i) the term of such repurchase agreement is not greater than thirty days; (ii) the Bond Trustee or third party acting solely as agent for the Bond Trustee has possession of the collateral; (iii) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Bond Trustee to the dealer bank or securities firm under the repurchase agreement plus interest; (iv) failure to maintain the requisite collateral levels will require the Bond Trustee to liquidate the collateral immediately; (v) the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States; (vi) the repurchase securities are free and clear of any third-party lien or claim; and (vii) there shall have been delivered to the Bond Trustee, the Authority and the Borrower an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds;

(f) investment agreements, including guaranteed investment contracts ("GICs") with providers in one of the two highest rating categories of Moody's and S&P at the time of purchase;

(g) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating (at the time the investment is entered into) by S&P of "AAAm-G", "AAA-m", or "AA-m" and if rated by Moody's rated "Aaa", "Aa1" or "Aa2", including such funds for which the Bond Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives fees from funds for services rendered, (ii) the Bond Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Bond Trustee or an affiliate of the Bond Trustee;

(h) certificates of deposit secured at all times by collateral described in (a) and/or (b) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Bond Trustee on behalf of the Bondholders has a perfected first security interest;

(i) certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF;

(j) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(k) federal funds or bankers acceptances with a maximum term of one year of any bank which has (at the time the investment is entered into) an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P;

(l) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended;

(m) the State of California's Pooled Money Investment Account;

(n) the State of California's Local Agency Investment Fund; and

(o) obligations of a bank or other financial institution rated (at the time the investment is entered into) at least "Aa3" by Moody's or "AA-" by S&P.

"***Environmental Regulations***" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

"***Event of Default***" means any of the events specified in Section 7.01 of this Indenture.

"***Facility***" or "***Facilities***" means, individually or collectively, as the context shall require, the TEACH High Facilities and the TEACH Elementary Facilities.

"***Fiscal Year***" means, with respect to the Borrower, the twelve month period beginning July 1 and ending on June 30, or such other twelve month period as may be designated in a written Statement of the Borrower delivered to the Authority and the Bond Trustee.

"***Fitch***" means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower.

"***Government Obligations***" means noncallable and nonprepayable direct obligations of the United States of America or obligations which as to full and timely payment of principal and interest constitute full faith and credit obligations of the United States of America (excluding therefrom unit investment trusts and money market funds comprised of such securities).

"***Gross Revenues***" has the meaning ascribed to it in the Master Indenture of Trust.

"***Hazardous Substances***" means (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 Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 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 Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"***Indenture***" means this indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

"***Independent Consultant***" means a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Borrower or any affiliate thereof and (3) is not connected with the Borrower or any affiliate thereof as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions, and designated by the Borrower, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Borrower and having a favorable reputation for skill and experience in the financial affairs of such facilities.

"***Independent Consultant Report***" means the report of the Independent Consultant described in Section 4.10 of the Loan Agreement.

"***Insurance and Condemnation Proceeds Fund***" means the fund by that name established pursuant to the Master Indenture of Trust.

"***Intercept***" means the apportionment from the State Controller, pursuant to Section 17199.4 of the Education Code (or any successor provision) and the Intercept Notice, of amounts specified in the Intercept Notice and payable directly to the Bond Trustee.

"***Intercept Notice***" means any notice from the Schools to the State Controller, pursuant to Section 17199.4 of the Education Code (or any successor provision), specifying a transfer schedule for the payment directly to the Bond Trustee of one or more of the following: (x) principal of the Bonds, (y) interest on the Bonds and (z) other costs necessary or incidental to financing pursuant to the Act relating to the Bonds, including Additional Payments, in substantially the form set forth in the Leases, as the same may be amended, supplemented or restated from time to time.

"***Interest Account***" means the account by that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"***Interest Payment Date***" means each June 1 and December 1, commencing June 1, [2020].

"***Irrevocable Deposit***" means the irrevocable deposit in trust of cash in an amount (or Government Obligations the principal of and interest on which will be in an amount), and under terms sufficient to pay all or a portion of the principal of and/or premium, if any, and interest on, as the same shall become due, any indebtedness of the Borrower which would otherwise be considered Outstanding. The Bond Trustee with whom such deposit is made may be any trustee or escrow agent authorized to act in such capacity.

"***Lease***" or "***Leases***" means, individually or collectively, as the context shall require, (A) for purposes of this Indenture, the TEACH High Lease, the TEACH Elementary Lease and the TEACH Middle SubsquentLease, and (B) in respect of the Obligated Group, each other lease agreement pursuant to which Lessee leases a facility, at which a School is located, from a Member of the Obligated Group.

"***Lessee***" and "***Sole Member***" means TEACH, Inc., a California nonprofit public benefit corporation, as lessee under the Lease and as operator of charter schools, including the Schools, pursuant and subject to the Charter School Law, and its successors and assigns.

"***Lien***" means any mortgage or pledge of, security interest in or lien or encumbrance on the Facilities or the Gross Revenues.

"***Loan***" means the loan of Bond proceeds from the Authority to the Borrower pursuant to the Loan Agreement.

"***Loan Agreement***" means that certain loan agreement, dated as of [December] 1, 2019, between the Authority and the Borrower, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and of Section 6.06(b) of this Indenture.

"***Loan Repayments***" has the meaning given such term in Section 3.02(b) of the Loan Agreement.

"***Mandatory Sinking Account Payment***" means each amount so designated which is established pursuant to Section 5.04 of this Indenture with respect to the Bonds.

"***Master Indenture of Trust***" means that certain Master Indenture of Trust, dated as of October 1, 2016, among the Obligated Group Members, and the Master Trustee named therein, as originally executed and as the same may be amended and supplemented from time to time in accordance with its terms.

"***Master Trustee***" means Wilmington Trust, National Association, appointed and acting under and pursuant to the Master Indenture of Trust.

"***Members of the Obligated Group***" means, as applicable, each "Member" as identified in the Master Indenture of Trust.

"***Moody's***" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

"***Opinion of Bond Counsel***" means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

"***Opinion of Counsel***" means a written opinion of counsel (which may be counsel for the Authority) selected by the Authority. If and to the extent required by the provisions of Section 1.02 of this Indenture, each Opinion of Counsel shall include the statements provided for in Section 1.02 of this Indenture.

"***Optional Redemption Account***" means the account by that name in the Redemption Fund established pursuant to Section 5.06 hereof.

"***Outstanding***," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09 hereof) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Indenture except (a) Bonds theretofore

canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02 of this Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Indenture.

"***Payments***" means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Bond Trustee with respect to the Intercept, (ii) all moneys, if any, received by the Bond Trustee directly from, or on behalf of, the Borrower, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into any fund or account created and held under the Indenture) or Obligation No. 2, and (iii) all income derived from the investment of any money in any fund or account established pursuant to this Indenture.

"***Person***" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"***Principal Account***" means the account by that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"***Principal Corporate Trust Office***" means for the Bond Trustee originally appointed hereunder, the corporate trust office of Wilmington Trust, National Association, which at the date of execution of this Indenture is that specified in Section 11.07 of this Indenture, provided however, that for purposes of presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Bond Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"***Principal Payment Date***" means the principal and Mandatory Sinking Account Payment dates for the Bonds, which dates occur on June 1 of each year commencing June 1, [2020].

"***Project***" has the meaning given to such term in Exhibit A of the Loan Agreement.

"***Project Fund"*** means the fund by that name established pursuant to Section 5.08 of this Indenture.

"***Qualified Institutional Buyer***" shall have the meaning given to a "qualified institutional buyer" under Rule 144A of the Securities Act of 1933.

"***Rating Agency***" means at any time any nationally recognized rating agency including Fitch, Moody's or S&P, then rating the Bonds at the request of the Authority or the Borrower.

"***Rating Category***" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"***Rebate Analyst***" means the Person engaged by the Borrower to calculate any rebate liability under the Code.

"***Rebate Fund***" means the fund by that name established pursuant to Section 5.07 of this Indenture.

"***Record Date***" means, with respect to the Interest Payment Date for the Bonds, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"***Redemption Fund***" means the fund by that name established pursuant to Section 5.06 of this Indenture.

"***Rental Payments***" means the amounts payable pursuant to the Lease by the Lessee to the Members of the Obligated Group for the use and occupancy of any Facilities, excluding Expenses (as defined in the Lease).

"***Repair and Replacement Fund***" means the fund by such name established pursuant to Section 5.10 hereof.

"***Repair and Replacement Fund Requirement***" means $[_____]; provided, however, that the Repair and Replacement Fund Requirement shall initially be $[0] as of the date of delivery of the Bonds and shall increase by $[_____] on the first Business Day of each month commencing [_____ 1, 2020] until such Repair and Replacement Fund Requirement equals $[_____].

"***Reserve Account***" means the account by that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"***Reserve Account Requirement***" means as of any date of calculation, an amount which will be equal to the least of (a) ten percent (10%) of the original principal amount of the Bonds; (b) maximum annual Debt Service with respect to the Bonds Outstanding; (c) one hundred twenty-five percent (125%) of average annual Debt Service with respect to the Bonds, or (d) for the last Bond Year only, the total Debt Service with respect to the Bonds Outstanding. Maximum annual Debt Service and average annual Debt Service, for purposes of this definition, will be calculated on the basis of 12-month periods ending on June 1 of any year in which Bonds are Outstanding.

"***Resource Center Facilities"*** means the parking facilities to be located at 10600 South Western Avenue, Los Angeles, California 90047.

"***Resource Center Subaccount"*** means the subaccount by that name in the Project Fund established pursuant to Section 5.08 hereof.

"***Responsible Officer***" of the Bond Trustee means any person who at the time and from time to time may be designated, by written certificate, as a person authorized to act on behalf of the Bond Trustee. Such certificate shall contain the specimen signature of such person(s) and shall be signed on behalf of the Bond Trustee by any officer of the Bond Trustee and may designate an alternate or alternates.

"***Retained Rights***" means the Authority's right to payment of the Administrative Fees and Expenses, any Additional Payments, any right to be indemnified, held harmless or defended, any right to receive information, reports, certifications or other documents and any right to notice, consent, approval or inspection hereunder or under the Loan Agreement and the obligation of the Borrower to make deposits pursuant to the Tax Certificate.

"***Revenue Fund***" means the fund by that name established pursuant to Section 5.01(d) of this Indenture.

"***S&P***" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

"***S&P Surveillance Fee***" means the per annum fee assessed by S&P during the period the Bonds carry a rating therefrom, if any.

"***School***" means individually, and *"**Schools**"* means collectively, each public charter school operated by Lessee and located at the Facilities pursuant to the Lease from and after the date upon which the Borrower joins the Obligated Group, but excluding any public charter school operated as Lessee at premises that are not owned or leased by a Member that is part of the Obligated Group or is owned or leased by a Member that withdraws from the Obligated Group to the extent and in accordance with the Master Indenture, from and after the date of such withdrawal.

"***Securities Depositories***" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attention: Call Notification Department, Fax (212) 855-7232 or to such other addresses and/or such other securities depositories as the Authority may designate to the Bond Trustee in writing.

"***Series***" means, when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to this Indenture as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to this Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

"***Sinking Fund Installment***" means, with respect to any Term Bonds, each amount so designated for such Term Bonds requiring payments by the Borrower from the Payments to be applied to the retirement of such Bonds on and prior to the stated maturity date thereof.

"***Sole Member***" means TEACH, Inc., a California nonprofit public benefit corporation, its successors and assigns as the sole member of the Borrower, which successors and assigns shall be a California nonprofit public benefit corporation.

"***Special Record Date***" means the date established by the Bond Trustee pursuant to Section 2.02(c)(ii) of this Indenture as a record date for the payment of defaulted interest on Bonds.

"***Special Redemption Account***" means the account by that name in the Redemption Fund established pursuant to Section 5.06 hereof.

"***State***" means the State of California.

"***State Controller***" means the Controller of the State.

*"**State Treasurer**"* means the Treasurer of the State.

"***Supplemental Indenture***" or "***Indenture supplemental hereto***" means any indenture hereafter duly authorized and entered into between the Authority and the Bond Trustee in accordance with the provisions of this Indenture.

"***Supplemental MTI for Obligation No. 2***" means that certain Supplemental Master Indenture for Obligation No. 2, dated as of [December] 1, 2019, between the Obligated Group Members and the Master Trustee named therein, as originally executed and as the same may be amended and supplemented from time to time in accordance with its terms.

"***Tax Certificate and Agreement***" means the Tax Certificate of the Authority and the Borrower dated the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

"***Tax-Exempt Bonds***" means the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019A (Tax-Exempt) authorized and issued pursuant to Article II of this Indenture and any bonds issued in exchange or replacement thereof in accordance with this Indenture.

"***Taxable Bonds***" means the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019B (Taxable) authorized and issued pursuant to Article II of this Indenture and any bonds issued in exchange or replacement thereof in accordance with this Indenture.

"TEACH Elementary Facilities" means the charter school facilities located at 1750 West Century Blvd., Los Angeles, California 90047.

"TEACH Elementary Lease" means, collectively, those certain Lease Agreements, dated as of the date of the acquisition of the TEACH Elementary Facilities by the Borrower, between Wooten Avila LLC, as lessor, and TEACH, Inc., as lessee, with respect to the TEACH Elementary Facilities.

"***TEACH Elementary Subaccount"*** means the subaccount by that name in the Project Fund established pursuant to Section 5.08 hereof.

"TEACH High Facilities" means the charter school and administrative facilities located at (a) 10616 South Western Avenue, Los Angeles, California, 90047; and (b) the Resource Center Facilities.

"TEACH High Lease" means, collectively, those certain Lease Agreements, dated as of [December] 1, 2019, between Wooten Avila LLC, as lessor, and TEACH, Inc., as lessee, with respect to the TEACH High Facilities.

"TEACH Middle Facilities" means the charter school and administrative facilities located at 10045 South Western Avenue, Los Angeles, California 90047.

"TEACH Middle Subsequent Lease" means that certain Lease Agreement, dated as of [December] 1, 2019, between Cunningham & Morris, LLC, as lessor, and TEACH, Inc., as lessee, with respect to the TEACH Middle Facilities.

"***Term Bonds***" means Bonds which are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"***Underwriter***" means Stifel, Nicolaus & Company, Incorporated, its successors and assigns.

SECTION 1.02. Content of Certificates and Opinions. Every certificate (other than the certificate provided for in Section 11.05 hereof) or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such condition or covenant and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such condition or covenant has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate or opinion made or given by a member or officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon the certificate or opinion of or representations by a member or officer of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his or her opinion may be based as aforesaid are erroneous or in the exercise of reasonable care should have known that the same were erroneous.

Any written representation of the Authority or determination of the Bond Trustee given in accordance with Section 6.06 (regarding the amendment of the Loan Agreement) or Article IX (regarding amendment of the Indenture) may, at the option of such party, be based solely on the written representation of a financial consultant or advisor selected by such party and not objected to by the other such party.

SECTION 1.03. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof,

shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 1.04. Construction. The parties hereto acknowledge that each such party and its respective counsel have participated in the drafting and revision of this Indenture. Accordingly, the parties agree that any rule of construction which disfavors the drafting party shall not apply in the interpretation of this Indenture or any amendment or supplement or exhibit hereto.

ARTICLE II

THE BONDS

SECTION 2.01. Authorization of Bonds.

(a) There shall be issued under and secured by this Indenture an issue of bonds of the Authority constituting the Tax-Exempt Bonds. The Tax-Exempt Bonds are hereby authorized to be issued hereunder, designated as the "California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019A (Tax-Exempt)". The aggregate principal amount of the Tax-Exempt Bonds that may be issued and Outstanding under this Indenture is expressly limited to and shall not exceed $[PARA], exclusive of the Tax-Exempt Bonds executed and authenticated as provided in Section 2.09 hereof.

(b) There shall be issued under and secured by this Indenture an issue of bonds of the Authority constituting the Taxable Bonds. The Taxable Bonds are hereby authorized to be issued hereunder, designated as the "California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019B (Taxable)". The aggregate principal amount of the Taxable Bonds that may be issued and Outstanding under this Indenture is expressly limited to and shall not exceed $[PARB], exclusive of the Taxable Bonds executed and authenticated as provided in Section 2.09 hereof.

(c) This Indenture constitutes a continuing agreement with the Bond Trustee and the Holders of all of the Bonds Outstanding, subject to the covenants, agreements, provisions and conditions herein contained.

SECTION 2.02. Terms of Bonds.

(a) *Terms of the Tax-Exempt Bonds*

(i) The Tax-Exempt Bonds shall be issued as registered bonds in Authorized Denominations. The Tax-Exempt Bonds shall be dated their date of

issuance. Each Beneficial Owner of the Tax-Exempt Bonds shall be an Accredited Investor or a Qualified Institutional Buyer. Interest on the Tax-Exempt Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months and shall be payable in arrears on each Interest Payment Date.

(ii) The Tax-Exempt Bonds shall mature on June 1 in each of the years and in the principal amounts and shall bear interest at the rates as follows:

Year (June 1)	Principal Amount	Interest Rate

* Term Bond

(b) *Terms of the Taxable Bonds*

(i) The Taxable Bonds shall be issued as registered bonds in Authorized Denominations. The Taxable Bonds shall be dated their date of issuance. Each Beneficial Owner of the Taxable Bonds shall be an Accredited Investor or a Qualified Institutional Buyer. Interest on the Taxable Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months and shall be payable in arrears on each Interest Payment Date.

(i) The Taxable Bonds shall mature on June 1 in each of the years and in the principal amounts and shall bear interest at the rates as follows:

Year (June 1)	Principal Amount	Interest Rate

* Term Bond

(c) *General Terms of the Bonds*

(i) The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of the Depository, and shall be evidenced by one Bond for each maturity in the total aggregate principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10 hereof. So long as Cede & Co. is the registered owner of the Bonds, as nominee of the Depository, references herein to

the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid and shall not mean the "beneficial owners" of the Bonds.

(ii) The principal and redemption price of and interest on the Bonds shall be payable in lawful money of the United States of America upon surrender at the Principal Corporate Trust Office. The interest on any Bond shall be payable to the person whose name appears on the registration books of the Bond Trustee as the registered owner thereof as of the close of business on the Record Date for the Interest Payment Date, such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of $1,000,000 or more in an aggregate principal amount of the Bonds shall be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such other Holder shall designate in writing to the Bond Trustee by the applicable Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Bond Trustee to Cede & Co., as nominee for the Depository, and the payment of principal or redemption price shall be made without presentment.

(iii) Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest. The Special Record Date shall be fixed by the Bond Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date.

SECTION 2.03. [Reserved].

SECTION 2.04. Restrictions on Registration and Transfer of the Bonds.

(a) Notwithstanding any other provision hereof, the Bonds may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except an Accredited Investor or a Qualified Institutional Buyer; provided however, pursuant to Section 2.11, Bonds registered in the name of the Depository or its nominee shall be deemed to comply with this Section so long as each beneficial owner of the Bonds is an Accredited Investor or a Qualified Institutional Buyer. On the Closing Date, each initial Beneficial Owner shall provide to the Authority and the Bond Trustee an executed Investor Letter, substantially in the form attached hereto as EXHIBIT D.

(b) The foregoing limitation shall cease to apply (without notice to or consent of any Bondholder) upon and after receipt by the Bond Trustee from the Borrower of a rating letter by Fitch, S&P or Moody's indicating that the Bonds are rated "A-" or "A3," as applicable, or better. The Bond Trustee shall as soon as practicable, but in no event more than 10 calendar days after receipt by the Bond Trustee of such rating letter, notify each Bondholder that the (i) restrictions set forth in this Indenture requiring that the

Beneficial Owners of the Bonds be Accredited Investors or Qualified Institutional Buyers shall be of no further force or effect and (ii) Authorized Denominations shall thereafter be $5,000 and any multiple in excess thereof.

SECTION 2.05. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its Chairperson. The Bonds shall then be delivered to the Bond Trustee for registration and authentication by it. In case any of the officers who shall have signed any of the Bonds shall cease to be such officer or officers before the Bonds so signed shall have been authenticated or delivered by the Bond Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority. Also, any Bond may be signed on behalf of the Authority by such persons as on the actual date of the execution of such Bond shall be the proper officers although on the nominal date of such Bond any such person shall not have been such officer. Only such of the Bonds as shall bear thereon a certificate of authentication and registration in substantially the form set forth in Exhibit A hereto, manually executed by the Bond Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. Transfer of Bonds. The registration of any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 of this Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Bond Trustee, duly executed. The Bond Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there shall be no other charge to any Holder for any such transfer. The Bond Trustee shall not be required to register the transfer of any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bond selected for redemption in whole or in part as provided in Section 4.01 hereof or Section 4.02 hereof or during the period established by the Bond Trustee for selection of Bonds for redemption.

SECTION 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Bond Trustee for a like aggregate principal amount of the Bonds of the same maturity of other authorized denominations. The Bond Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there shall be no other charge to any Holder for any such exchange. No exchange of Bonds shall be required to be made during the period established by the Bond Trustee for selection of Bonds for redemption and after a Bond has been selected for redemption.

SECTION 2.08. Bond Register. The Bond Trustee shall keep or cause to be kept, at its Principal Corporate Trust Office, sufficient books for the registration of transfer of the Bonds, which shall at all reasonable times during normal business hours upon reasonable notice be open to inspection by the Authority; and, upon presentation for such purpose, the Bond Trustee shall,

under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on said books, of Bonds as hereinbefore provided.

SECTION 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. If any Bond mutilated, lost, destroyed or stolen shall have matured, instead of issuing a substitute Bond the Bond Trustee may pay the same without surrender upon receipt of indemnity satisfactory to the Bond Trustee. The Authority may require payment from the Holder of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Bond Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

SECTION 2.11. Use of Depository. Notwithstanding any provision of this Indenture to the contrary:

(a) The Bonds initially shall be registered as provided in Section 2.02 hereof. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of the Depository or its nominee, or to any Substitute Depository designated pursuant to clause (ii) of this subsection (a)

("Substitute Depository"); provided that any successor of the Depository or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) To any Substitute Depository designated by the Authority (at the direction of the Borrower), upon (1) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository or (2) a determination by the Authority (at the direction of the Borrower) that the Depository or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of the Depository or its successor (or Substitute Depository or its successor) from its functions as depository; provided that no Substitute Depository can be obtained or (2) a determination by the Authority (with the concurrence of the Borrower) that it is in the best interests of the Authority to remove the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Request of the Authority to the Bond Trustee, a single new Bond for each maturity shall be executed and delivered in the aggregate principal amount of the Bonds of such maturity then Outstanding, registered in the name of such successor or such Substitute Depository, or their nominees, as the case may be, all as specified in such Request of the Authority. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, new Bonds shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such persons as are requested in such a Request of the Authority, subject to the limitations of Section 2.02 hereof, provided the Bond Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Request of the Authority.

(c) In the case of an advance refunding of the Bonds, if any, evidencing all or a portion of the principal amount then Outstanding, the Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal.

(d) The Authority and the Bond Trustee shall be entitled to treat the person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Bond Trustee or the Authority; and the Authority and the Bond Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Bond Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial

owners or to any other party including the Depository or its successor (or Substitute Depository or its successor), except for the Holder of any Bond.

(e) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Bond Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns in effecting payment of the principal of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

SECTION 2.12. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Bond Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE III

ISSUANCE OF BONDS; ESTABLISHMENT OF CERTAIN FUNDS AND APPLICATION OF PROCEEDS

SECTION 3.01. Authentication and Delivery of Bonds. At any time after the execution of this Indenture, the Authority may execute the Bonds, and the Bond Trustee, upon the Order of the Authority, shall authenticate and deliver the Bonds in accordance with Article II of this Indenture, in each case exclusive of the Bonds executed and authenticated as provided in Section 2.08 hereof.

SECTION 3.02. Application of Proceeds of Bonds and Certain Other Moneys.

(a) The Bond Trustee hereby agrees to establish and maintain hereunder, in trust, the funds described in Article V herein.

(b) The Bond Trustee shall accept a portion of the proceeds received from the sale of the Tax-Exempt Bonds in the amount of $[_____] (consisting of the par amount of the Tax-Exempt Bonds of $[PARA], plus original issue premium of $[_____], less an amount of $[_____] and less $[_____] wired directly to the Title Company).

(c) The Bond Trustee shall accept a portion of the proceeds received from the sale of the Taxable Bonds in the amount of $[_____] (consisting of the par amount of the Taxable Bonds of $[PARB], plus original issue premium of $[_____], less an amount of $[_____] and less $[_____] wired directly to the Title Company).

(d) The Bond Trustee shall deposit the amounts received pursuant to Section 3.02(b) and (c) hereof, in the following funds and accounts in the following amounts:

	Tax-Exempt Bonds	Taxable Bonds	Total
Project Fund			
TEACH Elementary Subaccount			
Resource Center Subaccount			
Costs of Issuance Fund			
Reserve Account			
[Capitalized Interest Subaccount]			

ARTICLE IV

REDEMPTION OF THE BONDS

SECTION 4.01. Special Redemption.

(a) **Extraordinary Optional Redemption from Insurance and Condemnation Proceeds**. The Bonds are subject to redemption prior to their stated maturity, at the option of the Borrower, as a whole or in part on any date from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(b) **Extraordinary Optional Construction Related Redemption**. The Bonds are subject to redemption in part prior to their stated maturities, at the option of the Borrower, from excess funds on deposit in the Project Fund following Completion of the Project as provided in Section 5.08(e) hereof, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(c) **Extraordinary Optional Redemption Relating to Revocation of School Charter.** The Bonds are subject to redemption in part prior to their stated maturity, on any date, at the option of the Borrower, in the event the charter of any School is revoked by its authorizer and has no further appeal rights, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(d) **Extraordinary Mandatory Redemption Due to Change of Use**. The Bonds are subject to redemption prior to their stated maturity, as a whole or in part, on any date from Loan prepayments made by the Borrower in the event the Project is used or operated in any manner that violates the provisions of the Act, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(e) **Extraordinary Mandatory Redemption from Escrowed Project Proceeds.** The Bonds are subject to redemption, prior to their stated maturity, in whole or in part, on any date on or before [_____] 1, 20[__] from (i) escrowed proceeds of the

Bonds transferred to the Redemption Fund from the Resource Center Subaccount or the TEACH Elementary Subaccount in accordance with Sections 5.08(d) hereof, and (ii) amounts transferred to the Redemption Fund from the Reserve Account and the Capitalized Interest Subaccount in connection with transfers described in the preceding clause (i), at a redemption price equal to 100% of the principal amount of the Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, plus an amount equal to the unamortized portion of the net original issue premium thereon as set forth in the schedule below, on the earliest date for which notice of redemption can reasonably be given in accordance with Section 4.04 hereof.

	Unamortized Net Original Issue Premium as of Redemption Date[1]						
Bond Maturing (June 1)	**June __, 20[__]**	**December 1, 20[__]**	**June 1, 20[__]**	**December 1, 20[__]**	**June 1, 20[__]**	**December 1, 20[__][2]**	**June 1, 20[__]**
___[3]							

(1) The unamortized portion of the net original issue premium with respect to Bonds subject to redemption hereunder on any date other than the semi-annual dates set forth herein shall be interpolated on a straight-line basis.

(2) Pursuant to Section 5.08 herein, if the applicable draw requirements for the Resource Center Subaccount or the TEACH Elementary Subaccount have not been satisfied on or prior to [_____] 1, 20[__], then all moneys on deposit in the applicable subaccount will be transferred to the Redemption Fund and applied to redeem Bonds as described herein on the earliest date for which notice of redemption can reasonably be given.

(3) [Term bond.]

SECTION 4.02. Optional Redemption.

(a) The Tax-Exempt Bonds maturing on or after June 1, [20__] are subject to redemption prior to their respective stated maturities, at the option of the Borrower from any amounts in the Redemption Fund, in whole or in part on any date on or after June 1, [20__], at a redemption price equal to 100% of the principal amount of Tax-Exempt Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

(b) The Taxable Bonds are not subject to redemption prior to their respective stated maturities at the option of the Borrower.

SECTION 4.03. Mandatory Sinking Account Redemption. The Bonds are subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments pursuant to Section 5.04(c) hereof. If any of the Bonds to be redeemed as designated in Section 4.01 and 4.02 hereinabove are Term Bonds, the Borrower shall provide to the Bond Trustee a revised sinking fund schedule giving effect to the redemption so completed and setting forth the years in which Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments are to be reduced.

SECTION 4.04. Notice of Redemption. In connection with the redemption of the Bonds pursuant to Sections 4.01, 4.02 and 4.03 herein, the Borrower shall give notice of redemption to the Bond Trustee (with a copy to the Authority) not less than thirty (30) days prior to the redemption date (or such shorter notice as the Bond Trustee may approve). Notice of redemption of any Bonds shall be given by the Bond Trustee upon such written request of the Borrower. Notice of any redemption of Bonds shall be mailed postage prepaid by the Bond Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to the respective Holders thereof at the addresses appearing on the bond registration books described in Section 2.08. Each notice of redemption shall contain all of the following information:

(a) the date of such notice;

(b) the name of the Bonds and the date of issue of the Bonds;

(c) the redemption date;

(d) the redemption price;

(e) the dates of maturity of the Bonds to be redeemed;

(f) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed;

(g) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed;

(h) the CUSIP number, if any, of each maturity of Bonds to be redeemed;

(i) a statement that such Bonds must be surrendered by the Holders at the Principal Corporate Trust Office of the Bond Trustee, or at such other place or places designated by the Bond Trustee;

(j) a statement that such redemption is conditioned upon the receipt by the Bond Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price or upon the happening of such other event as shall be specified therein, and if such moneys shall not have been so received, said notice shall be rescinded and the redemption shall be cancelled;

(k) a statement that any such redemption notice can be rescinded as provided in the Indenture; and

(l) notice that further interest on such Bonds, if any, will not accrue from and after the designated redemption date.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers provided therein or on the Bonds. If money is not received as described in Section 4.04(j), the Bond Trustee, within a reasonable time after the date on which such redemption was to occur, shall give notice to the persons and in the manner in which the

notice of redemption was given, that such moneys were not so received and that there will be no redemption of the Bonds pursuant to the notice of redemption. Failure of the Bond Trustee to give such notice or any defect therein shall not in any way impair or affect the validity of the proceedings for redemption.

Any notice of optional redemption may state that such redemption shall be conditioned ("Conditional Notice") upon the receipt by the Bond Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed or upon the occurrence of such other event or condition as shall be set forth in such Conditional Notice, and that, if such moneys shall not have been so received, or if such other event or condition shall have occurred or failed to occur (as the case may be), such Conditional Notice shall be of no force and effect and the redemption of the Bonds specified in the Conditional Notice shall no longer be required. The Bond Trustee shall within a reasonable time thereafter give notice, in the manner in which the original Conditional Notice was given, of the cancellation of such redemption.

Notwithstanding the foregoing, in connection with the redemption of any Bonds held through the book-entry-only system of the Depository Trust Company ("DTC"), in the event of any conflict between the notice requirements of this Indenture and the requirements and procedures of DTC, the requirements and procedures of DTC shall control.

SECTION 4.05. Effect of Notice. A certificate of the Bond Trustee or the Borrower that notice of call and redemption has been given to Holders as provided herein and as may be further required in the Continuing Disclosure Agreement shall be conclusive as against all parties. The actual receipt by the Holder of any Bond or any other party of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest, if any, on the date fixed for redemption.

Notice of redemption having been given, and the redemption price of the Bonds called for redemption being on deposit or otherwise available to the Bond Trustee, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest, if any, shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to the escrow fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Bond Trustee and shall not be reissued.

SECTION 4.06. Right to Rescind Notice. Upon written notice, or oral notice, promptly confirmed by written notice, from the Borrower that the Borrower has cured the conditions that caused the Bonds to be subject to extraordinary redemption pursuant to Section 4.01 hereof, the Borrower may rescind any extraordinary redemption and notice thereof on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Holders of the Bonds so called for redemption, with a copy to the Bond Trustee. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given.

The actual receipt by the Holder of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

SECTION 4.07. Funds for Redemption. Prior to or on the redemption date of any Bonds there shall be available in the Redemption Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the premiums payable as in this Indenture provided, the Bonds designated in said notice of redemption. Such monies so set aside in the Redemption Fund or in the escrow fund established for such purpose shall be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds, provided that all monies in the Redemption Fund shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Redemption Fund, unless otherwise provided for to be paid from an escrow fund established for such purpose. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Redemption Fund or otherwise held in trust for the payment of redemption price of the Bonds, said monies shall be held in or returned or transferred to the Redemption Fund for payment of any outstanding Bonds of the Borrower payable from said fund; provided, however, that if said monies are part of the proceeds of refunding Bonds of the Borrower, said monies shall be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such refunding Bonds of the Borrower are at such time outstanding, said monies shall be transferred to the general fund of the Borrower as provided and permitted by law.

SECTION 4.08. Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of this Indenture and less than all of the Outstanding Bonds are to be redeemed, the Bond Trustee shall select the Bonds to be redeemed from the Outstanding Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in inverse order of maturity or in such other order of maturity as shall be specified in a Request of the Borrower and the Mandatory Sinking Account Payments shall be reduced pro-rata. In no event shall Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Bonds in denominations greater than minimum Authorized Denominations, the Bond Trustee shall assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, shall treat such amounts as separate Bonds. The Bond Trustee shall promptly notify the Authority and the Borrower in writing of the numbers of the Bonds selected for redemption.

ARTICLE V

PLEDGE AND ASSIGNMENT; ESTABLISHMENT AND APPLICATION OF FUNDS AND ACCOUNTS

SECTION 5.01. Pledge and Assignment.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture, all of the Payments (except Payments

described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to this Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

(b) The Authority hereby assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments (except Payments described in clause (i) of the definition thereof) and other amounts pledged in paragraph (a) of this Section and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights). The Bond Trustee shall be entitled to and shall receive all of such assigned Payments, and any such Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bond Trustee and shall forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee also shall be entitled to and shall (subject to the provisions of this Indenture, including its rights and protections hereunder) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment (or as directed in writing by a majority of the Holders) to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Bond Trustee and all of the obligations of the Borrower under the Loan Agreement.

(c) The Borrower shall take all actions necessary for the Bond Trustee to collect directly from the State Controller the amounts set forth in the Intercept Notice on the dates set forth in the Intercept Notice. The Payments described in clause (i) of the definition thereof are assigned to the Bond Trustee, for the benefit of the Holders of the Bonds, by virtue of the filing of the Intercept Notice with the State Controller. The Bond Trustee shall be entitled to and shall receive all of such assigned Payments.

(d) All Payments shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee is hereby directed to establish, maintain and hold in trust. All Payments shall be held in trust for the benefit of the Holders from time to time of the Bonds but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter in this Article V set forth.

(e) The Bonds are not and shall not be deemed to constitute a debt or liability of the State, or any political subdivision thereof, and are not and shall not be deemed to be a pledge of the faith and credit of the State, or any political subdivision thereof, other than the Authority, which shall be obligated to pay the Bonds solely from the Payments and funds herein provided therefor. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever for the Bonds or to make any appropriation for their payment. Nothing in this Indenture, the Act or otherwise is an undertaking by the Authority or the State or any political subdivision thereof to fund the transfers described in the Intercept Notice or to funds available to the Lessee in any amount or at any time.

SECTION 5.02. Allocation of Payments. Promptly upon receipt, the Bond Trustee shall deposit the Payments to the Revenue Fund. On or before May 25th and November 25th of each year, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee shall establish and maintain within the Revenue Fund) and then to the Repair and Replacement Fund, to the Rebate Fund, and to the Administration Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Payments sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority; provided, however, no moneys deposited in the Revenue Fund pursuant to the Intercept shall be deposited to the Rebate Fund:

(a) [Reserved]

(b) To the Interest Account, the amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest[, taking into account the amounts to be transferred from the Capitalized Interest Subaccount pursuant to Section 5.03 herein];

(c) To the Principal Account, one-half of the aggregate amount of principal becoming due to redeem or pay Bonds or to make Mandatory Sinking Account Payments on the next succeeding Principal Payment Date, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments; provided that from the date of delivery of the Bonds until the first Principal Payment Date with respect to the Bonds (if less than twelve months), transfers to the Principal Account shall be sufficient on a monthly pro rata basis to pay the principal and Mandatory Sinking Account Payments becoming due and payable on said Principal Payment Date;

(d) To the Reserve Account, (a) the greater of (i) the amount designated for deposit to the Reserve Account in a written direction of the Borrower, and (ii) one-half of the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Reserve Account if the balance in said account is at least equal to the Reserve Account Requirement, and (b) in the event the balance in said account shall be less than the Reserve Account Requirement due to valuation of the Eligible Securities deposited therein in accordance with Section 5.05, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount);

(e) To the Repair and Replacement Fund from and after [_____ 1, 20__] $[_____], and on each [_____] thereafter, until the balance therein is at least equal to the Repair and Replacement Fund Requirement, and thereafter (i) the greater of (A) the amount designated for deposit in the Repair and Replacement Fund in a written direction

of the Borrower, and (B) one-sixth of the aggregate amount of each prior withdrawal from the Repair and Replacement Fund, provided that no deposit need be made into the Repair and Replacement Fund if the balance in said account is at least equal to the Repair and Replacement Fund Requirement, and (ii) in the event the balance in said account shall be less than the Repair and Replacement Fund Requirement due to valuation of the Eligible Securities deposited therein in accordance with Section 5.10 or due to an increase in the Repair and Replacement Fund Requirement, the amount necessary to increase the balance in said account to an amount at least equal to the Repair and Replacement Fund Requirement (until deposits on account of such valuation deficiency, if any, are sufficient to increase the balance in said account to said amount);]

(f) To the Rebate Fund, such amounts as are required to be deposited therein by this Indenture (including the Tax Certificate); and

(g) To the Administration Fund, an amount equal to 1/2 of the annual Administrative Fees and Expenses.

Moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred on June 1 and December 1 of each year, commencing June 1, 2020, by the Bond Trustee to or at the direction of the Borrower free and clear of the lien of this Indenture.

SECTION 5.03. Application of Interest Account; [Establishment and Application of Capitalized Interest Subaccount].

(a) All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

(b) [Within the Interest Account, the Bond Trustee shall establish and maintain the Capitalized Interest Subaccount. Subject to Section 5.03(c) below, the Bond Trustee shall make transfers from the Capitalized Interest Subaccount to the Interest Account on the following dates and in the following amounts. Following the final transfer, the Capitalized Interest Subaccount shall be closed.]

	Capitalized Interest Subaccount
Date	**Transfer Amount**

_____

*Final Transfer.

(c) In the event moneys on deposit in the Project Fund shall be transferred to the Redemption Fund pursuant to Section 5.08(b), 5.08(c) or 5.08(e), the Bond Trustee shall make transfers from the Project Fund to the Redemption Fund in accordance with a Certificate of the Borrower.

SECTION 5.04.Application of Principal Account.

(a) All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided herein with respect to Bonds.

(b) The Bond Trustee shall establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the "____ Sinking Account," inserting therein the Series and maturity (if more than one such account established) for each Term Bond. On or before June 1 in each year, the Bond Trustee shall transfer the amount deposited in the Principal Account on that date pursuant to Section 5.02 from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Bond Trustee shall transfer the amount deposited in the Principal Account pursuant to Section 5.02 for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee shall apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Borrower has deposited Bonds with the Bond Trustee, or Bonds were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. In the event of a redemption pursuant to Section 4.02 hereof, the Borrower shall provide the Bond Trustee with a revised sinking fund schedule giving effect to the optional redemption so completed. All Bonds purchased or deposited pursuant to this subsection shall be delivered to the Bond Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds are no longer Outstanding shall be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Borrower with the Bond Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Borrower directs.

(c) Subject to the terms and conditions set forth in this Section and in Section 4.03, the Term Bonds shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

(i) The Tax-Exempt Term Bonds maturing on June 1, [20__] are subject to redemption prior to their respective stated maturity in part, by lot, from

Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Redemption Date (June 1)	Principal Amount

* Final Maturity.

(ii) The Tax-Exempt Term Bonds maturing on June 1, [20__] are subject to redemption prior to their respective stated maturity in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Redemption Date (June 1)	Principal Amount

* Final Maturity.

(iii) The Taxable Term Bonds maturing on June 1, [20__] are subject to redemption prior to their respective stated maturity in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Redemption Date (June 1)	Principal Amount

`

_____
* Final Maturity.

In the event of any extraordinary redemption or optional redemption of such Term Bonds, the Borrower shall provide the Trustee with a revised sinking fund schedule giving effect to the redemption so completed.

SECTION 5.05. Application of Reserve Account.

(a) All amounts in the Reserve Account shall be used and withdrawn by the Bond Trustee solely for the purpose of making up any deficiency in the Interest Account or Principal Account that exists on the date when monies on deposit in the Interest Account or the Principal Account are required to be applied, as provided in Sections 5.03 and 5.04 hereof, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding.

(b) The Bond Trustee shall notify the Authority and the Borrower immediately of any withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account. The Bond Trustee shall notify the Authority immediately of the final maturity, earlier redemption in full of the Bonds or the date on which no Bonds are Outstanding hereunder (including as provided in Article X hereof).

(c) [Reserved]

(d) Amounts on deposit in the Reserve Account shall be valued by the Bond Trustee at their fair market value (i) each December 1 and June 1 and (ii) upon notice being given of the transfer of any moneys on deposit in the Project Fund pursuant to Section 5.08(b) or 5.08(c) taking into account the reduction in debt service resulting from such bond redemption, and the Bond Trustee shall notify the Borrower of the results of each such valuation. If the amount on deposit in the Reserve Account on the first (1st) Business Day following such valuation is less than one hundred percent (100%) of the Reserve Account Requirement, the Borrower has agreed in the Loan Agreement to make the deposits to the Reserve Account required by Section 5.02. If the amount on deposit in the Reserve Account on the first (1st) Business Day following such valuation is greater than the Reserve Account Requirement, then any additional excess shall be withdrawn from the Reserve Account and transferred to, with respect to valuations completed pursuant to (i) above, the Revenue Fund, and with respect to valuations completed pursuant to (ii) above, the Redemption Fund on the date fixed for redemption.

SECTION 5.06. Establishment and Application of Redemption Fund. The Bond Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Redemption Fund, and within the Redemption Fund, a

separate Optional Redemption Account and a separate Special Redemption Account. The Bond Trustee shall accept all moneys deposited for redemption and shall deposit such moneys into the Optional Redemption Account or the Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon written direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Borrower.

SECTION 5.07. Rebate Fund.

(a) The Bond Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Borrower given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Authority, the Borrower nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.10 and by the Tax Certificate (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Borrower including supplying all necessary information in the manner provided in the Tax Certificate which the Bond Trustee shall be directed by the Borrower to supply, and shall have no liability or responsibility to enforce compliance by the Borrower or the Authority with the terms of the Tax Certificate or any other tax covenants contained herein. The Bond Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Bond Trustee shall have no independent duty to review such calculations or enforce the compliance by the Borrower with such rebate requirements. The Bond Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Borrower.

(b) Upon the Borrower's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by the Borrower, if and to the extent

required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Borrower in accordance with the Tax Certificate. Upon written request by the Borrower or the Authority, the Bond Trustee is hereby directed to supply to the Borrower and/or the Authority all necessary information in the manner provided in the Tax Certificate and specified in such written direction, to the extent such information is reasonably available to the Bond Trustee.

(c) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created under this Indenture or from other moneys provided to it by the Borrower.

(d) At the written direction of the Borrower, which shall include a statement to the effect that such direction complies with the restrictions set forth in the Tax Certificate, the Bond Trustee shall invest all amounts held in the Rebate Fund in Eligible Securities. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Bond Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the Borrower's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Borrower so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Borrower's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Borrower or the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Bond Trustee, shall be withdrawn and remitted to the Borrower.

(f) Notwithstanding any other provision of this Indenture, including in particular Article X, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section, Section 6.10 and the Tax Certificate shall survive the defeasance or payment in full of the Tax-Exempt Bonds.

SECTION 5.08. Establishment and Application of Project Fund.

(a) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund" and within the Project Fund, the TEACH Elementary Subaccount and the Resource Center Subaccount. The moneys in the Project Fund shall be disbursed pursuant to Requisitions of the Borrower, which shall be substantially in the form of EXHIBIT B; provided, however, that disbursements from the Resource Center Subaccount must also satisfy the requirements of subsection (b) below. Each such Requisition of the Borrower shall be sufficient evidence to the Bond Trustee of the facts stated therein and the Bond Trustee shall have no duty to confirm the accuracy of such

facts. No moneys in the Project Fund shall be used to pay Costs of Issuance. From time to time, the Borrower may transfer, or cause to transfer, funds for deposit in the Project Fund prior to the Completion Date (as defined below).

(b) Notwithstanding the provisions of Section 5.08(e) below, no money deposited in the Resource Center Subaccount shall be disbursed unless the Borrower shall have delivered to the Bond Trustee evidence of all of the following (the "Resource Center Subaccount Draw Requirements"):

(i) to the extent applicable, ready-to-issue building permits related to the Resource Center Facilities, and that all entitlements required for the Borrower's use of the Resource Center Facilities have been obtained and all appeals periods have expired;

(ii) a grant deed evidencing fee title interest of the Borrower in the Resource Center Facilities;

(iii) a mortgage, deed of trust, security agreement, assignment of rents and leases and/or financing statement for the Resource Center Facilities in the form attached hereto as Exhibit E to secure the obligations of the Borrower;

(iv) an ALTA policy of lender's title insurance on the Resource Center Facilities, in an aggregate amount not less than the aggregate principal amount of the Bonds allocated to finance such Resource Center Facilities, naming and payable to the Trustee, insuring the fee title interest of the Borrower to the Resource Center Facilities with such endorsements as are typical in similar transactions, subject only to permitted liens, issued by a title insurance company qualified to do business in the State;

(v) [a copy of a guaranteed maximum price contract from a licensed contractor, in an amount not exceeding the amount then on deposit and available in the Resource Center Subaccount net of the cost of acquisition of the Resource Center Facilities];

(vi) evidence of insurance meeting the requirements of the Master Indenture of Trust, and evidence of payment of real estate taxes or evidence of an exemption therefrom with respect to the Resource Center Facilities; and

(vii) a Certificate of the Borrower to the effect that the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date thereof and that the requirements of 5.08(b)(i) through [(vi)] above have been satisfied.

(c) Notwithstanding the provisions of Section 5.08(e) below, no money deposited in the TEACH Elementary Subaccount shall be disbursed unless the Borrower shall have delivered to the Bond Trustee evidence of all of the following (the "TEACH Elementary Subaccount Draw Requirements"):

(i) a grant deed evidencing fee title interest of the Borrower in the TEACH Elementary Facilities;

(ii) a mortgage, deed of trust, security agreement, assignment of rents and leases and/or financing statement for the TEACH Elementary Facilities in the form attached hereto as Exhibit E to secure the obligations of the Borrower;

(iii) an ALTA policy of lender's title insurance on the TEACH Elementary Facilities, in an aggregate amount not less than the aggregate principal amount of the Bonds allocated to finance such TEACH Elementary Facilities, naming and payable to the Trustee, insuring the fee title interest of the Borrower to the TEACH Elementary Facilities with such endorsements as are typical in similar transactions, subject only to permitted liens, issued by a title insurance company qualified to do business in the State;

(iv) the TEACH Elementary Lease, fully executed by the parties thereto;

(v) evidence of insurance meeting the requirements of the Master Indenture of Trust, and evidence of payment of real estate taxes or evidence of an exemption therefrom with respect to the TEACH Elementary Facilities; and

(vi) a Certificate of the Borrower to the effect that the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date thereof and that the requirements of 5.08(c)(i) through [(vi)] above have been satisfied.

(d) On [_____], 20[__], if the Resource Center Subaccount Draw Requirements or the TEACH Elementary Subaccount Draw Requirements have not been satisfied, then all moneys on deposit in the applicable subaccount shall be transferred to the Redemption Fund. Upon the written direction of the Borrower delivered to the Bond Trustee on any date prior to the satisfaction of the Resource Center Subaccount Draw Requirements or the TEACH Elementary Subaccount Draw Requirements, as applicable, but in no event later than [_____], 20[__], the Borrower may direct the Bond Trustee to (i) transfer all moneys on deposit in the applicable subaccount to the Redemption Fund and (ii) mail a notice of redemption in accordance with Section 4.04 hereunder in order to redeem certain Bonds in accordance with Section 4.01(c) hereunder.

(e) Upon completion of the Project, the Borrower shall deliver a Completion Certificate to the Bond Trustee and make the final requisition of funds from the Project Fund. Any amounts thereafter remaining in such Project Fund shall be transferred by the Bond Trustee, at the direction of the Borrower (i) to the Redemption Fund for the redemption of Bonds pursuant to Section 4.01(b) hereof, (ii) to the Interest Account for payment of interest on the Bonds, or (iii) to the Borrower, upon delivery to the Bond Trustee of (A) the Completion Certificate, (B) a written request of the Borrower and (C) delivery of an Opinion of Bond Counsel substantially to the effect that such transfer would not, in and of itself, adversely affect the exclusion from gross income for federal

income tax purposes of interest on the Tax-Exempt Bonds. Upon such transfer, the Project Fund shall be closed.

SECTION 5.09. Establishment and Application of Costs of Issuance Fund; Insurance and Condemnation Proceeds Fund.

(a) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Moneys deposited in said fund shall be used and withdrawn by the Bond Trustee to pay the Costs of Issuance of the Bonds upon Requisition of the Borrower stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund, and including a copy of the invoice or statement evidencing the costs incurred. On the one hundred eightieth (180th) day following the initial issuance of the Bonds, or upon the earlier Request of the Borrower, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund and thereafter, the Costs of Issuance Fund shall be closed.

(b) As and when needed, the Master Trustee shall establish, maintain and hold in trust a separate fund designated as the "Insurance and Condemnation Proceeds Fund," and administer said fund as set forth in Section 3.03 of the Master Indenture of Trust.

SECTION 5.10. Establishment and Application of the Repair and Replacement Fund.

(a) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Repair and Replacement Fund," which shall be used solely for the purposes set forth in this Section 5.10.

(b) The Bond Trustee shall withdraw funds from the Repair and Replacement Fund to pay for capital items not budgeted as ordinary maintenance and repair costs related to the Facilities.

(c) Moneys in the Repair and Replacement Fund to be used for the purpose described in the preceding paragraph subsection (b) shall be disbursed upon receipt of a Requisition of the Borrower for payment substantially in the form attached hereto as EXHIBIT C, which, by this reference thereto, is incorporated herein, executed by the Authorized Borrower Representative, and the Bond Trustee shall issue its checks for each such disbursement upon receipt of such a requisition. The Bond Trustee may conclusively rely upon such Requisition and shall have no responsibility or duty to investigate any of the matters set forth therein.

(d) Amounts on deposit in the Repair and Replacement Fund shall be valued by the Bond Trustee at their fair market value each June 1 and December 1, beginning [_____ 1, 20__], and the Bond Trustee shall notify the Borrower of the results of such valuation in the form of its regular periodic statement. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is less than one hundred percent (100%) of the Repair and Replacement Fund Requirement, the Borrower has agreed in the Loan Agreement to make the deposits in the Repair and

Replacement Fund required by Section 5.02 hereof. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is greater than the Repair and Replacement Fund Requirement, then any additional excess shall be withdrawn from the Repair and Replacement Fund and transferred to the Revenue Fund.

(e) When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Revenue Fund, the balance of the Redemption Fund and the balance of the Repair and Replacement Fund, and (ii) all other amounts owed under the Loan Agreement and this Indenture shall have been paid, moneys held in the Repair and Replacement Fund may be deposited into the Revenue Fund and credited against payments of Loan Repayments required under Section 3.02 of the Loan Agreement.

SECTION 5.11. Establishment and Application of Administration Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Administration Fund." The Bond Trustee shall deposit in the Administration Fund such amounts required to be deposited in the Administration Fund hereunder or under the Loan Agreement. The Bond Trustee shall disburse amounts in the Administration Fund necessary for payment of Administrative Fees and Expenses when due.

SECTION 5.12. Extraordinary Monthly Rent Notice. If on the 25th of any month the Bond Trustee does not receive sufficient payments to make all deposits and or payments required under Section 5.02 hereof, the Bond Trustee shall notify the Borrower and the Lessee in writing of the deficiency (each such notice, an "Extraordinary Monthly Rent Notice").

SECTION 5.13. Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts or subaccounts thereof established pursuant to this Indenture shall be invested by the Bond Trustee solely in such Eligible Securities as are specified in a Request of the Borrower, provided, however, that, if the Borrower does not file such a Request with the Bond Trustee, the Bond Trustee shall invest to the extent practicable in investments described in clause (7) of the definition of the term "Eligible Securities" in Section 1.01 of this Indenture; provided, however, that any such investment shall be made by the Bond Trustee only if, prior to the date on which such investment is to be made, the Bond Trustee shall have received a Request of the Borrower specifying a specific money market fund and, if no such Request of the Borrower is so received, the Bond Trustee shall hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys shall be deposited in the Revenue Fund; provided, however, all interest, profits and other income received from the investment of moneys in the Reserve Account and the Repair and Replacement Fund shall remain in such subaccount and be transferred to the Revenue Fund only in accordance with Section 5.05(d) and 5.10(d), respectively.

Investments in any and all funds and accounts established pursuant to this Indenture may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in a particular fund amounts received or held by the Bond Trustee hereunder, provided that the Bond Trustee shall at all times account for such investments strictly in accordance with the particular funds to which they are credited and

otherwise as provided in this Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment. To the extent Eligible Securities are registrable, such investments shall be registered in the name of the Bond Trustee. The Bond Trustee may sell or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Bond Trustee shall not be liable or responsible for any loss resulting from such investment.

The Bond Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Bond Trustee or for any third person or dealing as principal for its own account.

No float forward or forward purchase agreement or other arrangement, agreement or financial product may be utilized in connection with the Revenue Fund.

The Borrower and the Authority acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Borrower or the Authority, as applicable, the right to receive brokerage confirmations of security transactions as they occur, the Borrower and the Authority specifically waive receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish the Borrower periodic cash transaction statements which include detail for all investment transactions made by the Bond Trustee hereunder.

SECTION 5.14. Amounts Remaining in Funds and Accounts. Any amounts remaining in the Revenue Fund or any other fund or account established hereunder after payments in full of the Bonds (or after provision for payment thereof as provided herein) and payment of the fees, charges and expenses of the Bond Trustee and the Authority, shall belong and be paid to the Borrower by the Bond Trustee.

ARTICLE VI

COVENANTS

SECTION 6.01. Punctual Payment. The Authority shall punctually pay, but only out of Payments and pledged funds as herein provided, the principal and interest to become due in respect of every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds, according to the true intent and meaning thereof.

SECTION 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement except with the written consent of the Bondholders and, if the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended without the written consent of the Bondholders, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for

interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03. Encumbrance upon Payments. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Payments and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Payments and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the valid and binding limited obligations of the Authority, and the Authority and Bond Trustee shall at all times, to the extent permitted by law and subject to the provisions of this Indenture, defend, preserve and protect said pledge and assignment of Payments and other assets and all the rights of the Bondholders under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. Accounting Records and Financial Statements. The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Bond Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the customary standards of the corporate trust industry for such books of record and account, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Payments, the Loan Agreement and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, the Borrower and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours, upon reasonable prior notice and under reasonable circumstances.

SECTION 6.06. Other Covenants; Amendment of the Loan Agreement and the Lease.

(a) Subject to the provisions of this Indenture, the Bond Trustee shall promptly collect all amounts due pursuant to the Loan Agreement and, subject to its rights and protections hereunder, diligently enforce and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority under the Loan Agreement assigned to it pursuant to Section 5.01(b) hereof.

(b) The Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Bond Trustee. The Bond Trustee shall give such written consent if but only if (1) it has received a written representation from the Borrower to the effect that such amendment or modification will not materially and adversely affect the

interests of the Holders of the Bonds; provided that, if an Event of Default described in paragraph (a), (b) or (c) of Section 7.01 has occurred and is continuing, the Bond Trustee rather than the Borrower shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Bond Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments payable to the Authority, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

(c) The Bond Trustee shall promptly collect all amounts due from the Borrower pursuant to the Loan Agreement and Obligation No. 2, will perform all duties imposed upon it pursuant to the Loan Agreement and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all of the rights of the Authority (other than the Retained Rights) and all of the obligations of the Borrower under the Loan Agreement and Obligation No. 2.

SECTION 6.07. [Reserved].

SECTION 6.08. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Indenture.

SECTION 6.09. Continuing Disclosure. Pursuant to Section 4.07 of the Loan Agreement, the Borrower has undertaken all responsibility for compliance with continuing disclosure requirements pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5), and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to Securities and Exchange Commission Rule 15c2-12. The Bond Trustee hereby covenants and agrees that, subject to the provisions of this Indenture, if appointed by the Borrower as Dissemination Agent it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and Section 4.07 of the Loan Agreement applicable to it. Notwithstanding any other provision of this Indenture, failure of the Borrower or the Bond Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Bond Trustee at the written request of the Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall (but only to the extent the Bond Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expenses of its counsel and agents and additional fees and charges of the Bond Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under Section 4.07 of the Loan Agreement or, as to any Bondholder or Beneficial Owner, to cause the Bond Trustee to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person

which (1) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (2) is treated as the owner of any Bonds for federal income tax purposes.

SECTION 6.10. Tax Covenants.

(a) The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Tax-Exempt Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive the payment in full or the defeasance of the Tax-Exempt Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of this Section 6.10 it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Bond Trustee under this Indenture, and provided that such action shall not conflict with the requirements of the Tax Certificate, the Authority shall so instruct the Bond Trustee in a Request of the Authority (which may be accompanied by a supporting Opinion of Bond Counsel), and the Bond Trustee shall take such action as may be directed in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the Authority shall provide to the Bond Trustee an Opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds, the Bond Trustee may conclusively rely on such opinion in complying with the requirements of this Section and the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

SECTION 6.11. Intercept Covenants. The Bond Trustee shall, on each Interest Payment Date, each Principal Payment Date, or on any date which a transfer from the Controller to the Bond Trustee is scheduled pursuant to any Intercept Notice, notify the Authority and the Borrower of any shortfall in amounts received by the Bond Trustee from the Controller compared to the amounts set forth in any Intercept Notice for such date. If, subsequent to any shortfall for which the Bond Trustee has sent notice pursuant to the preceding sentence, the Bond Trustee shall receive payment of amounts sufficient to cure such shortfall, the Bond Trustee shall, within ten (10) Business Days thereof, notify the Authority and the Borrower of the receipt of such payment. The Bond Trustee shall not be required to take any action in connection with the foregoing except as specifically set forth in this Section 6.11.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES ON DEFAULT

SECTION 7.01. Events of Default; Waiver of Default. If one or more of the following events ("Events of Default") shall happen, that is to say:

(a) if default shall be made by the Authority in the due and punctual payment of the principal of any Bond as the same shall become due and payable (whether at maturity, by declaration or otherwise);

(b) if default shall be made by the Authority in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable;

(c) if any occurrence and continuance of an "Event of Default" under the Loan Agreement; or

(d) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Bond Trustee, or to the Authority, the Borrower and the Bond Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, except that, in each case, if such failure can be remedied but not within such 60-day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy the same In accordance and subject to any directions or limitations of time established by the Master Trustee;

then and in each and every such case during the continuance of such Event of Default, the provisions of Section 7.02 shall apply.

SECTION 7.02. Institution of Legal Proceedings by Bond Trustee.

(a) If one or more of the Events of Default shall occur, the Bond Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Bond Trustee shall proceed to protect or enforce its rights or the rights of the holders of Bonds under this Indenture, the Loan Agreement, the Leases and Obligation No. 2, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Bond Trustee shall determine in support of any of its rights or duties hereunder, provided that any such request from the Bondholders shall not be in conflict with any rule of law or with this Indenture, expose the Bond Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

(b) Notwithstanding anything to the contrary in this Indenture, the Authority shall have no obligation to, and instead the Bond Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to Section 5.01 of this Indenture) under this Indenture or the Loan Agreement, including,

without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Loan Agreement.

(c) Nothing herein shall be deemed to authorize the Bond Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Bondholder thereof, or to authorize the Bond Trustee to vote in respect of the claim of any Bondholder in any such proceeding without the approval of the Bondholders so affected.

(d) Anything in the Indenture or Loan Agreement to the contrary notwithstanding, the Bond Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the failure to initiate foreclosure proceedings with respect to the Project unless the Bond Trustee is satisfied that the Bond Trustee will not be subject to any liability under any Environmental Regulations of any kind whatsoever or from any circumstances present at the Project relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

SECTION 7.03. Application of Moneys Collected by Bond Trustee. Any moneys collected by the Bond Trustee pursuant to Section 7.02 hereof and any other amounts then held by the Bond Trustee under this Indenture, shall be applied in the following order, at the date or dates fixed by the Bond Trustee and, in the case of distribution of such moneys on account of principal upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection and reasonable compensation to the Bond Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances, together with interest on such advances at a rate per annum equal to the Bond yield plus two percent, made pursuant to the provisions of this Indenture.

Second: In case the principal of any of the Bonds shall have become due by declaration or otherwise and remains unpaid, first to the payment of interest in default, and then to the payment of the principal of all Bonds then due and unpaid, in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied pursuant to the provision of this Section, such moneys shall be applied at such times, and from time to time, as the Bond Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such funds, it shall fix the date (which shall be the Interest Payment Date unless the Bond Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this Section and all fees, expenses and charges of the Bond Trustee (including without limitation those of its attorneys) have been paid, any balance remaining in the funds and accounts hereunder shall be paid to the Borrower.

SECTION 7.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Bond Trustee or of any Holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article VII to the Bond Trustee or to the Holders of Bonds may be exercised from time to time, and as often as shall be deemed expedient. In case the Bond Trustee shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Bond Trustee, then and in every such case the Authority and the Bond Trustee, and the Holders of the Bonds, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the trust estate; and all remedies, rights and powers of the Authority, the Bond Trustee and the Holders of the Bonds shall continue as though no such proceedings had been taken.

SECTION 7.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Bond Trustee or to any Holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

SECTION 7.06. Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay, but only out of Payments, to the Bond Trustee, upon demand, for the benefit of the Holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest and principal as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Bond Trustee and its agents and counsel and any expenses or liabilities incurred by the Bond Trustee hereunder and, its agents and counsel. In case the Authority shall fail to pay the same forthwith upon such demand, the Bond Trustee, in its own name and as trustee of an express trust, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees and expenses, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Payments as herein provided and not otherwise. The Bond Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Bond Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

SECTION 7.07. Bond Trustee Appointed Agent for Bondholders. The Bond Trustee is hereby appointed the agent and attorney-in-fact of the Holders of all Bonds Outstanding hereunder for the purpose of filing any claims relating to the Bonds.

SECTION 7.08. Power of Bond Trustee to Control Proceedings. Subject to Section 7.09 hereof, in the event that the Bond Trustee, upon the happening of an Event of Default, shall have taken some action, by judicial proceedings or otherwise, pursuant to its duties hereunder,

whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Bond Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 7.09. Limitation on Bondholders' Right to Sue. Notwithstanding any other provision hereof, no Holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, the Loan Agreement or Obligation No. 2 unless (a) such Holder shall have previously given to the Bond Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Holders shall have tendered to the Bond Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Holders of the Outstanding Bonds.

The right of any Holder of any Bond to receive payment of the principal of and interest on such Bond out of Payments and the funds pledged herein, as herein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of this Section or Section 7.08 of this Indenture or any other provision of this Indenture.

SECTION 7.10. Authority Retained Rights. Nothing in this Article shall limit in any respect the right of the Authority to enforce or waive any of its Retained Rights under the Loan Agreement.

ARTICLE VIII

THE BOND TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee.

(a) The Bond Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Bond Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Authority may remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by the Borrower (unless an Event of Default shall have occurred and then be continuing) or at any time by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint, with the written consent of the Borrower (unless an Event of Default has occurred and is continuing, at which time consent of the Borrower shall not be required) or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), a successor Bond Trustee by an instrument in writing.

(c) The Bond Trustee may at any time resign by giving written notice of such resignation to the Authority, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the Bond registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Authority shall appoint, with the written consent of the Borrower (unless an Event of Default has occurred and is continuing, at which time consent of the Borrower shall not be required) and Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), a successor Bond Trustee by an instrument in writing.

(d) Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring or resigning Bond Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may

thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and conveying to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the Authority shall mail a notice of the succession of such Bond Trustee to the trusts hereunder to the Bondholders at the addresses shown on the Bond registration books maintained by the Bond Trustee. If the Authority fails to mail such notice within thirty (30) days after acceptance of appointment by the successor Bond Trustee, the successor Bond Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Bond Trustee appointed under the provisions of this Indenture shall be a national banking association, a trust institution or banking institution having trust powers, doing business and having a principal corporate trust office in California or, if it shall not have a principal corporate trust office in California, having the power under California law to perform all the duties of the Bond Trustee hereunder as evidenced by an opinion of its counsel, having, or if it is a member of a bank holding company system its parent shall have, a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by State or federal authorities. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Bond Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) Notwithstanding anything contained herein to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Bond Trustee to liability under any Environmental Law, the Bond Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes

relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

SECTION 8.02. Merger or Consolidation. Any company into which any successor Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the successor Bond Trustee, if any, may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 8.01 hereof, shall be the successor to such successor Bond Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03. Rights of Bond Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Bond Trustee does not assume any responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Loan Agreement or the Bonds, or incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(b) The Bond Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bond Trustee was negligent in ascertaining the pertinent facts.

(c) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Indenture. The permissive right of the Bond Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(d) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Indenture unless such Bondholders shall have offered to the Bond Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(e) The Bond Trustee shall not be deemed to have knowledge of any Event of Default other than an Event of Default under Section 7.01(a) or 7.01(b) hereof unless and until it shall have actual knowledge thereof, or shall have received written notice thereof,

at its Principal Corporate Trust Office. Except as otherwise expressly provided herein, the Bond Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of an Event of Default hereunder.

(f) No provision of this Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers. The Bond Trustee has no obligation or liability to the Bondholders for the payment of interest or principal with respect to the Bonds.

(g) The Bond Trustee shall not be bound to ascertain or inquire as to the validity or genuineness of any collateral given to or held by it. The Bond Trustee shall not be responsible for the recording or filing of any document relating to this Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law to perfect the security interests in any collateral given to or held by it.

(h) The Bond Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(i) The Bond Trustee shall have the right to accept and act upon directions given pursuant to this Indenture and delivered using Electronic Notice; provided, however, that the Authority or the Borrower, as applicable, shall provide to the Bond Trustee an incumbency certificate listing authorized officers with the authority to provide such directions and containing specimen signatures of such authorized officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Authority or the Borrower, as applicable, elects to give the Bond Trustee directions using Electronic Notice and the Bond Trustee in its discretion elects to act upon such directions, the Bond Trustee's understanding of such directions shall be deemed controlling. The Authority and the Borrower understand and agree that the Bond Trustee cannot determine the identity of the actual sender of such directions and that the Bond Trustee shall conclusively presume that directions that purport to have been sent by an authorized officer listed on the incumbency certificate provided to the Bond Trustee have been sent by such authorized officer. The Authority and/or the Borrower, as applicable, shall be responsible for ensuring that only authorized officers transmit such directions to the Bond Trustee and that all authorized officers treat applicable user and authorization codes, passwords and/or authentication keys with extreme care. The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bond Trustee's reliance upon and compliance with such directions notwithstanding such directions conflict or are inconsistent with a subsequent written direction. The Authority and the Borrower agree: (i) to assume all risks arising out of the use of Electronic Notice to submit directions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various

methods of transmitting directions to the Bond Trustee and that there may be more secure methods of transmitting directions than the method(s) selected by the Authority and/or the Borrower; and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

(j) The Bond Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Bond Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(k) The Bond Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Bond Trustee shall not be answerable for the acts or omissions of any such attorney, agent, or receiver selected by it with reasonable care.

(l) The Bond Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

(m) The Bond Trustee shall not be required to review or inspect, and shall not be deemed to have notice of, the contents of any financial statement delivered to the Bond Trustee hereunder or under any Borrower Document, it being expressly understood that the Bond Trustee shall only receive and hold such documents as a repository for examination and copying by any Holder at such Holder's expense during business hours on Business Days with reasonable prior notice.

(n) Notwithstanding anything contained herein to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Bond Trustee to liability under any Environmental Regulation, the Bond Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The Bond Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action.

(o) Whether or not therein expressly so provided, every provision of this Indenture, the Loan Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Article.

(p) In acting or omitting to act pursuant to the Loan Agreement or any other document executed in connection herewith or therewith, the Bond Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Indenture and the Loan Agreement, including, but not limited to, this Article VIII.

(q) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Bond Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Bond Trustee formally executes this Indenture and commences acting as Bond Trustee hereunder, which for this purpose shall be the Closing Date.

SECTION 8.04. Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bond Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Bond Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable conditions.

SECTION 8.06. Compensation and Indemnification of Bond Trustee. The Authority (solely from payments received from the Borrower) shall from time to time, subject to any agreement between the Authority and the Bond Trustee then in force, pay to the Bond Trustee compensation for its services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Bond Trustee, which compensation shall not be limited by any provision of law with respect to the compensation of a trustee of an express trust, and the Authority will reimburse the Bond Trustee for all its advances (with interest on such advances at the maximum rate allowed by law) and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel

(including in-house counsel to the extent not duplicative of other counsel's work) and engineers or other experts employed by it, and reasonably required, in the exercise and performance of its powers and duties hereunder. The Authority covenants and agrees to indemnify the Bond Trustee and its duly authorized officers, agents and employees (solely from Payments received from the Borrower) against any loss, costs, claims, suits, judgments, expense (including reasonable legal fees and expenses) and liability (other than those which are due to the Bond Trustee's negligence or default) which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability. The obligations of the Authority under this Section shall survive resignation or removal of the Bond Trustee hereunder and payment of the Bonds and discharge of this Indenture.

ARTICLE IX

MODIFICATION OF INDENTURE

SECTION 9.01. Modification Without Consent of Bondholders. Subject to the conditions and restrictions contained in this Indenture, the Authority and the Bond Trustee, from time to time and at any time may enter into an indenture or indentures supplemental hereto, which indenture or indentures thereafter shall form a part hereof, including, without limitation, for one or more of the following purposes, provided that the Authority and the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause the interest on the Tax-Exempt Bonds to be included as gross income for federal income tax purposes and that such amendment or modification is permitted by this Indenture:

(a) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Authority; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in this Indenture, or in regard to such matters or questions arising under this Indenture as the Authority may deem necessary or desirable and not inconsistent with this Indenture; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(c) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(d) in connection with an amendment of any agreement permitted by Section 6.06 hereof for the purpose of conforming the terms, conditions and covenants of this Indenture to the corresponding or related provisions of such amended agreement;

(e) to modify or eliminate the book-entry registration system for the Bonds; or

(f) to comply with requirements of a Rating Agency to obtain or maintain a rating on any Bonds.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Authority and the Bond Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of Section 9.02 hereof, but the Bond Trustee shall not be obligated to enter into any such supplemental indenture which affects the Bond Trustee's own rights, duties or immunities under this Indenture or otherwise.

The Bond Trustee shall mail an executed copy of a supplemental indenture authorized by this Section 9.01 and any document related thereto or executed in connection therewith to the Borrower and each Rating Agency then rating the Bonds promptly after execution by the Authority and the Bond Trustee. The Authority shall mail drafts of any such documents to such parties prior to execution thereof.

SECTION 9.02. Modification with Consent of Bondholders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, the Authority and the Bond Trustee may from time to time and at any time, with an Opinion of Bond Counsel to the effect that such amendment or modification will not, in and of itself, cause the interest on the Tax-Exempt Bonds to be included as gross income for federal income tax purposes, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof or (2) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such supplemental indentures or extend the time of payment or permit the creation of any lien on the Payments or the assets pledged herein prior to or on a parity with the lien of this Indenture or deprive the Holders of the Bonds of the lien created by this Indenture upon the Payments or the assets pledged herein, without the consent of the Holders of all of the Bonds then Outstanding. Upon the filing with the Bond Trustee of evidence of the consent of Bondholders, as aforesaid, the Bond Trustee shall join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Bond Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Bond Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Bondholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Authority and the Bond Trustee of any supplemental indenture pursuant to the provisions of this Section, the Authority shall mail a notice to the Bond Trustee setting forth in general terms the substance of such supplemental indenture, and the Bond Trustee, upon receipt of such notice, shall mail such notice to the Borrower and the Bondholders at the addresses shown on the Bond registration books maintained by the Bond Trustee, at the expense of the Borrower. Any failure of the Authority or the Bond Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

The Bond Trustee shall mail an executed copy of such supplemental indenture and any amendment of the Loan Agreement permitted under Section 6.06 hereof to the Borrower, each Rating Agency then rating the Bonds promptly after execution by the Authority, the Bond Trustee, and in the case of the Loan Agreement, the Borrower. The Authority shall mail drafts of any such documents to such parties prior to execution thereof.

SECTION 9.03. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Bond Trustee and all Holders of Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.04. Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of Section 8.04 of this Indenture and the requirement in Sections 9.01 and 9.02 hereof for an Opinion of Bond Counsel, the Bond Trustee and the Authority may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article IX complies with the requirements of this Article IX and shall have no liability to Holders in excluding any Supplemental Indenture in reliance on an Opinion of Bond Counsel.

SECTION 9.05. Notation of Modification on Bonds; Preparation of New Bonds. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation, in form approved by the Authority, as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Authority, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Authority, authenticated by the Bond Trustee and delivered without cost to the Holders of the Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Indenture.

(a) Bonds may be paid or caused to be paid in any of the following ways, provided any other sums payable hereunder have also been paid or caused to be paid:

(i) by paying or causing to be paid the principal of and interest on the Bonds Outstanding as and when the same become due and payable;

(ii) by depositing with the Bond Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03 hereof) to pay or redeem Bonds Outstanding; or

(iii) by delivering to the Bond Trustee, for cancellation by it, all Bonds Outstanding.

(b) If all Bonds then Outstanding are paid or caused to be paid as provided above and all other sums payable hereunder shall also be paid or caused to be paid, and if the Borrower shall have paid all Additional Payments and any indemnification owed to the Authority and any other fees and expenses payable to the Authority pursuant to the Loan Agreement, then and in that case, at the election of the Borrower (evidenced by a Certificate of the Borrower, filed with the Bond Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Payments made under this Indenture and all covenants, agreements and other obligations of the Authority under this Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 10.02 hereof. In such event, upon request of the Borrower, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the Borrower to be prepared and filed with the Borrower and shall execute and deliver to the Borrower all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Bond Trustee.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03 hereof) to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond, and the Authority shall remain liable for such payment but only out of the money or securities deposited with the Bond Trustee as aforesaid for its payment; provided further, however, that the provisions of Section 10.04 hereof shall apply in all events.

The Bonds may at any time be surrendered to the Bond Trustee for cancellation by the Authority or the Borrower, which Bonds may have been acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the amount necessary to pay any Bonds, such amount (which may include money or securities held by the Bond Trustee in the funds established pursuant to this Indenture) shall be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Bonds and all unpaid interest thereon to maturity, and shall be:

(a) lawful money of the United States of America; or

(b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations, State and Local Government Series and Zero Coupon United States Treasury Bonds;

provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Request of the Borrower or the Authority) to apply such money to the payment of such principal of and interest on such Bonds and provided, further, that the Bond Trustee shall have received (i) an Opinion of Bond Counsel to the effect that such deposit shall not cause interest on the Tax-Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes and that the Bonds to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Bond Trustee verifying that the money or securities so deposited or held together with earnings thereon will be sufficient to make all payments of principal of and interest on the Bonds to be discharged to and including their maturity date.

SECTION 10.04. Payment of Bonds After Discharge of Indenture. Notwithstanding any provision of this Indenture, and subject to applicable escheat laws, any moneys (including interest thereon) held by the Bond Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Borrower free from the trusts created by this Indenture, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Borrower as aforesaid, the Bond Trustee may (at the cost of the Borrower) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of Authority Limited to Payments. Principal of and interest on the Bonds is payable solely from Payments. Neither the State nor the Authority shall be obligated to pay the Bonds or the interest thereon except from certain Payments set forth herein, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof shall be pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority shall not be treated or deemed as having incurred any liability hereunder or by reason of or in connection with this Indenture, the Loan Agreement or any of the transactions contemplated by any thereof except to the extent payable from certain Payments set forth herein or other amounts available therefor under and pursuant to this Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes of this Indenture any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties, Borrower and Bondholders. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Bond Trustee, the Borrower and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Bond Trustee, the Borrower and the Holders of the Bonds.

SECTION 11.04. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the Authority of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Authority, if the Authority shall so require) and at the request of the Authority deliver a certificate of such destruction to the Authority.

SECTION 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid,

illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. Notices. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given (a) if hand delivered or delivered by courier, when delivered to the appropriate notice address, or (b) if mailed by first class mail, postage prepaid, six Business Days after deposit in the United States mail addressed to the appropriate notice address. Any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day. The parties listed below may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice required or permitted hereunder shall be directed to the following notice address:

As to the Authority:	California School Finance Authority State Treasurer's Office 300 S. Spring Street, Suite 8500 Los Angeles, California 90013 Attention: Executive Director Telecopy: (213) 620-6309
As to the Borrower	Wooten Avila LLC c/o TEACH, Inc. [10000 South Western Avenue] Los Angeles, CA 90047 Attention: [_____]
As to the Lessee:	TEACH, Inc. [10000 South Western Avenue] Los Angeles, CA 90047 Attention: [_____]
As to Bond Trustee:	Wilmington Trust, National Association 650 Town Center Drive, Suite 600 Costa Mesa, California 92626 Attention: Corporate Trust Department

SECTION 11.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof

of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Bond Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Authority or the Borrower or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Borrower shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. In determining whether the Bond Trustee shall be protected in relying upon any such approval or consent of an Holder, only Bonds which a Responsible Officer of the Bond Trustee actually knows to be owned or held by or for the account of the Authority or the Borrower or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Borrower shall be disregarded unless all Bonds are so owned, in which case such Bonds shall be considered outstanding for the purpose of such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Borrower. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee. Upon request of the Bond Trustee, the Authority and the Borrower shall specify in a certificate to the Bond Trustee those Bonds disqualified pursuant to this Section and the Bond Trustee may conclusively rely on such certificate.

SECTION 11.10. Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

SECTION 11.11. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Sections 5.11 and 6.10 hereof (and the Tax Certificate) and for the protection of the security of the Bonds and the rights of every Holder thereof. In addition to the funds and accounts hereby established, and subject to the foregoing, the Bond Trustee may establish such additional accounts or subaccounts, including of a temporary nature, as may be necessary or convenient for the administration of this Indenture.

SECTION 11.12. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal (or redemption price) of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.13. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. Governing Law; Venue. This Indenture shall be construed in accordance with and governed by the Constitution and the laws of the State applicable to contracts made and performed in the State. This Indenture shall be enforceable in the State, and any action arising out of this Indenture shall be filed and maintained in Sacramento County Superior Court, Sacramento County, California unless the Authority waives this requirement.

SECTION 11.15. Complete Agreement. This Indenture represents the complete agreement between the parties with respect to the Bonds and related matters.

SECTION 11.16. Action to Be Taken on Days Other Than Business Days. Except as otherwise provided herein, whenever this Indenture requires any action to be taken on a day which is not a Business Day, such action shall be taken on the next succeeding Business Day with the same force and effect as if taken on such day. If any payment is made on the next Business Day as aforesaid, no interest shall accrue for the intervening period.

IN WITNESS WHEREOF, the CALIFORNIA SCHOOL FINANCE AUTHORITY has caused this Indenture to be signed in its name by a Deputy Treasurer for the Chair and its Executive Director, and Wilmington Trust, National Association, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its name by a representative hereunto duly authorized, all as of the day and year first above written.

CALIFORNIA SCHOOL FINANCE AUTHORITY

By:_____
Deputy Treasurer for Chair, State Treasurer
Fiona Ma

WILMINGTON TRUST, NATIONAL ASSOCIATION
as Bond Trustee

By:_____
Authorized Officer

Powered by BoardOnTrack

EXHIBIT A

FORM OF BONDS

[FORM OF BOND]

THIS BOND IS SUBJECT TO TRANSFER RESTRICTIONS AS SET FORTH IN THE INDENTURE (DEFINED HEREIN). BY POSSESSION OF THIS BOND, THE HOLDER CERTIFIES THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN THE INDENTURE. THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS BOND, ACKNOWLEDGES THAT THIS BOND MAY ONLY BE REGISTERED IN THE NAME OF, OR TRANSFERRED TO, OR BENEFICIAL OWNERSHIP CAN ONLY BE HELD BY AN "ACCREDITED INVESTOR" OR A "QUALIFIED INSTITUTIONAL BUYER." THE TRANSFER RESTRICTIONS HEREOF MAY BE REMOVED ONLY PURSUANT TO CERTAIN PROVISIONS OF THE INDENTURE. IN THE EVENT SUCH RESTRICTIONS ARE REMOVED, THE BOND TRUSTEE SHALL PROVIDE NOTICE THEREOF AS SET FORTH IN THE INDENTURE.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CALIFORNIA SCHOOL FINANCE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICE OR TO MAKE FUNDS AVAILABLE TO THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

REGISTERED

No. RA-__ $_____

CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS - OBLIGATED GROUP)
SERIES 2019[A][B] ([TAX-EXEMPT][TAXABLE])

Rate of Interest:	**Maturity Date:**	**Dated Date:**	**CUSIP:**
___%	[June 1, 20__]	[December __, 2019]	_____

Registered Owner: Cede & Co.

Principal Amount: _____ DOLLARS

CALIFORNIA SCHOOL FINANCE AUTHORITY, a public instrumentality of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Payments and other assets pledged therefor as hereinafter mentioned) to CEDE & CO. or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal sum of [_____] DOLLARS ($[PAR[A][B]]), in lawful money of the United States of America; and to pay interest thereon (but only from said Payments and other assets pledged therefor) in like lawful money from the date hereof until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the rate stated above, payable on June 1 and December 1 of each year, commencing on June 1, [2020]. The principal (or redemption price) hereof is payable at the Principal Corporate Trust Office (as defined in the Indenture) of Wilmington Trust, National Association (together with any successor trustee as provided in the Indenture, as defined below, the "Bond Trustee"). Interest hereon is payable by check mailed on each interest payment date to the registered owner hereof as of the fifteenth day of the month immediately preceding the month in which such interest payment date occurs (except with respect to defaulted interest) (the "Record Date") at the address appearing on the bond registration books maintained by the Bond Trustee; provided, however, that the holder of $1,000,000 or more in aggregate principal amount of Bonds may be paid by wire transfer to an account within the United States of America upon written request filed with the Bond Trustee at least one Business Day before the Record Date for the applicable interest payment date.

Principal of and interest on the Bonds is payable solely from Payments. Neither the State nor the Authority shall be obligated to pay the Bonds or the interest thereon except from the Payments as set forth in the Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof shall be pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority shall not be treated or deemed as having incurred any liability under the Indenture or by reason of or in connection with the Indenture, the Loan Agreement or any of the transactions contemplated by any thereof except to the extent payable from certain Payments set forth in the Indenture or other

amounts available therefor under and pursuant to the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes. The Bonds are not a debt of the State of California and said State is not liable for payment thereof.

This Bond is entitled "California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019[A][B] ([Tax-Exempt][Taxable])" (herein called the "Bonds"), limited in aggregate principal amount of [_____] dollars ($[PAR[A][B]]) and issued pursuant to the provisions of the California School Finance Authority Act (constituting Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State of California) (herein called the "Act") and an indenture, dated as of [December] 1, 2019, between the Authority and the Bond Trustee (herein called the "Indenture"). The Bonds are issued for the purpose of (i) funding the loan to Wooten Avila LLC, a California limited liability company, pursuant to a Loan Agreement, dated as of [December] 1, 2019 (herein called the "Loan Agreement"), between the Authority and the Borrower, for the purposes and on the terms and conditions set forth therein, (ii) funding a deposit to the Repair and Replacement Fund, (iii) funding a deposit to the Debt Service Reserve Fund (iii) [paying capitalized interest on the Bonds], and (iv) paying certain costs of issuance of the Bonds. Proceeds of the loan will be used by the Borrower for the acquisition, construction, improvement and equipping of certain charter school facilities located in Los Angeles County, California (the "Project"), as more particularly described in the Indenture.

The Bonds are issuable only as fully registered Bonds in denominations of $250,000 or any integral multiple of $5,000 in excess thereof, except as otherwise provided in the Indenture. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged, at the Principal Corporate Trust Office, for a like aggregate principal amount of Bonds of other authorized denominations.

Reference is hereby made to the Indenture (a copy of which is on file at said Principal Corporate Trust Office) and all indentures supplemental thereto, to the Loan Agreement (a copy of which is on file at said Principal Corporate Trust Office) and to the Act for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Bond Trustee and of the rights and obligations of the Authority thereunder, to all the provisions of which Indenture and Loan Agreement the registered owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are secured by a pledge and assignment of Payments and of amounts held in the funds and accounts (other than the Rebate Fund) established pursuant to the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

The Bonds are subject to redemption prior to their stated maturity, at the times and redemption prices, upon the notice and subject to the terms and conditions set forth in the Indenture. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the registered owner hereof, in person or by such person's attorney duly authorized in writing, at the Principal Corporate Trust Office, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a Bond or Bonds, of authorized denomination or denominations and for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

The Authority and the Bond Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Bond Trustee shall not be affected by any notice to the contrary.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the provisions of the Act and by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Bond Trustee.

This Bond shall be construed in accordance with and governed by the Constitution and the laws of the State of California applicable to contracts made and performed in the State of California.

IN WITNESS WHEREOF, the California School Finance Authority has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Chair, as of the Dated Date recited above.

CALIFORNIA SCHOOL FINANCE AUTHORITY

By: _____
Chair

Powered by BoardOnTrack

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated and registered this _____.

Wilmington Trust, National Association,
as Bond Trustee

By_____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

_____

(print or type name, address, taxpayer identification no.
and zip code of assignee)

the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Bond Trustee with full power of substitution in the premises.

Dated: _____ _____
Signature

BOND: The signature to the assignment must correspond to the name as written on the face of this Bond in every particular, without any alteration or change whatsoever.

Signature Guaranteed By: _____

BOND: The signature(s) to the assignment must be guaranteed by an eligible guarantor institution.

EXHIBIT B

FORM OF REQUISITION FROM THE PROJECT FUND

The undersigned authorized representative of Wooten Avila LLC, a California limited liability company (the "Borrower") hereby requests Wilmington Trust, National Association, as trustee (the "Bond Trustee") under that certain Indenture, dated as of [December] 1, 2019 (the "Indenture"), between the California School Finance Authority and the Bond Trustee, to pay to the Persons listed on Schedule I attached hereto, the amounts shown for the purposes indicated from the [_____] Subaccount of the Project Fund established and maintained under the Indenture.

The Borrower hereby certifies that (a) obligations in amounts stated in this Requisition have been incurred by the Borrower and are presently due and payable and each item is a proper charge against the Project Fund and has not been previously paid from the Project Fund; (b) there has not been filed with or served upon the Borrower any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in this Requisition, that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law; (c) no Event of Default has occurred under the Loan Agreement; and (d) this draw request meets the requirements of the Loan Agreement, including meeting all additional conditions precedent to distribution of funds set forth under Section 5.08(b) or Section 5.08(c) of the Indenture, respectively, if such requisition is for funds from such subaccount, as applicable.

All payments shall be made by check or wire transfer in accordance with payment instructions contained in Schedule I and the Bond Trustee shall have no duty or obligation to authenticate such payment instructions or the authorization thereof.

Dated: _____

WOOTEN AVILA LLC, LLC,
a California limited liability company

By: **TEACH, Inc.**, its Sole Member

By:_____
[_____]
[_____]]

4844-7580-7912.4

Schedule I

(PROJECT FUND REQUISITION)

Item #	Name/Address	Amount	Purpose	Project Fund Subaccount

4844-7580-7912.4

EXHIBIT C

FORM OF REQUISITION FROM THE REPAIR AND REPLACEMENT FUND

The undersigned authorized representative of Wooten Avila LLC, a California limited liability company (the "Borrower") hereby requests Wilmington Trust, National Association, as trustee (the "Bond Trustee") under that certain Indenture, dated as of [December] 1, 2019, between the California School Finance Authority and the Bond Trustee, to pay to the Persons listed on Schedule I attached hereto, the amounts shown for the purposes indicated from the Repair and Replacement Fund established and maintained under the Indenture.

The Borrower hereby certifies that (a) obligations in amounts stated in this Requisition have been incurred by the Borrower and are presently due and payable and each item is a proper charge against the Repair and Replacement Fund and has not been previously paid from the Repair and Replacement Fund; and (b) there has not been filed with or served upon the Borrower any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in this Requisition, that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

All payments shall be made by check or wire transfer in accordance with payment instructions contained in Schedule I and the Bond Trustee shall have no duty or obligation to authenticate such payment instructions or the authorization thereof.

Dated: _____

WOOTEN AVILA LLC,
a California limited liability company

By: **TEACH, Inc.**, its Sole Member

By:_____
[_____]
[_____]]

4844-7580-7912.4

Schedule I

(REPAIR AND REPLACEMENT FUND REQUISITION)

Item #	**Name/Address**	**Amount**	**Purpose**

4844-7580-7912.4

EXHIBIT D

FORMS OF INVESTOR LETTER

[To be Provided from PLOM]

EXHIBIT E

FORM OF DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

RECORDING REQUESTED BY)
AND WHEN RECORDED, RETURN TO:)
)
Kutak Rock LLP)
777 S Figueroa Street, Suite 4550)
Los Angeles, California 90017)
)
Attn: Jessica Shaham, 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 [_____ 1, 20__], by Wooten Avila LLC, a California limited liability company, as trustor ("Trustor"), to Fidelity National Title Company, as trustee ("Trustee"), for the benefit of the Wilmington Trust, National Association, a national banking association, as Beneficiary ("Beneficiary" and "Master Trustee"), as master trustee under that certain Master Indenture of Trust, dated as of [December] 1, 2019 (the "Master Indenture"), as amended and supplemented from time to time, among the Trustor, Wooten Avila LLC (the "Borrower"), as the obligated group representative, other members of the obligated group, and the Beneficiary. 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, 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 with the Site 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 to the California School Finance Authority (the "Authority") 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 Authority and the Borrower (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 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 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 part of Trustor to be observed or performed pursuant to the agreements and/or instruments pursuant to which such Related Bonds is 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 Loan Agreement.

4.2 Taxes and Assessments. Trustor shall pay or cause to be paid prior to delinquency all taxes, assessments, levies and charges imposed by any public or quasi-public authority or utility company which are or may become a lien upon the Property, any part thereof or interest therein (unless contested in good faith by Trustor). Trustor shall also pay, after notice and prior to delinquency, all taxes, assessments, levies and charges imposed by any public authority upon Beneficiary by reason of its interest in the Property created hereby or by reason of any payment, or portion thereof, made to Beneficiary hereunder or pursuant to any obligation hereby secured; provided, however, that Trustor shall have no obligation to pay or discharge Beneficiary's business or franchise taxes, federal or state income taxes or other taxes and which are measured by and imposed upon Beneficiary's net or gross income or receipts.

4.3 Insurance. Trustor shall provide all insurance specified in the Financing Documents.

4.4 Liens and Encumbrances. Except as permitted by the Financing Documents, Trustor shall pay, when due at or prior to maturity or such other period as permitted in the Loan Agreement, all obligations secured by or reducible to liens and encumbrances which shall now or hereafter encumber or appear to encumber the Property or any part thereof or interest therein, whether senior or subordinate hereto, including without limitation all claims for work or labor performed, or materials or supplies furnished, in connection with any work of demolition, alteration, improvement of or construction upon the Property. Trustor shall have the right to contest in good faith any such obligation or claim provided such contest shall be prosecuted diligently and in a manner not prejudicial to Beneficiary, and if a judgment adverse to Trustor is obtained, such judgment shall be fully paid or discharged within ten (10) days after the entry of such judgment unless such judgment is stayed. Upon demand by Beneficiary, Trustor shall defend, indemnify and hold Beneficiary harmless against any such obligation or claim, so contested by Trustor, and upon demand by Beneficiary, Trustor shall make suitable provision by payment to Beneficiary or by posting a bond or other security satisfactory to Beneficiary for the possibility that the contest will be unsuccessful, including, if Beneficiary requests, a one-and-one half times bond with respect to mechanics' or materialmens' liens, if available. Such provision shall be made within ten (10) 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 Loan Agreement.

(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. Beneficiary, its agents, contractors and employees, may enter the Property in accordance with the rights of inspection set forth in the Loan Agreement.

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. Trustee has no obligation to notify any party of any pending sale or any action or proceeding unless held or commenced and maintained by Trustee under this Deed of Trust. 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 [_____], 2019 (the "Limited Offering Memorandum"), related to the issuance of the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019A (Tax-Exempt) and the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools - Obligated Group) Series 2019B (Taxable), 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 Applicable Law 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 Authority and the Master Trustee, protect and defend with counsel acceptable to Beneficiary, the Master Trustee and the Authority, and hold Beneficiary, the Master Trustee and the Authority 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 and shall be at Beneficiary's sole cost and expense.

(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. 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 Indenture or under the Loan Agreement shall occur and be continuing.

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; and

(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 invoice thereof 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"), 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 5.2(e) above, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash.

5.4 Remedies Cumulative. All rights and remedies of Beneficiary and Trustee hereunder are cumulative and in addition to all rights and remedies provided by law.

5.5 Releases, Extensions, Modifications and Additional Security. Without affecting the liability of any person for payment of any indebtedness secured hereby, or the lien or priority of this Deed of Trust upon the Property, Beneficiary may, from time to time, with or without notice, do one or more of the following as otherwise permitted under the Financing Documents: release any person's liability for the payment of any indebtedness secured hereby, make any agreement or take any action extending the maturity or otherwise altering the terms or increasing the amount of

any indebtedness secured hereby, and accept additional security or release all or a portion of the Property and/or other security held to secure the indebtedness secured hereby.

5.6 Marshalling. Trustor hereby waives any right to require that any security given hereunder or under any other agreement securing the obligations secured hereby be marshalled and further waives any right otherwise available in respect to marshalling of assets which secure any obligation secured or imposed hereby or to require Beneficiary to pursue its remedies against any such assets.

ARTICLE VI. SECURITY AGREEMENT AND FIXTURE FILING.

6.1 Grant of Security Interest. As additional security for the obligations secured by this Deed of Trust, Trustor hereby grants to Beneficiary a security interest in and to the following items (collectively, the "Collateral"). Trustor is sometimes referred to herein as "Debtor" and Beneficiary is sometimes referred to herein as "Secured Party."

(a) All goods, fixtures and other equipment of every kind in which Debtor now or at any time hereafter owns or acquires any interest in connection with the Property, including, without limitation, all tools, equipment, appliances, heating, ventilating and air conditioning systems, plumbing, mechanical and electrical systems, elevators, lighting, alarm systems, fire control systems, carpets and carpeting, furnishings, furniture, trailers, mobile homes, service equipment, building or maintenance equipment, and all additions and accessions thereto, whether located at the Property, Debtor's places of business or elsewhere;

(b) All inventory and tangible assets used or consumed in connection with the Property in which Debtor now or at any time hereafter owns or acquires any interest, and all products thereof, whether in the possession of Debtor, warehousemen, bailees or any other person and to the extent now or hereafter located at the Property;

(c) All goods and property covered by any warehouse receipts, bills of lading and other documents evidencing any goods or other tangible personal property of any kind in which Debtor now or at any time hereafter has any interest in connection with the Property or Collateral;

(d) All goods and other tangible personal property of every kind, character or nature in which Debtor now has or at any time hereafter shall have any interest, located on or used in the operation, use, maintenance, development or construction of or otherwise in connection with the Property or Collateral, including, without limitation, any equipment, inventory and other goods and assets which are now or hereafter acquired with loan proceeds or acquired pursuant to or in connection with any lease or other contract pertaining to any use of the Property;

(e) All general intangibles, accounts, agreements, contracts, documents and leases of any kind or nature in which Debtor now or at any time hereafter has an interest related to the Property or the use, operation or maintenance of the Property or any part thereof, and all amendments, supplements, substitutions and renewals thereof, including without limitation all contract rights of Debtor in leases, warranties, letters of credit,

construction contracts, permits, licenses, approvals, governmental authorizations, consulting contracts, bonds, plans and specifications, architectural and engineering drawings, fire insurance policies and other insurance policies, condemnation awards and settlements, copyrights, trademarks, trade names, goodwill, and accounts receivable;

(f) All profits, payments or proceeds of and from any and all agreements for the sale, lease, transfer or conveyance of all or any portion of the Property, subject to the rights of Debtor to collect and retain the same so long as no Event of Default shall have occurred and is continuing; and

(g) Any and all products, accessions, additions, substitutions, replacements or proceeds of or to any of the Collateral which may now or hereafter exist, and any and all rent or income derived from any or all of the Collateral, subject to the rights of Debtor to collect and retain the same so long as no Event of Default shall have occurred and is continuing.

6.2 Remedies. Upon an Event of Default, Beneficiary is and shall be entitled to all the rights, powers and remedies granted a secured party under the California Uniform Commercial Code and other applicable law, including, but not limited to, the right to take possession of all such Collateral. Beneficiary or its representatives may enter upon the Property (without Beneficiary being deemed to be taking possession of the Property or being deemed a mortgagee-in-possession) at any time to inspect, repair, assemble, have appraised or to remove the Collateral and may advertise and conduct public auctions and private sales thereon. Beneficiary may require Trustor to assemble the Collateral and make it available to Beneficiary at a place to be designated by Beneficiary which is reasonably convenient to both parties. In addition to the expenses of retaking, holding, preparing for sale, selling and otherwise exercising its remedies hereunder, Beneficiary shall be entitled to recover reasonable attorneys' fees and legal expenses before applying the balance of the proceeds from the sale or other disposition of the Collateral towards satisfaction of the obligations secured hereby. Trustor shall remain liable for any deficiency remaining after such sale or other disposition.

With respect to fixtures, Beneficiary or Trustee may elect to treat same as either real property or personal property and proceed to exercise such rights and remedies applicable to the categorization so chosen. Beneficiary may proceed against the items of real property and any items of Collateral separately or together in any order whatsoever, without in any way affecting or waiving Beneficiary's rights and remedies under the California Uniform Commercial Code or its rights and remedies provided under this Deed of Trust.

6.3 Fixture Filing. Trustor agrees that this Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder where the Property is located with respect to any and all fixtures included within the term "Property" as used herein and with respect to any goods and other personal property that may now be or hereafter become fixtures. The names and mailing addresses of the debtor (Trustor) and the secured party (Beneficiary) are set forth below in Section 7.12 of this Deed of Trust. Trustor is, or is one of, the record owners of the Property. Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In additional, Trustor agrees to execute and deliver to Beneficiary, upon Beneficiary's request, any financing

statements, as well as extensions, renewals, and amendments thereof, and reproductions of this Deed of Trust in such form as Beneficiary may require to perfect a security interest with respect to such Collateral. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments, and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require.

6.4 Limitations. Except as otherwise clearly and expressly provided in the Borrower 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 such consent by Trustor shall not be binding on Beneficiary.

6.5 Removal. Notwithstanding any other provision of this Deed of Trust or any other agreement or contract between Trustor and Beneficiary to the contrary, Trustor shall not, without the prior written consent of Beneficiary, remove or permit the removal of any fixture from the Property with a replacement cost in excess of Twenty Thousand Dollars ($20,000) for any one item or One Hundred Thousand Dollars ($100,000) in the aggregate of all such fixtures removed from the date of such completion until the date this Deed of Trust is reconveyed, except for fixtures removed and replaced in the ordinary course of business. Beneficiary further reserves the right to prohibit the removal of any such fixture by any person with the legal right to remove any fixture from the Property unless and until such person makes arrangements with (and satisfactory to) Beneficiary for the payment to Beneficiary of all costs of repairing any physical injury to the Property which may be caused by the removal of that fixture.

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 Loan Agreement 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 shall not be deemed responsible for or a participant in any acts, omissions or decisions of Trustor. The Beneficiary and Authority 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: Wooten Avila LLC
c/o TEACH, Inc.
[10000 South Western Avenue]
Los Angeles, CA 90047
Attention: [_____]

To MASTER TRUSTEE at: Wilmington Trust, National Association
650 Town Center Drive, Suite 600
Costa Mesa, California 92626
Attention: Corporate Trust Department

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.

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, from time to time, 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 and 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:

WOOTEN AVILA LLC,
a California limited liability company

By: **TEACH, Inc.**, its Sole Member

By:_____
[_____]
[_____]]

EXHIBIT A

LEGAL DESCRIPTION OF REAL PROPERTY

The land referred to herein below is situated in the County of Los Angeles, State of California, and is described as follows:

[TO BE PROVIDED]

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)**

APPENDIX A

CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP

Powered by BoardOnTrack

TABLE OF CONTENTS

Page

TEACH PUBLIC SCHOOLS A-3
Organization A-3
Charter Schools Operated by TEACH A-5
History of TEACH and the Schools A-7
School Facilities A-8
Educational Program A-9
Organizational Structure and Leadership Team A-11
Management Services Provided to the Schools A-12
TEACH Board of Directors A-13
THE SCHOOLS A-13
School Leadership A-13
Enrollment, Attendance, Demographics and Student Retention A-14
Staffing and Teacher Retention A-19
Academic Outcomes for the Schools A-21
Competing Schools A-27
OPERATING AND FINANCIAL INFORMATION A-30
Financial Statements A-30
Historical Financial Results A-30
Historical Statements of Financial Position A-34
Retirement Systems A-37
Outstanding Debt A-44
SB 740 ..... A-44
Facility Lease A-44
Public Charter Schools Grant Program A-44
No Material Litigation A-44
OBLIGATED GROUP PROJECTIONS AND COVERAGE RATIOS A-45
THE OBLIGATED GROUP A-47

Powered by BoardOnTrack

APPENDIX A

CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP

Certain statements contained in this Appendix reflect forecasts, projections and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved. Actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Limited Offering Memorandum. Unless otherwise noted, all information, data, and projections in this Appendix were furnished by the Borrower. All capitalized terms in this Appendix A that are not defined herein will have such meaning as given to them in the forepart of this Limited Offering Memorandum.

TEACH PUBLIC SCHOOLS

The following section presents general information regarding TEACH (as defined herein) as a whole and includes information regarding charter schools operated by TEACH other than the Series 2019 Schools (as defined herein). However, the obligation of TEACH to pay amounts due under the Series 2019 Leases (as defined in the forepart of this Limited Offering Memorandum) is limited to the sources of funds described within such Leases. See "INTRODUCTION – Security for the Bonds" and "THE LEASES" in the Limited Offering Memorandum to which this Appendix is attached.

The inclusion in this appendix of information regarding financial results of or the operation of any charter school other than the Series 2019 Schools does not indicate that such moneys are available for the satisfaction of obligations under the Series 2019 Leases or the Loan Agreement. However, all three charter schools currently operated by TEACH are Obligated Group Schools and are a source of payment for the satisfaction of the Obligated Group's obligations, including Obligation No. 2.

Beneficial Owners of the Bonds and the Trustee will not have any rights against the assets of TEACH to pay any debt service on the Bonds, except as specifically provided in the documents governing the issuance of the Bonds and the Series 2019 Leases.

Organization

TEACH, Inc., doing business as TEACH Public Schools ("TEACH"), is a charter school management organization that operates charter schools in Los Angeles, California. TEACH currently holds three charters and operates one elementary school, one middle school and one high school serving over ___ students in kindergarten through grade 12 in South Los Angeles, California. For the 2019-20 school year, TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School ("TEACH Prep") is serving 144 students in kindergarten through 2nd grade, TEACH Academy of Technologies ("TEACH Academy") is serving ___ students in grades 5-8, and TEACH Tech Charter High School ("TEACH Tech") is serving 417 students in grades 9-12. TEACH Prep and TEACH Academy are referred to herein as the "Series 2019 Schools" and, together with TEACH Tech, the "Obligated Group Schools."

TEACH is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code. TEACH is the holder of all school charters and the recipient of all state and federal revenue related to the operation of its affiliated charter schools.

Mission Statement & Philosophy. TEACH aims for its charter schools to be innovative, dynamic, creative, and educationally enriching institutions of positive-driven learning. TEACH believes that all children

can learn when taught well and given an opportunity. TEACH adheres to the thinking of philosopher G. Givhan, "What you pay attention to grows." By looking consistently at its students and the data of its practices, TEACH expects that its teachers and students will "grow" in their development and to great successes in the 21st century.

TEACH intends to reach students of all backgrounds by teaching the entire child which includes the social, physical, emotional and intellectual needs of the student. The mission of TEACH is to create high quality, innovative teaching and learning environments that focuses on literacy, integrating state-of-the-art technologies across the core curriculum to achieve academic proficiency for all students.

Academic Philosophy. TEACH is of the philosophy and attitude that all children can learn when taught well and given an opportunity. Through the effective use of integrated technology and the latest teaching pedagogy, TEACH expects its students to not only meet, but exceed their grade-level standards.

By unpacking and prioritizing State Content Standards and utilizing Backward Design (identifying desired results, designing and aligning assessments to those results, and differentiating instruction to meet the needs of all learners), TEACH intends to be able to plan for the desired results of enduring understandings in all its students.

The founders expected that the typical student attending TEACH schools would come from a socioeconomically marginalized community where low student achievement and low expectations are entrenched. Further, they expected that students would come from low income families where educational attainment is minimal, and most students will need deep academic intervention. TEACH's approach focuses on personalization in learning, so that the School will be able to reach all students on the achievement continuum.

TEACH believes that effective integration of technology across the curriculum increases achievement across grade levels. Research indicates that there is a positive correlation between technology integration and an increase in math scores regardless of demographics or grade level. Through the implementation of the Backward Design method coupled with a technology-aligned approach with its effective academic delivery, and with appropriate intervention, enrichment, and a strong program of support, TEACH believes that each student will be led towards standards mastery and every student is highly expected to succeed.

Standards Based Instruction. TEACH utilizes research-based instructional practices to promote student achievement. In order to intellectually challenge its students and address the positive learning process, TEACH faculty are trained to: (1) design standards-based instruction (using the principles of Backwards Design), (2) align appropriate assessments to the standards, (3) implement instructional activities that are aligned to standards and reflect research-based best practices, and (4) conduct analysis of achievement outcomes to determine effectiveness.

Integrated Technology Education. TEACH utilizes technology-based interactive instruction and visual learning experiences to support achievement in all core subjects to ensure students become literate and knowledgeable in the technologies of the 21st century. With these tools, low and high achieving students have both the individualized attention and interventions that they need to catch up or excel with the standards-based core coursework. Technology is fully integrated into academic coursework in all classes. All students are able to apply technological solutions (e.g. multi-media presentations, spreadsheet applications, web-design, project management tools, etc.) to academic and real-world situations. Every student is assigned their own Chromebook laptop computer, and all students have Gmail email accounts.

Students and teachers of TEACH school use all forms of discrete educational software programs including integrating learning systems, computer-assisted instruction, and computed-based instruction. Other technology related activities also involve such skill training as typing and the Microsoft Office Suite, as well as

basic design programs such as Adobe Illustrator. Typing is an area of focus starting in grade 5 so that students can comfortably use the variety of tools available to them.

Character Education. TEACH aims to educate all students socially, physically, emotionally, aesthetically, intellectually, morally, culturally, and technologically, so that upon graduation, the knowledge and the experiences acquired at TEACH school will be effectively applied to students' daily lives. TEACH believes that the educated person in the 21st Century must be a perceptive, problem-solving visionary, able to "look forward" and focus beyond the limits of the singular or bi-cultural society, to think critically, ethically, and morally on unbiased levels. There must be complete literacy and a cognitive command, a capacity to speak the global language of the arts and the humanities, with the ability to express feelings skillfully, articulating personal values on sensitive and critical issues.

TEACH strongly encourages sensitivity, community awareness, service, and positive–driven action for its students. TEACH not only seeks to provide the educational tools needed for the 21st century, but also seeks to instill in its students skills for great personal character and an enduring commitment to excellence

TEACH aims to guide its students to great moral character-building through "Character Pillars." The Character Pillars program encourages students and staff to model the personal traits of dignity, self discipline, hard work, respectful behavior, cooperation, kindness, fairness, integrity, creative problem solving and personal and community responsibility.

Charter Schools Operated by TEACH

The table below summarizes the current schools operated by TEACH and information about their respective charters. Each of the Obligated Group Schools is currently operating pursuant to a charter approved by Los Angeles Unified School District ("LAUSD").

TABLE 1
SUMMARY OF CHARTER SCHOOLS
TEACH

School	*School Year Established*	*Grades Served (2019-20)*	*Enrollment (2019-20)*	*Projected Full Enrollment*	*Full Enrollment Projected Date*	*Charter Expiration*	*Authorizer*
Series 2019 Schools							
TEACH Tech	2014-15	9-12				6/30/2024	LAUSD
TEACH Prep	2018-19	K-2[(1)]				6/30/2023	LAUSD
Subtotal – Series 2019 Schools							
Other Obligated Group School							
TEACH Academy	2010-11	5-8				6/30/2025	LAUSD
Total Network							

(1) Expected to expand to kindergarten through grade 4 by the 2021-22 school year.
Source: TEACH.

Relationship with Local Charter Authorizer. Each of the Schools are authorized by LAUSD. LAUSD is charged with conducting annual reviews of the academic programs, operations, governance and finances of the Schools. TEACH has never received any formal notice for correction, violation or revocation from LAUSD related to any of the Schools. LAUSD provided certificates of good standing for each of the Schools as of _____, 2019.

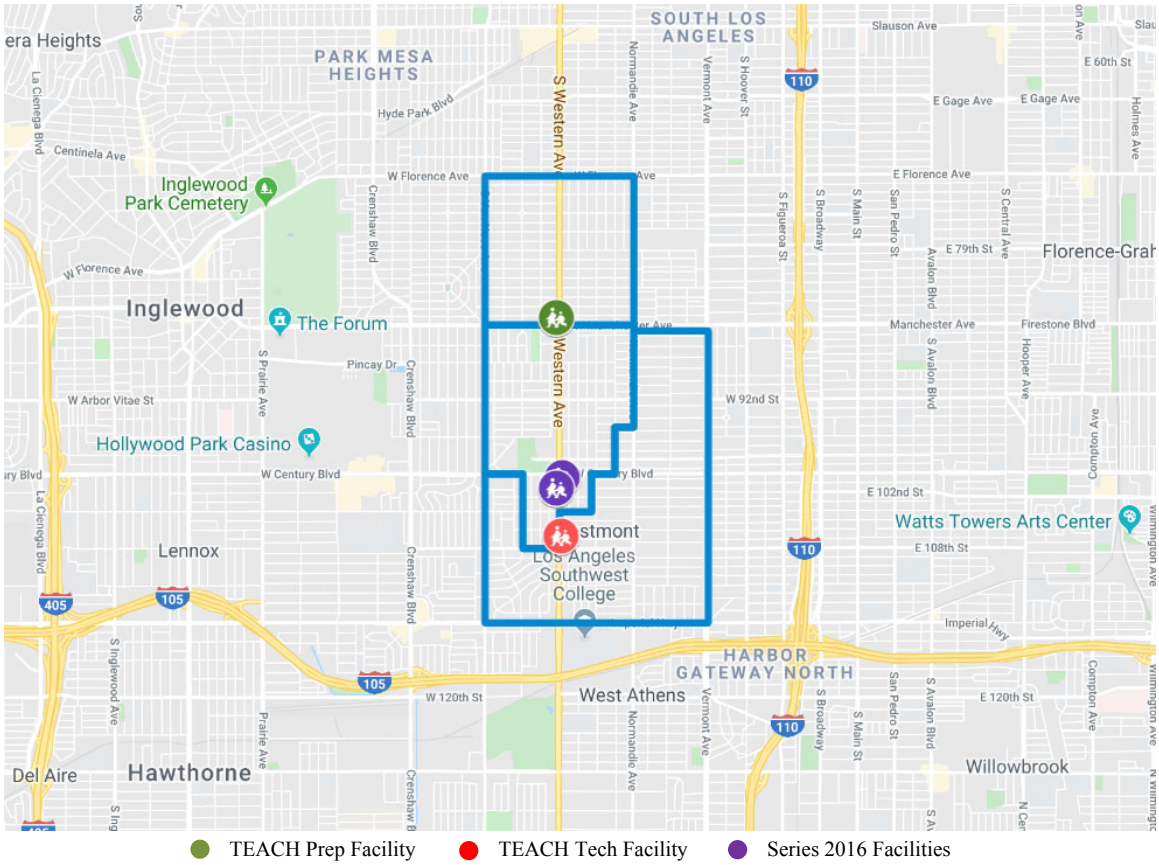
For each of the Schools, the dates of LAUSD's initial charter approval and most recent renewals, if applicable, are set forth in Table 2 below.

TABLE 2
SUMMARY OF ORIGINAL CHARTER PETITIONS & RENEWALS
TEACH

School	*Authorizer*	*School Year Established*	*Original Petition Approved*	*Original Petition Vote*	*Most Recent Renewal*	*Most Recent Renewal Vote*	*Charter Expiration*
Series 2019 Schools							
TEACH Tech	LAUSD	2014-15	2/11/2014	5-1	10/23/2018	6-0	6/30/2024
TEACH Prep	LAUSD	2018-19	5/1/2018		--	--	6/30/2023
Other Obligated Group School							
TEACH Academy	LAUSD	2010-11			9/24/2019		6/30/2025

Source: TEACH.

Neighborhood and TEACH Network Demographics. Each of the Facilities are located within a 1.6 mile stretch of South Western Avenue in, or near the border of, the neighborhood of Gramercy Park, in South Los Angeles. the adjacent neighborhoods of Westmont, Gramercy Park and Manchester Square, in South Los Angeles. Below is a map showing the locations of the Facilities within the boundaries of Gramercy Park, and the adjacent neighborhoods of Manchester Square to the north and Westmont to the south.



Source: TEACH.

The following table presents certain demographic information about the neighborhoods of Gramercy Park, Manchester Square and Westmont, based on data from the Los Angeles Times's Mapping L.A. project,

Powered by BoardOnTrack

an analysis of neighborhoods in Los Angeles. Rankings represent the ranking of each neighborhood among Los Angeles County's 265 neighborhoods.

TABLE 3
NEIGHBORHOOD DEMOGRAPHICS
Gramercy Park, Manchester Square and Westmont

Neighborhood	*Population*	*Density (Ranking)*	*% Black*	*% Latino*	*Median Household Income (Ranking)*	*% 4-Year Degree*	*% HS Diploma or Less*	*% Foreign Born*
Gramercy Park	8,859	115	86.4%	11.5%	153	14.9%	21.5%	9.3%
Manchester Square	11,449	73	78.6	19.2	209	11.7	27.2	13.2
Westmont	17,066	28	57.5	39.3	242	5.7	24.2	23.7

Source: TEACH.

The demographics of the Schools reflects those of the East Los Angeles neighborhood, with approximately 93.4% of TEACH's students during the 2018-19 school year qualifying for free and reduced priced meals and approximately 98.5% Black or Latino.

TABLE 4
NETWORK DEMOGRAPHICS
2018-19
TEACH

% of Free-Reduced Price Meals	93.4%
% of Black Students	34.3
% of Latino Students	64.2
% of English-Language Learners	22.9

Source: TEACH.

History of TEACH and the Schools

In August 2010, TEACH opened TEACH Academy of Technologies under a charter authorized by LAUSD, initially serving approximately 75 students in grades 5 and 6. TEACH Academy originally operated in privately leased facilities and one LAUSD facility pursuant to a Proposition 39 use agreement. In August 2015, after occupying several temporary sites, TEACH Academy moved to its new, current campus in a portion of the Series 2016 Facilities located at 10000 S. Western Avenue and 10045 S. Western Avenue in Los Angeles, California (the "Series 2016 Facilities"). In 2019-20, TEACH Academy is serving ___ students in grades 5-8.

In August 2014, TEACH opened its second school, TEACH Tech Charter High School ("TEACH Tech"), under a charter authorized by LAUSD, initially serving approximately 100 students in grades 9 and 10 in privately leased facilities. TEACH Tech currently operates at a charter school facility located at 10616 S. Western Avenue in Los Angeles, California (as further described in the forepart of this Limited Offering Memorandum, the "TEACH Tech Facility"). In 2019-20, TEACH Tech is serving 417 students in grades 9-12.

In August 2018, TEACH opened its third school, TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School ("TEACH Prep"), under a charter authorized by LAUSD, initially serving 80 students in kindergarten in grade 1 at a charter school facility located at 8505 S. Western Avenue in Los Angeles, California (as further described in the forepart of this Limited Offering Memorandum, the "TEACH Prep Facility"). In 2019-20, TEACH Prep is serving 144 students in kindergarten through grade 2.

Powered by BoardOnTrack

TEACH Prep and TEACH Tech are referred to herein as the "Series 2019 Schools" and, together with TEACH Academy, the "Schools." TEACH ultimately expects to serve approximately _____ students in kindergarten through grade 12 at full enrollment of the three Schools, and does not plan to subsequently open any additional schools.

The TEACH Tech Facility and TEACH Prep Facility will both be acquired by Wooten Avila LLC, a California limited liability company the sole member of which is TEACH (the "Borrower"), using proceeds of the Bonds, and TEACH will lease each such facility from the Borrower for the continued operation of TEACH Tech and TEACH Prep, respectively, pursuant to the Series 2019 Leases (as defined in the forepart of this Limited Offering Memorandum.

TEACH leases the Series 2016 Leases from Cunningham & Morris LLC, a limited liability company the sole member of which is TEACH (the "Series 2016 Landlord"), pursuant to the Series 2016 Lease, which such facilities were acquired by the Series 2016 Landlord in connection with the issuance of the Prior Bonds (each as defined in the forepart of this Limited Offering Memorandum).

Payment of Rent by TEACH under the Series 2019 Leases is the main source of revenues of the Borrower for the payment of debt service on the Bonds. Payment of Rent by TEACH under the Series 2016 Lease is not a source of revenues of the Borrower for payment of debt service on the Bonds; however, in the event of the nonpayment of Rent under the Series 2019 Leases or the Series 2016 Lease, TEACH would be obligated to pay additional rent under the other Leases in an amount equal to such shortfall. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Cross-Collateralization; Extraordinary Monthly Rent" in the forepart of this Limited Offering Memorandum.

Accreditation. Both TEACH Academy and TEACH Tech are accredited by the Western Association of Schools and Colleges ("WASC"). [TEACH PREP?]

School Facilities

Over its history, TEACH's charter schools have been located at a variety of facilities, and in several years TEACH has operated its charter schools on multiple campuses. Despite this history of facilities instability, TEACH has typically enrolled the maximum number of students possible at each of its facilities. Since the 2017-18 school year, TEACH Academy and TEACH Tech have each operated in their current, permanent Facilities: the Series 2016 Facilities and the TEACH Tech Facility, respectively. TEACH Prep has operated at the TEACH Prep Facility, its current permanent facility, since beginning operations in the 2018-19 school year.

The Series 2016 Landlord acquired the Series 2016 Facilities with proceeds of the Series 2016 Bonds. A portion of the proceeds of the Bonds will be used by the Borrower to acquire the TEACH Tech Facility and the TEACH Prep Facility, and continue leasing such Series 2019 Facilities to TEACH for the operation of the Series 2019 Schools.

Powered by BoardOnTrack

The Schools' students reside primarily in the 90044 and 90047 zip codes, which combined for approximately ___% of the 2019-20 aggregate enrollment of the Schools. The following figure shows the location of the Facilities along with the zip codes from which the Schools draw their students, along with a table showing the breakdown by zip code for each School, for the 2019-20 school year.

FIGURE 1
STUDENT DISTRIBUTION AMONG TOP 5 ZIP CODES
2019-20
TEACH

[MAP TO COME]

	% of Students		
Zip Code	**TEACH Prep**	**TEACH Academy**	**TEACH Tech**
Total			

Source: TEACH.

Educational Program

TEACH's academic program offers a fully inclusive curriculum that is geared to put all students on track for academic proficiency and eventual college success. TEACH's curriculum framework is developed for 5th through 8th grades with the explicit purpose of helping all students reach grade-level proficiency and beyond by the end of 8th grade. This model pulls together curricular and instructional practices proven most effective with a strong emphasis on low achieving students who are struggling academically in the traditional school setting. All teaching and learning is directed toward student mastery of the California State Standards as well as key college-prep skills, learning strategies, and work habits crucial for long-term academic success.

TEACH's students move through an age-appropriate curriculum for English-Language Arts, Mathematics, History, Social Studies, Science, and Visual/Performing Arts at each grade level. Spanish and Digital Media electives available to students who have gone through the remediation courses and subsequently need significantly less time for literacy and numeracy remediation.

Extended Day; Extended Year. TEACH's extended daily schedule offers additional academic programming and culture-building, character-building, personalized support systems, and activities to help students develop the personal skills and resilience they need for college and life success.

- ***Tutorial*** – After-school classes where students receive individual guided practice and homework assistance from teachers and tutors. The Tutorial period is explicitly designed to respond to student achievement data and target student areas of difficulty. Students are also coached and given the opportunity to practice the learning strategies and work habits that they encounter in their regular course work. For those students needing further intervention, one-on-one tutoring and supplementary remedial instruction may be provided.

- ***Saturday Academies*** – Students receive additional coaching and practice time to learn school culture and master key standards. The Saturday sessions occasionally include team-building and college-related activities, along with arts and enrichment programs

Powered by BoardOnTrack

- ***Summer Session*** – A set of programs ranging from pre-5th grade orientation to accelerated opportunities for high achieving 8th graders. Summer programs provide critical support for struggling students as well as acceleration and enrichment opportunities for students who have reached grade-level proficiency.

An Educated Person in the 21st Century. TEACH believes that the educated person in the 21st Century must have the critical thinking skills necessary to engage in continuous learning – essential for adaptation to the constantly changing economic and social environment of tomorrow. The educated person must not only value academic pursuits such as reading, writing, and mathematics, but also community interests and a respect for cultural diversity. The educated person uses knowledge and skills to analyze situations, formulate questions and ideas, and creatively present findings. Exercising such skills enables the educated person to perform well in the economic workforce and to become an active participant in the diverse global community.

How Learning Best Occurs at TEACH Academy. The National Assessment of Educational Progress (NAEP), Scholastic Aptitude Test (SAT), and American College Test (ACT) consistently demonstrate gaps in performance between students by race and income. Research shows that African-American, Latino, Native American, and low-income students demonstrate lower performance than their white, Asian, and economically advantaged peers. The TEACH development teams have studied examples of effective practices that have worked to close this "achievement gap."

TEACH incorporates the following philosophies:

- Have uniform standards: TEACH will have clear and high expectations of all students that fully align with the Common Core State Standards.

- Make the curriculum challenging: Rigorous curriculum will be organized around major concepts that students are to know deeply.

- Help students catch up: A personalized environment and regular assessments will ensure that no students fall behind. Extra support before and after school will be given to those students in need.

- Provide good teachers: All TEACH core subject teachers will have an appropriate credential in their subject matter based on NCLB requirements for highly qualified teachers. In addition, regular planning and professional development time will allow teachers to improve their practice.

TEACH believes that students learn best when they are challenged by clear and high expectations and supported by a caring community. They are excited by education that is meaningful and dynamic. Students are motivated by learning that requires them to problem solve and collaborate. Students learn best when they have an opportunity to form meaningful relationships with teachers, administrators, peers, and the surrounding community. They thrive in an environment where teachers, parents, and students work collectively to set goals and celebrate achievements.

TEACH believes that young people want to make a difference in their families and communities and they value experiences that empower them to do so. Accordingly, learning must both reflect students' lives and expand their understanding to encompass a global perspective. TEACH feels that schools must provide opportunities for students to develop personal responsibility, self-management of their own learning, and practice democratic principles. Additionally, they must celebrate authentic accomplishments, as well as cultural and individual diversity in an environment of tolerance and respect. These concepts are the foundation of TEACH.

Organizational Structure and Leadership Team

TEACH employs a central office team whose purpose is to provide the systems and supports necessary for the Schools to operate successfully. TEACH currently employs ___ personnel, the large majority being school-specific staff. Approximately __ employees serve in an administrative or support function on the central office team. The following organization charts shows the relationship of the TEACH Board of Directors, central TEACH leadership and school-level leadership among the TEACH organization.

FIGURE 2
CMO ORGANIZATIONAL CHART
TEACH

[TO COME]

Source: TEACH.

Executive Team. TEACH's Co-Founder and Executive Director, Mildred Cunningham, leads an experienced team of professionals, brief biographies of whom are below.

Mildred Cunningham: Co-Founder and Executive Director. Ms. Cunningham is a UCLA Writing Fellow and distinguished teacher of Language/Theater Arts, is skilled in business administration and human relations, and has 36 years' experience in the field of education with a broad range of experiences working in ethnically and culturally diverse, inner city schools. As an artist, author and entrepreneur, Ms. Cunningham has brought unique talents and skills to the classroom experience for children. Ms. Cunningham's work with middle school students earned her the distinguished California League of Middle Schools' Educator of the Year award (1995) for Region 8, encompassing five counties within the state of California.

Dr. Raul Carranza: Superintendent. Dr. Carranza joined TEACH in 2011 as the Principal of TEACH Academy. After two and a half years in that position, Dr. Carranza was appointed as Superintendent of Schools for TEACH in July 2014. Prior to joining TEACH, Dr. Carranza served in various administrative positions in public and charter schools in southern California, including as principal at several schools. Prior to his administrative positions, Dr. Carranza taught English, visual and performing arts, Spanish, history and social studies at various high schools in and around Los Angeles for over six years. Dr. Carranza earned his BA in Spanish and Latin American and Iberian Studies from University of California Santa Barbara, his MA in Educational Administration from California State University San Bernardino, his Ed.D from Argosy University, and his Ph.D. in Comparative Spanish Literature from University of Southern California.

Matt Brown: Chief Operating Officer. Mr. Brown believes that education inequality is the civil rights issue of our time, and hopes to close this gap by developing high performing charter schools that implement a rigorous and engaging common core curriculum in low-income minority communities of Southern California. Mr. Brown brings a breadth of professional experience in law and education realm. Mr. Brown possesses a law degree from the University of Michigan Law School and Masters degrees in Teaching and Charter & Autonomous School Leadership from the University of Southern California and Charter & California State University Dominguez Hills, respectively.

Powered by BoardOnTrack

Spencer Styles: Business Services Provider, President of Charter Impact. Mr. Styles was hired by TEACH as a consultant (through his firm Charter Impact, as described herein) to provide budgeting and forecasting, bookkeeping services, financial management and reporting, payroll, funding/reporting, student data services, and other related services necessary to fulfill the business management and accounting requirements of TEACH.

Prior to joining Charter Impact, Mr. Styles was the Vice President of Finance for Alliance (as defined herein) for four years. As Vice President, Mr. Styles was responsible for maintaining all accounting systems, ensuring the accuracy of financial reporting and compliance, designing and implementing the internal control framework, overseeing and actively managing the budget process, developing cash flow projections and forecasts for organizational growth and providing guidance on fiscal best practices.

Mr. Styles is a board member for "CharterSAFE," a joint powers authority that provides insurance pooling for charter schools in California, and "Parent Revolution," a nonprofit parent advocacy organization. Mr. Styles holds a Bachelor's degree in Accounting and a Master's degree in Professional Accountancy from the University of Wisconsin.

Management Services Provided to the Schools

TEACH's central office personnel manage the implementation and evaluation of all TEACH school-related systems, and ensure that TEACH's charter schools and respective school-based personnel have the resources, support, and training they need to meet the schools' ambitious academic performance targets.

In consideration for the provision of administration and management services provided by TEACH, each School pays TEACH a monthly management fee equal to __% of the total revenues of such School for such month. The following table shows the management fees paid by each School for the last two fiscal years, and the budgeted amount to be paid for the current fiscal year.

TABLE 5
MANAGEMENT FEES
2017-18 through 2019-20
TEACH

	2017-18	*2018-19*	*2019-20*
SERIES 2019 SCHOOLS			
TEACH Tech			
TEACH Prep			
Subtotal			
OTHER OBLIGATED GROUP SCHOOL			
TEACH Academy			
Total Network			

Source: TEACH.

TEACH has entered into a Management and Accounting Services Agreement with Charter Impact, Inc. ("Charter Impact"), dated as of July 1, 2019 and effective through June 30, 2020, for the provision of budgeting and forecasting, bookkeeping, financial management and reporting, funding, payroll, student data and other related services. As compensation, TEACH will pay Charter Impact a fee equal to __% of revenue, as well as other itemized fees. TEACH paid Charter Impact $_____ in fees for the year ended June 30, 2019, and has budgeted $_____ in fees to Charter Impact for the fiscal year ending June 30, 2020.

In connection with the Bonds, TEACH will subordinate its management fees to the payment of Rent under the Series 2019 Leases. See "THE LEASES – Payment of Rent" in the forepart of this Limited Offering Memorandum.

TEACH Board of Directors

TEACH is governed by a Board of Directors (the "Board") which consists of between 5 and 9 members. Presently, the Board is composed of seven members, each serving two-year terms. Vacancies on the Board are filled by approval of the then-current members. Under the TEACH governing documents, the Board is required to meet at least annually for the purpose of organization, appointment of officers and the transaction of other business. Annually, the Board elects the officers of TEACH, which currently include a President, a Secretary, a Chairman of the Board, and a Vice Chairman of the Board. The Chairman of the Board, the President, or another officer empowered by the Board may appoint other officers of TEACH. Standing committees on the Board include committees on Education, Parent/School Relations, Community Relations, Kudos & Complaints, and Environment.

Brief biographies of the five members of the Board follow.

TABLE 6
BOARD OF DIRECTORS
TEACH

Name	*Position*	*Affiliation*	*Term Beginning*	*Term Expires*
Lori Butler	Chair			2/2020
Sonali Tucker	Secretary			9/2020
Spencer Burrows	Member			5/2021
Kelvin Piazza	Member			5/2020
Luz Castillo	Member			5/2021
James Lobdell	Member			9/2020
Austin Dragon	Member			7/2021

Source: TEACH.

Lori Butler. [TO COME]

Sonali Tucker. [TO COME]

Spencer Burrows. [TO COME]

Kelvin Piazza. [TO COME]

Luz Castillo. [TO COME]

James Lobdell. [TO COME]

Austin Dragon. [TO COME]

THE SCHOOLS

School Leadership

The daily operations of each of the Schools are managed by a Principal. Brief biographies of the School for each of the Schools are below.

Powered by BoardOnTrack

Sharon Rhee, Principal, TEACH Prep. [TO COME]

Greg Perez, Principal, TEACH Academy. Mr. Perez is a former teacher, dean of students, and now principal at TEACH Academy. Prior to joining TEACH, Mr. Perez had nine years' experience in Youth Development and Physical Activity with LAUSD's Beyond the Bell and A World Fit for Kids, a nonprofit organization. Mr. Perez earned his B.S. from California State University Los Angeles, and his M.A. in Educational Administration from National University.

Dr. Monique Woodley, Principal, TEACH Tech. [TO COME]

Enrollment, Attendance, Demographics and Student Retention

Student Recruitment. TEACH has implemented an outreach plan that includes, but is not limited to, the following elements or strategies which focus on achieving and maintaining a racial, ethnic, economic, and academic balance among students that is reflective of the general population residing within the South Los Angeles area and the surrounding communities:

- An enrollment process that is scheduled and adopted to include a timeline that allows for a broad-based application process.
- The development and distribution of promotional and informational material that reaches out to all of the various racial and ethnic groups.
- Presentations and booths in multiple locations throughout LAUSD to generate interest throughout LAUSD.
- Advertised open houses/tours at the Schools.
- Purposefully recruit and reach out to students from zip codes 90044 and 90047, which are largely made up of low-achieving and socioeconomically disadvantaged students.

TEACH does not discriminate against any pupil on the basis of disability, gender, gender identity, gender expression, nationality, race or ethnicity, religion, sexual orientation, or any other characteristic that is contained in the definition of hate crimes set forth in Section 422.55 of the Penal Code. TEACH uses the community as its primary means of student recruitment. TEACH holds informational meetings with resident families yearly in the spring in order to create an awareness of the Schools and its intentions. In addition to these community meetings, TEACH advertises in the community via flyers (in English, Spanish, and other languages prevalent in the community) placed in community centers, businesses, libraries, social service agencies, faith-based organizations, apartment complexes, and grocery stores. The Schools' founders have made significant connections with local community organizations that help with recruitment.

Admission Lottery. TEACH admits all pupils who reside in the State of California who wish to attend the Schools subject to the provisions set forth below. No test or assessment is administered to students prior to acceptance and enrollment into any School.

Applications are accepted during a publicly advertised open application period each year for enrollment in the following school year. Signs, banners, and posters announcing open enrollment are displayed in key areas in the TEACH neighborhood. Following the open enrollment period of January-March each year, applications are counted to determine whether any grade level has received more applications than availability. In the event that this happens, TEACH announces the lottery grade levels, timeline, and procedures in written and email form. The lottery date, time, and location are sent to LAUSD, as well as the interested families.

By March 30th of each year, each School holds a public random drawing in the respective School's multipurpose room to determine enrollment for the impacted grade level(s), with the exception of existing students who are guaranteed enrollment in the following school year. Enrollment preferences in the case of a public random drawing are as follows:

(1) Siblings of students already admitted to the respective School;

(2) Founding Families (not to exceed 10%) and children of TEACH regular employees (not to exceed 10%) who reside in LAUSD;

(3) Children residing within LAUSD; and

(4) All other students who reside in the State of California

Waitlist. Space request forms for each school year are entered into the waitlist folder in chronological order, beginning with the forms received prior to the lottery/public random drawing, and ending at the end of the next school year. The waitlist is housed in the space request folder and consists of all space requests that have been completed and submitted to the school office. A new waitlist is started each January as new space request forms are submitted for the next school year. The waitlist for the current school does not "roll over"; applicants must reapply for the lottery annually if the school is unable to offer them admission for the current year.

The following table sets forth the number of students at each school, by grade, who were on the wait list to enroll for the 2019-20 school year, as of _____, 2019.

TABLE 7
WAIT LIST[(1)]
2019-20
TEACH

Grade	*TEACH Prep*	*TEACH Tech*	*Series 2019 School Subtotal*	*TEACH Academy*	*Total Obligated Group*
Kindergarten		--		--	
1st Grade		--		--	
2nd Grade		--		--	
3rd Grade		--		--	
4th Grade		--		--	
5th Grade	--	--	--		
6th Grade	--	--	--		
7th Grade	--	--	--		
8th Grade	--	--	--		
9th Grade	--			--	
10th Grade	--			--	
11th Grade	--			--	
12th Grade	--			--	
Total					

(1) As of _____, 2019.
Source: TEACH.

Powered by BoardOnTrack

Enrollment. The following table presents historical and projected enrollment at each of TEACH's charter schools.

TABLE 8
HISTORICAL & PROJECTED ENROLLMENT[(1)]
2016-17 through 2024-25
TEACH

	Historical				*Projected*				
School	***2016-17***	***2017-18***	***2018-19***	***2019-20***	***2020-21***	***2021-22***	***2022-23***	***2023-24***	***2024-25***
SERIES 2019 SCHOOLS									
TEACH Tech	239	282	365						
TEACH Prep	--	--	80						
Subtotal	***239***	***282***	***445***						
OTHER OBLIGATED GROUP SCHOOL									
TEACH Academy	317	359	430						
Total Network	***556***	***641***	***875***						

(1) For school years 2016-17 and 2018-19, reflects certified enrollment as of the fall census day (the first Wednesday in October), as reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year. For 2019-20, reflects actual enrollment as of August 23, 2019.
(2) First year of instruction was 2018-19.
Source: TEACH.

Powered by BoardOnTrack

The table below shows grade level enrollment for the Schools in the school years 2016-17 through 2019-20, as well as projected enrollment by grade level through the 2024-25 school year.

TABLE 9
ENROLLMENT BY GRADE[1]
2016-17 through 2024-25
TEACH

TEACH Prep[2]

	Historical Enrollment				*Projected Enrollment*				
Grade Level	***2016-17***	***2017-18***	***2018-19***	***2019-20***	***2020-21***	***2021-22***	***2022-23***	***2023-24***	***2024-25***
Kindergarten	--	--	47						
1st Grade	--	--	33						
2nd Grade	--	--	--						
3rd Grade	--	--	--	--					
4th Grade	--	--	--	--	--				
Totals	--	--	80						

TEACH Academy

	Historical Enrollment				*Projected Enrollment*				
Grade Level	***2016-17***	***2017-18***	***2018-19***	***2019-20***	***2020-21***	***2021-22***	***2022-23***	***2023-24***	***2024-25***
5th Grade	26	25	48						
6th Grade	103	131	141						
7th Grade	96	105	133						
8th Grade	92	98	108						
Totals	317	359	430						

TEACH Tech

	Historical Enrollment				*Projected Enrollment*				
Grade Level	***2016-17***	***2017-18***	***2018-19***	***2019-20***	***2020-21***	***2021-22***	***2022-23***	***2023-24***	***2024-25***
9th Grade	96	101	115						
10th Grade	76	84	102						
11th Grade	48	61	78						
12th Grade	19	36	70						
Totals	239	282	365						

(1) For school years 2016-17 through 2019-20, data reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year. Enrollment may vary throughout the school year as students enroll or leave the Schools.

(2) TEACH Prep's first year of operation was 2018-19. TEACH Prep expects to expand by one grade each year, until it serves kindergarten through grade 4 beginning in the 2021-22 school year.

Source: TEACH.

Average Daily Attendance and EL/LI Enrollment. The table below shows each School's average daily attendance ("ADA"), attendance rate, and percentage of English learners and low income ("EL/LI") student enrollment, from the 2015-16 school year through the 2019-20 school year. Attendance rate is calculated as each School's Average Daily Attendance for each year divided by the total school enrollment. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – Local Control Funding Formula" in the forepart of this Limited Offering Memorandum.

Powered by BoardOnTrack

TABLE 10
AVERAGE DAILY ATTENDANCE AND EL/LI ENROLLMENT
2015-16 through 2019-20
TEACH

	TEACH Prep			*TEACH Tech*			*Subtotal – Series 2019 Schools*		
	ADA[1]	***Attendance Rate[2]***	***% of EL/LI Enrollment[3]***	***ADA[1]***	***Attendance Rate[2]***	***% of EL/LI Enrollment[3]***	***ADA[1]***	***Attendance Rate[2]***	***% of EL/LI Enrollment[3]***
2015-16	--	--	--	153.5	94.8%	93.8%	153.5	94.8%	93.8%
2016-17	--	--	--	219.6	91.9	91.4	219.6	91.9	91.4
2017-18	--	--	--	259.5	92.0	92.8	259.5	92.0	92.8
2018-19	69.4	86.7%	93.8%	327.4	89.7	92.8	396.8	89.2	93.0
2019-20[4]									

	TEACH Academy			*Total Network*		
	ADA[1]	***Attendance Rate[2]***	***% of EL/LI Enrollment[3]***	***ADA[1]***	***Attendance Rate[2]***	***% of EL/LI Enrollment[3]***
2015-16	251.8	92.6%	95.5%	405.3	93.4%	94.9%
2016-17	296.3	93.5	95.4	515.8	92.8	93.7
2017-18	333.3	92.8	95.6	592.8	92.5	94.4
2018-19	389.4	90.6	95.8	786.2	89.8	94.3
2019-20[4]						

(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four week period of instruction beginning on the first day of school.
(2) Calculated as the School's P-2 ADA divided by CALPADS enrollment for each given year.
(3) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to CALPADS in each school year and is used to calculate the School's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. Each School's percentage of unduplicated EL/LI students is based on a rolling average of its EL/LI enrollment for the current fiscal year and the two immediately preceding fiscal years.
(4) Projected.

Source: TEACH.

Certain student demographics for TEACH's charter schools are presented in the following table.

TABLE 11
STUDENT DEMOGRAPHICS
2019-20
TEACH

School	***Total Students[1]***	***Percentage FRPM[2]***	***English Learner Percentage***	***% Latino***	***% African American***	***% White***
SERIES 2019 SCHOOLS						
TEACH Tech						
TEACH Prep						
Subtotal						
OTHER OBLIGATED GROUP SCHOOL						
TEACH Academy						
Total Network						

(1) Enrollment as of October, 2019.
(2) Percent of students eligible for free and reduced priced meals ("FRPM").

Source: TEACH.

Student Retention. The following table sets forth, for the periods shown, the percentage of students enrolled from the prior school year that returned as students in the latter school year (without regard to graduating students).

TABLE 12
HISTORICAL STUDENT RETENTION[1]
2016-17 through 2019-20
TEACH

	TEACH Prep[2]	*TEACH Tech*	*Subtotal – Series 2019 Schools*	*TEACH Academy*	*Total Obligated Group*
2016-17 to 2017-18					
2017-18 to 2018-19					
2018-19 to 2019-20					

(1) Reflects CALPADS enrollment.
(2) TEACH Prep's first year of operation was 2018-19.
Source: TEACH.

Each of the Schools are operated pursuant to separate charters. As a result, students finishing 4th grade at TEACH Prep (once offered) and students finishing 8th grade at TEACH Academy have to apply for admission in order to continue 5th grade at TEACH Academy and 9th grade at TEACH Tech, respectively, and are not guaranteed admission. TEACH has experienced a [high] rate of matriculation between the Schools, with __% of TEACH Prep and __% of TEACH Academy graduating students continuing on to TEACH Academy and TEACH Tech, respectively, in the 2019-20 school year, and __% of TEACH Prep and __% of TEACH Academy graduates in the 2018-19 school year.

Staffing and Teacher Retention

School Staffing. The following table sets forth information regarding TEACH's FTE employees attributable to the Schools for the current and last three school years.

TABLE 13
EMPLOYMENT AND STAFFING
School Years 2016-17 through 2019-20
TEACH

TEACH Prep[1]

	2018-19	*2019-20*
Teachers		
School Support Staff		
School Leaders		
Total Employees		
Total Number of Students		
Student-to-Teacher Ratio		

(1) TEACH Prep's first year of operation was 2018-19.
Source: TEACH.

Powered by BoardOnTrack

TABLE 13 (continued)
EMPLOYMENT AND STAFFING
School Years 2016-17 through 2019-20
TEACH

TEACH Tech

	2016-17	*2017-18*	*2018-19*	*2019-20*
Teachers				
School Support Staff				
School Leaders				
Total Employees				
Total Number of Students				
Student-to-Teacher Ratio				

Subtotal – Series 2019 Schools[(1)]

	2016-17	*2017-18*	*2018-19*	*2019-20*
Teachers				
School Support Staff				
School Leaders				
Total Employees				
Total Number of Students				
Student-to-Teacher Ratio				

TEACH Academy

	2016-17	*2017-18*	*2018-19*	*2019-20*
Teachers				
School Support Staff				
School Leaders				
Total Employees				
Total Number of Students				
Student-to-Teacher Ratio				

Total – Obligated Group[(1)]

	2016-17	*2017-18*	*2018-19*	*2019-20*
Teachers				
School Support Staff				
School Leaders				
Total Employees				
Total Number of Students				
Student-to-Teacher Ratio				

(1) TEACH Prep's first year of operation was 2018-19.
Source: TEACH.

Powered by BoardOnTrack

Teacher Retention. The following table sets forth the rate of retention of teachers at each of the Schools, showing for each period the percentage of teachers teaching in the initial school year who returned to teach at the same School in the latter school year.

TABLE 14
TEACHER RETENTION
2016-17 through 2019-20
TEACH

	TEACH Prep[(1)]	*TEACH Tech*	*Subtotal – Series 2019 Schools*	*TEACH Academy*	*Total Obligated Group*
2016-17 to 2017-18					
2017-18 to 2018-19					
2018-19 to 2019-20					

(1) TEACH Prep's first year of operation was 2018-19.
Source: TEACH.

Academic Outcomes for the Schools

The following table shows the percentage of the adjusted four-year cohort at TEACH Tech, at LAUSD, and statewide who completed all the courses required for University of California (UC) and/or California State University (CSU) entrance with a grade of "C" or better. These data represent only a portion of the entrance requirements for UC or CSU.

TABLE 15
GRADUATES MEETING UC/CSU COURSE REQUIREMENTS
2016-17 through 2018-19
TEACH Tech, LAUSD and the State

	TEACH Tech	*LAUSD*	*State of California*
2016-17	63.6%	51.2%	41.2%
2017-18	85.0%	52.5	41.4
2018-19			

Source: TEACH.

The following table displays the four-year adjusted cohort graduation rate at TEACH Tech, at LAUSD, and statewide. The four-year adjusted cohort is based on the number of students who enter grade 9 for the first time adjusted by adding into the cohort any student who transfers in later during grade 9 or during the next three years and subtracting any student from the cohort who transfers out, emigrates to another country, transfers to a prison or juvenile facility, or dies during that same period.

Powered by BoardOnTrack

TABLE 16
GRADUATION RATE
2016-17 through 2018-19
TEACH Tech, LAUSD and the State

	TEACH Tech	*LAUSD*	*State of California*
2016-17	77.3%	79.7%	82.7%
2017-18	87.5	80.1	83.0
2018-19			

Source: TEACH.

Post-Graduate College Entrance. For the high school students graduating in the 2017-18 school year, 59.5% of TEACH Tech graduates were enrolled in college within 12 months of graduating, compared to 53.8% of graduates in LAUSD and 64.4% of graduates Statewide.

CAASPP. Academic Performance Index ("API") scores have, in the past, been calculated using results of the State's STAR program and, for high school students, the California High School Exit Examination ("CAHSEE"). Changes to the Education Code enacted in 2013 deleted certain provisions of State law establishing the STAR program and replaced them with the California Assessment of Student Performance and Progress program ("CAASPP"), effective July 1, 2014. As a means to assess certain elementary and secondary pupils, CAASPP comprises:

(a) the State's Smarter Balanced Assessments, composed of (i) summative assessments in English language arts ("ELA") and mathematics for grades 3 to 8 inclusive, and grade 11, (ii) interim assessments to monitor student progress toward mastery of the Common Core State Standards in ELA and mathematics, and (iii) a "Digital Library" consisting of tools and practices designed to help teachers utilize formative assessment processes for improved teaching and learning;

(b) alternate assessments for ELA and mathematics in grades 3 through 8 and 11, that are based on alternate achievement standards and aligned with the Common Core State Standards for students with significant cognitive disabilities;

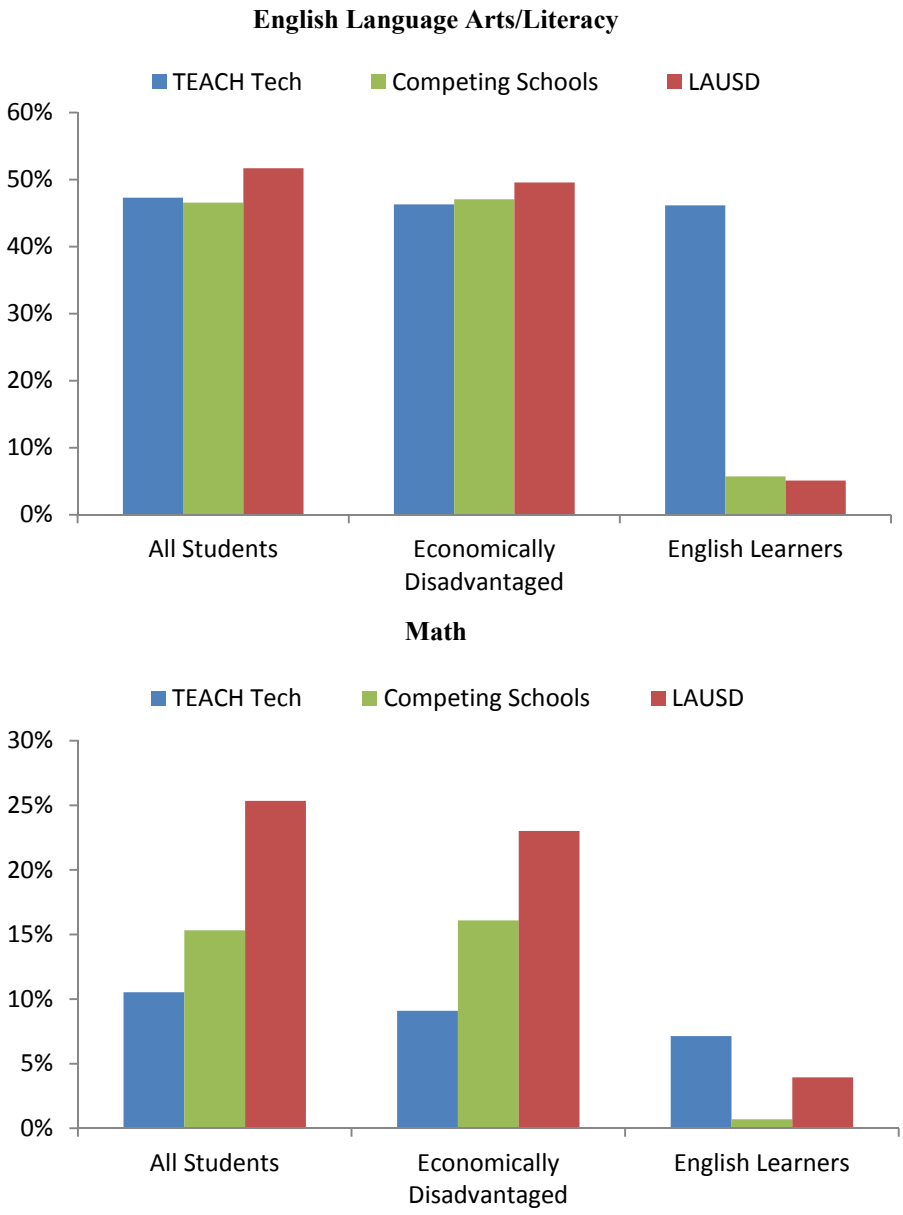
(c) science assessments in grades 5, 8, and 10, measuring specified content standards, currently composed of (i) the California Standards Test ("CST") for students in public schools, (ii) the California Modified Assessment ("CMA") for students with an individualized education program, and the (iii) California Alternate Performance Assessment ("CAPA") for students with significant cognitive disabilities; and

(d) the Standards-based Tests in Spanish ("STS"), which are multiple-choice tests that allow Spanish-speaking English learners in grades 2 through 11 to demonstrate their knowledge of California content standards by taking a reading/language arts ("RLA") assessment in their primary language.

The following figure summarizes the performance of TEACH Academy and TEACH Tech on CAASPP Smarter Balanced Assessments for ELA and mathematics in 2018-19, compared against averages for schools in the State, LAUSD, and competing schools. See "— Competing Schools" herein. TEACH Prep's first year of operations was 2018-19, and thus does not have test results to report. TEACH Prep will have its first year of results on the CAASPP Smarter Balanced Assessments following the 2020-21 school year, the first year in which it will serve students in 3rd grade.

Powered by BoardOnTrack

FIGURE 3
SMARTER BALANCED ASSESSMENT CONSORTIUM (SBAC) RESULTS[(1)]
2018-19
TEACH Tech

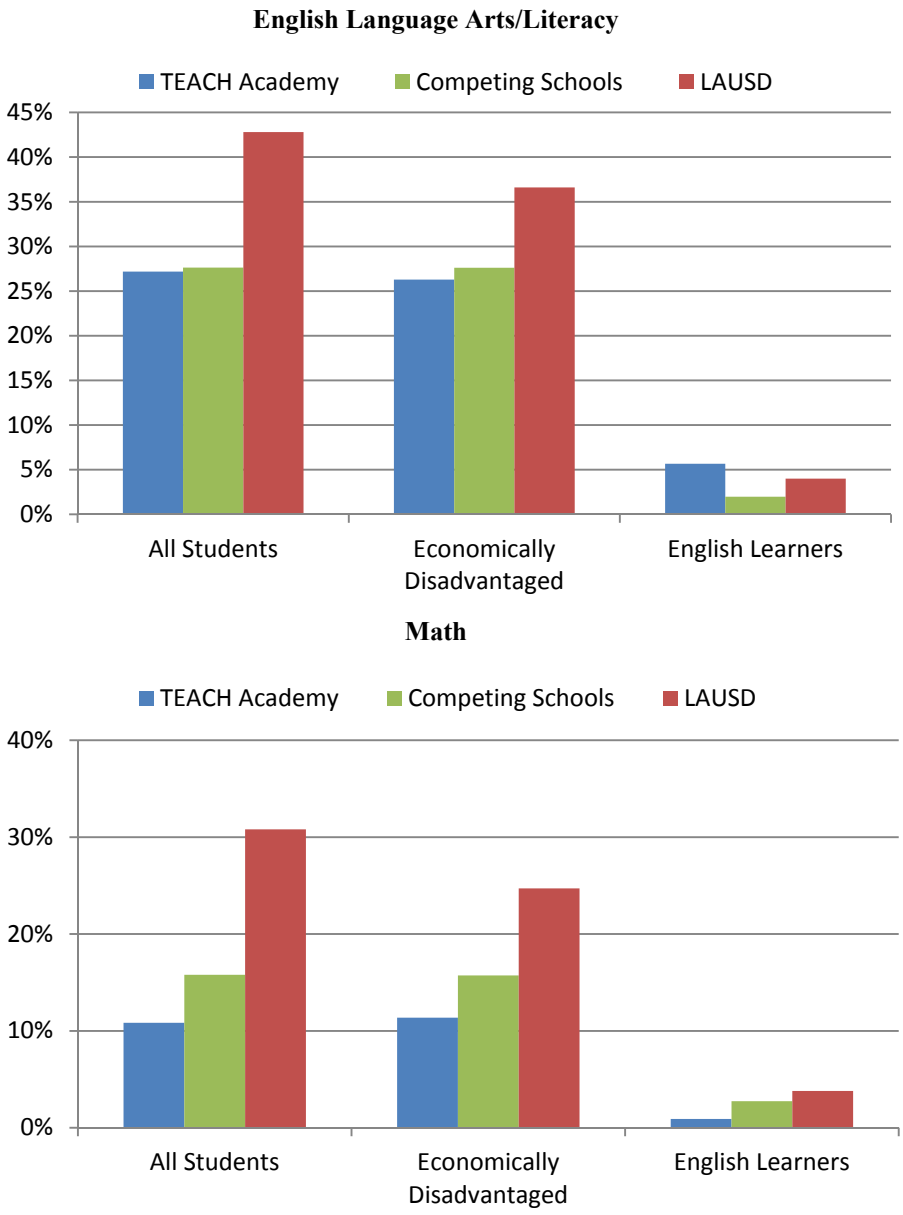


(1) Percentages shown are sums of percentages of students indicated as "Standards Met" and "Standards Exceeded" in Smarter Balanced Assessment results for the 2018-19 school year. For TEACH Tech and LAUSD, represents students in grade 11. For Competing Schools, represents the weighted average of students in the schools and grade ranges shown in the tables under the heading "—Competing Schools" herein.

Source: California Department of Education; TEACH.

Powered by BoardOnTrack

FIGURE 4
SMARTER BALANCED ASSESSMENT CONSORTIUM (SBAC) RESULTS[(1)]
2018-19
TEACH Academy



(1) Percentages shown are sums of percentages of students indicated as "Standards Met" and "Standards Exceeded" in Smarter Balanced Assessment results for the 2018-19 school year. For TEACH Academy and LAUSD, represents students in grades 6 through 8. For Competing Schools, represents the weighted average of students in the schools and grade ranges shown in the tables under the heading "—Competing Schools" herein.

Source: California Department of Education; TEACH.

California School Dashboard. During the 2016-17 school year, the California State Board of Education ("SBE") approved a new integrated accountability and continuous improvement system (the "Accountability System") that is used to evaluate local education agency ("LEA") and school performance in areas critical to students' preparedness for college and career. The Accountability System is aligned to both (i)

Powered by BoardOnTrack

the LCFF priority areas, as required under State law, and (ii) accountability measures required under the provisions of the federal Every Student Succeeds Act. Performance by individual LEAs and schools under the Accountability System is reported through the State's California School Dashboard (the "Dashboard").

The Accountability System measures performance in the following priority areas using various state and local indicators:

Priority Areas	State Indicator	Local Indicator
Basic Services or Basic Condition at schools	N/A	Appropriately assigned teachers, access to curriculum-aligned instructional materials, and safe, clean and functional school facilities
Implementation of State Academic Standards	N/A	Progress in implementing state academic standards
Parent Engagement	N/A	Progress in seeking input from parents in decision making and promoting parental participation in programs
Student Achievement	• Academic Performance (Grades 3-8 and Grade 11); • English Learners Progress	N/A
Student Engagement	• Graduation Rate; • Chronic Absenteeism	N/A
School Climate	Suspension Rate	Administration of a local climate survey at least every other year that provides a valid measure of perceptions of school safety and connectedness to students in at least one grade within the grade span(s) that the LEA serves (e.g., K-5, 6-8, 9-12)
Access to a Broad Course of Study	N/A	Annually measures progress on the extent students have access to, and are enrolled in, a broad course of study
Outcomes in a Broad Course of Study	College/Career	N/A

Source: California Department of Education.

State Indicators. The Accountability System measures performance on state indicators through a combination of current performance ("Status") and improvement over time ("Change"). Both Status and Change are weighted equally, and scores approved by SBE serve as performance standards based on the state-wide distribution of Status and Change for each indicator. For each state indicator, a school or LEA will be assigned (i) a Status level of Very High, High, Medium, Low or Very Low; and (ii) a Change level of Increased Significantly, Increased, Maintained, Declined or Declined Significantly. For each state indicator, the combination of Status level and Change level yields a performance level of Blue, Green, Yellow, Orange or Red, with Blue representing the highest performance and Red indicating the lowest performance. Any performance level below Green indicates that improvement is needed.

Local Indicators. The local indicators require LEAs (including individual charter schools) to determine whether they have Met, Not Met, or Not Met for More than Two Years the standards for each local indicator. For each local indicator, LEAs (and charter schools) must (i) measure their progress using locally available information, (ii) report the results at a regularly scheduled public meeting of the LEA's (or charter school's) local governing board, and (iii) upload the results to the public through the Dashboard.

School Performance Overview. Each LEA and school's School Performance Overview provides the performance level for all students on state and local indicators, including how the current year (status) compares to prior years (change) for each state indicator. Status and change each have five possible levels, which are displayed with the data for each indicator.

Below and on the following page are the State and local indicators for 2018 for TEACH Tech and TEACH Academy. TEACH Prep's first year of operation was 2018-19, and will not have results on the Dashboard until fall 2019.

TABLE 17
CALIFORNIA SCHOOL DASHBOARD STATE AND LOCAL INDICATORS
2018
TEACH Academy

State Indicators	All Students Performance[1]	Status	Change
Chronic Absenteeism [2]		20% chronically absent	Increased *(+6.2%)*
Suspension Rate [3]		0% suspended at least once	Declined *(-0.6%)*
English Learner Progress [4]	--	Level 4: 12.1%; Level 3: 34.5% Level 2: 39.7%; Level 1: 13.8%	N/A
English Language Arts [5]		65.2 points below standard	Declined *(-10.3 points)*
Mathematics [5]		129.6 points below standard	Declined *(-22.6 points)*

Local Indicators	Ratings
Basics: Teachers, Instructional Materials, Facilities)	Not Met
Implementation of Academic Standards	Not Met
Parent and Family Engagement	Not Met
Local Climate Survey	Not Met
Access to a Broad Course of Study	Not Met

[TABLE AND FOOTNOTES CONTINUED ON FOLLOWING PAGE]

TABLE 17 (continued)
CALIFORNIA SCHOOL DASHBOARD STATE AND LOCAL INDICATORS
2018
TEACH Tech

State Indicators	All Students Performance[1]	Status	Change
Suspension Rate [3]		0% suspended at least once	Declined *(-0.4%)*
English Learner Progress [4]	--	Level 4: 10.3%; Level 3: 28.2% Level 2: 12.8%; Level 1: 48.7%	N/A
Graduation Rate[6]	--	87.5% graduated	Increased *(+10.2%)*
College/Career[7]	--	42.5% prepared	Increased *(+28.9 points)*
English Language Arts [5]		18.9 points above standard	Maintained *(-2.9 points)*
Mathematics [5]		108.6 points below standard	Declined *(-24.5 points)*

Local Indicators	Ratings
Basics: Teachers, Instructional Materials, Facilities)	Not Met
Implementation of Academic Standards	Not Met
Parent and Family Engagement	Not Met
Local Climate Survey	Not Met
Access to a Broad Course of Study	Not Met

(1) Performance levels include, from highest to lowest, Blue, Green, Yellow, Orange and Red, based on the Status and Change levels for each indicator. Performance levels are not shown

(2) Chronic Absenteeism Status level is based on the number of students absent for 10% or more of instructional days within the 2017-18 school year. Chronic Absenteeism Change level is based on the difference between the chronic absenteeism rates for the 2017-18 and 2016-17 school years.

(3) Suspension Rate Status level is based on the unduplicated number of students suspended within the 2017-18 school year. Suspension Rate Change level is based on the difference between the suspension rates for the 2017-18 and 2016-17 school years.

(4) English Learner Progress Status level is based on the percentage of English Language Proficiency Assessments for California ("ELPAC") test takers scoring at each level in the 2017-18 school year. No Change levels are available for 2018, as the 2017-18 school year was the first year that California transitioned from the California English Language Development Test to the ELPAC.

(5) English Language Arts ("ELA") and Mathematics Status levels are based on the sum of all grades 3-8 and 11 students' distance from the minimum score qualifying a student for "Standards Met" on the ELA or Math 2017-18 Smarter Balanced Assessment, divided by the total number of 2017-18 Smarter Balanced Assessment ELA or Math test takers. English Language Arts and Mathematics Change levels are based on the difference between the current year and prior year Status levels.

(6) Graduation Rate Status level is based on the Class of 2018 graduation rate in the 2017-18 school year. Graduation Rate Change level is based on the difference between the graduation rates for the Class of 2018 and the Class of 2017.

(7) The College/Career performance indicator is based on the percentage of students in the Class of 2018 identified as "Prepared" graduates. College/Career Change level is based on the difference between the percentage of students in the Class of 2018 and the Class of 2017 identified as "Prepared" graduates. A graduate being identified as "Prepared" is based on each student's performance throughout the prior four years (for the Class of 2018, 2014-15, 2015-16, 2016-17 and 2017-18), on the Smarter Balanced Assessments, Advanced Placement exams, and IB exams; whether a student completed the CTE Pathway; whether a student met all UC/CSU requirements; whether a student received a State Seal of Biliteracy; and whether a student completed at least two years of courses with a C- or better and scored 3 or higher on either ELA or Math in Leadership/Military Science.

Source: California Department of Education.

Competing Schools

Competing Schools. The following table below presents a summary of certain demographics and test results for schools located in the vicinity of the Schools' campuses that the management of TEACH regards as possible competing schools, as well as in LAUSD and the State, indicating for each school the enrollment,

percentages of English Learners ("EL") and percentages of recipients of Free and Reduced Price Meals ("FRPM"), and the percentage of socioeconomically disadvantaged students in the grades shown for each school who met or exceeded standards for the Smarter Balanced Assessments in English Language Arts and Math.

TABLE 18
COMPETING SCHOOLS
2018-19
TEACH

TEACH Prep

						Academic Performance (Socioeconomically Disadvantaged)[2]	
School	*Grades*	*Distance to the School*[1]	*Enrollment*	*EL(%)*	*FRPM(%)*	*SBAC ELA Met/Exceeded*	*SBAC Math Met/Exceeded*
TEACH Prep	**K-2**	**--**	80		93.8%		
La Salle Avenue Elementary	K-5	0.4	385		95.3	16.7	9.7
Manhattan Place Elementary 2	K-5	0.9	357		92.2	10.9	4.7
Warren Lane Elementary	K-6	1.2	215		88.4	16.1	6.5
74th Street Elementary	K-5	1.2	475		86.7	30.6	27.2
Raymond Avenue Elementary	K-5	1.4	540		95.9	28.7	20.2
95th Street Preparatory School	K-5	1.7	967		96.0	22.2	23.9
LAUSD	K-4	--	--			36.3	34.5
California	K-4	--	--			37.0	35.6

TEACH Tech

						Academic Performance (Socioeconomically Disadvantaged)[2]	
School	*Grades*	*Distance to the School*[1]	*Enrollment*	*EL(%)*	*FRPM(%)*	*SBAC ELA Met/Exceeded*	*SBAC Math Met/Exceeded*
TEACH Tech	**9-12**	**--**	**365**		**92.9%**	**46.3%**	**9.1%**
Washington Prep HS	9-12	0.5	814		90.0	31.1	7.4
Animo South Los Angeles	9-12	0.6	610		91.3	36.6	10.8
Middle College HS	9-12	1.2	404		85.4	79.0	31.6
Bright Star Secondary Charter	9-12	1.2	518		91.7	60.6	16.1
Alliance Health Services High	9-12	2.3	512		95.9	46.2	23.9
LAUSD	9-12	--	--			49.6	23.0
California	9-12	--	--	10.9	59.0	47.2	20.9

[TABLE AND FOOTNOTES CONTINUED ON FOLLOWING PAGE]

TABLE 18 (continued)
COMPETING SCHOOLS
2018-19
TEACH

TEACH Academy

						Academic Performance (Socioeconomically Disadvantaged)[2]	
School	***Grades***	***Distance to the School***[1]	***Enrollment***	***EL(%)***	***FRPM(%)***	***SBAC ELA Met/Exceeded***[3]	***SBAC Math Met/Exceeded***[3]
TEACH Academy	**5-8**	**--**	**430**		**93.7%**	**26.3%**	**11.4%**
Bret Harte Prep Middle	6-8	1.7	452		96.0	13.9	5.1
Mann UCLA Community Schoool	K-12	2.3	432	21.5	77.1	38.8	28.0
KIPP Academy of Opportunity	5-8	2.6	411		94.4	29.6	19.1
Samuel Gompers Middle	6-8	3.2	428		96.0	24.8	6.2
Alliance Jack H. Skirball	6-8	3.6	446		95.3	47.3	30.9
Charles Drew Middle	6-8	4.6	710		91.4	17.7	9.3
LAUSD	5-8	--	--			36.6	24.7
California	5-8	--	--			38.0	25.1

(1) Represents the distance to the Facility, in miles.
(2) Represents the percentage of students who met or exceeded standards on the State's 2018-19 Smarter Balanced Assessments in English Language Arts and mathematics.
(3) TEACH Prep's first year of operation was 2018-19. TEACH Prep expects to have its first year of results on the Smarter Balanced Assessments following the 2020-21 school year.

Source: TEACH; California Department of Education.

[REMAINDER OF PAGE LEFT BLANK]

Powered by BoardOnTrack

OPERATING AND FINANCIAL INFORMATION

Financial Statements

The consolidated audited financial statements of TEACH (including all three Schools currently operated by TEACH) and its affiliates for the fiscal year ended June 30, 2019 are set forth in "APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF TEACH AND ITS AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2019" attached to this Limited Offering Memorandum. The Borrower (as defined herein) has not had audited financial statements prepared in the past.

Historical Financial Results

The tables on the following pages present the audited statements of activities and changes in net assets for each of the Schools and the consolidated Obligated Group for fiscal years 2014-15 through 2018-19.

TABLE 19
STATEMENT OF ACTIVITIES
2014-15 through 2018-19
TEACH Prep[(1)]

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
REVENUES					
Local Control Funding Formula	--	--	--	--	
Federal revenue	--	--	--	--	
Other State revenue	--	--	--	--	
Local revenue	--	--	--	--	
Fundraising revenue	--	--	--	--	
Total Revenue	--	--	--	--	
EXPENSES					
Program services					
Teacher salaries and benefits	--	--	--	--	
Other student services	--	--	--	--	
Educational programs	--	--	--	--	
Occupancy	--	--	--	--	
Student supplies	--	--	--	--	
Student nutrition	--	--	--	--	
Special education fee	--	--	--	--	
Depreciation	--	--	--	--	
Capital outlay	--	--	--	--	
Subtotal	--	--	--	--	
Management and general					
Support and administrative salaries and benefits	--	--	--	--	
District supervisory fee	--	--	--	--	
Occupancy	--	--	--	--	
Insurance	--	--	--	--	
Other sources and uses	--	--	--	--	
Operating expenses	--	--	--	--	
Subtotal	--	--	--	--	
Fundraising expense	--	--	--	--	
Total Expenses	--	--	--	--	
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	--	--	--	--	
NET ASSETS, BEGINNING OF YEAR	--	--	--	-	
NET ASSETS, END OF YEAR	--	--	--	--	

(1) First year of operation for TEACH Prep was 2018-19.

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Powered by BoardOnTrack

TABLE 20
STATEMENT OF ACTIVITIES
2014-15 through 2018-19
TEACH Tech

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
REVENUES					
Local Control Funding Formula					
Federal revenue					
Other State revenue					
Local revenue					
Fundraising revenue					
Total Revenue					
EXPENSES					
Program services					
Teacher salaries and benefits					
Other student services					
Educational programs					
Occupancy					
Student supplies					
Student nutrition					
Special education fee					
Depreciation					
Capital outlay					
Subtotal					
Management and general					
Support and administrative salaries and benefits					
District supervisory fee					
Occupancy					
Insurance					
Other sources and uses					
Operating expenses					
Subtotal					
Fundraising expense					
Total Expenses					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS					
NET ASSETS, BEGINNING OF YEAR					
NET ASSETS, END OF YEAR					

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Powered by BoardOnTrack

TABLE 21
STATEMENT OF ACTIVITIES
2014-15 through 2018-19
TEACH Academy

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
REVENUES					
Local Control Funding Formula					
Federal revenue					
Other State revenue					
Local revenue					
Fundraising revenue					
Total Revenue					
EXPENSES					
Program services					
Teacher salaries and benefits					
Other student services					
Educational programs					
Occupancy					
Student supplies					
Student nutrition					
Special education fee					
Depreciation					
Capital outlay					
Subtotal					
Management and general					
Support and administrative salaries and benefits					
District supervisory fee					
Occupancy					
Insurance					
Other sources and uses					
Operating expenses					
Subtotal					
Fundraising expense					
Total Expenses					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS					
NET ASSETS, BEGINNING OF YEAR					
NET ASSETS, END OF YEAR					

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Powered by BoardOnTrack

TABLE 22
STATEMENT OF ACTIVITIES
2014-15 through 2018-19
Obligated Group (Consolidated)

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
REVENUES					
Local Control Funding Formula					
Federal revenue					
Other State revenue					
Local revenue					
Fundraising revenue					
Total Revenue					
EXPENSES					
Program services					
Teacher salaries and benefits					
Other student services					
Educational programs					
Occupancy					
Student supplies					
Student nutrition					
Special education fee					
Depreciation					
Capital outlay					
Subtotal					
Management and general					
Support and administrative salaries and benefits					
District supervisory fee					
Occupancy					
Insurance					
Other sources and uses					
Operating expenses					
Subtotal					
Fundraising expense					
Total Expenses					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS					
NET ASSETS, BEGINNING OF YEAR					
NET ASSETS, END OF YEAR					

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Powered by BoardOnTrack

Historical Statements of Financial Position

The following tables set forth the assets, liabilities and net assets of each of the Schools and the consolidated Obligated Group as of June 30 of each year for fiscal years 2014-15 through 2018-19.

TABLE 23
STATEMENT OF FINANCIAL POSITION
2014-15 through 2018-19
TEACH Prep[1]

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
ASSETS					
Current Assets					
Cash and cash equivalents	--	--	--	--	
Accounts receivable	--	--	--	--	
Intracompany receivables	--	--	--	--	
Prepaid expenses	--	--	--	--	
Total Current Assets	--	--	--	--	
Non-Current Assets					
Fixed assets	--	--	--	--	
Less: accumulated depreciation	--	--	--	--	
Total Non-Current Assets	--	--	--	--	
Total Assets	--	--	--	--	
LIABILITIES					
Current Liabilities					
Bank overdrafts	--	--	--	--	
Accounts payable	--	--	--	--	
Deferred revenue	--	--	--	--	
Intracompany payables	--	--	--	--	
Equipment loan, current portion	--	--	--	--	
Revolving loan, current portion	--	--	--	--	
Total Current Liabilities	--	--	--	--	
Long-Term Obligations					
Non-current portion of long-term obligations	--	--	--	--	
Total Liabilities	--	--	--	--	
NET ASSETS					
Unrestricted	--	--	--	--	
Total Liabilities and Net Assets	--	--	--	--	

[1] First year of operation for TEACH Prep was 2018-19.

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Powered by BoardOnTrack

TABLE 24
STATEMENT OF FINANCIAL POSITION
2014-15 through 2018-19
TEACH Tech

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
ASSETS					
Current Assets					
Cash and cash equivalents					
Accounts receivable					
Intracompany receivables					
Prepaid expenses					
Total Current Assets					
Non-Current Assets					
Fixed assets					
Less: accumulated depreciation					
Total Non-Current Assets					
Total Assets					
LIABILITIES					
Current Liabilities					
Bank overdrafts					
Accounts payable					
Deferred revenue					
Intracompany payables					
Equipment loan, current portion					
Revolving loan, current portion					
Total Current Liabilities					
Long-Term Obligations					
Non-current portion of long-term obligations					
Total Liabilities					
NET ASSETS					
Unrestricted					
Total Liabilities and Net Assets					

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Powered by BoardOnTrack

TABLE 25
STATEMENT OF FINANCIAL POSITION
2014-15 through 2018-19
TEACH Academy

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
ASSETS					
Current Assets					
Cash and cash equivalents					
Accounts receivable					
Intracompany receivables					
Prepaid expenses					
Total Current Assets					
Non-Current Assets					
Fixed assets					
Less: accumulated depreciation					
Total Non-Current Assets					
Total Assets					
LIABILITIES					
Current Liabilities					
Bank overdrafts					
Accounts payable					
Deferred revenue					
Intracompany payables					
Equipment loan, current portion					
Revolving loan, current portion					
Total Current Liabilities					
Long-Term Obligations					
Non-current portion of long-term obligations					
Total Liabilities					
NET ASSETS					
Unrestricted					
Total Liabilities and Net Assets					

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Powered by BoardOnTrack

TABLE 26
STATEMENT OF FINANCIAL POSITION
2014-15 through 2018-19
Obligated Group (Consolidated)

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
ASSETS					
Current Assets					
Cash and cash equivalents					
Accounts receivable					
Intracompany receivables					
Prepaid expenses					
Total Current Assets					
Non-Current Assets					
Fixed assets					
Less: accumulated depreciation					
Total Non-Current Assets					
Total Assets					
LIABILITIES					
Current Liabilities					
Bank overdrafts					
Accounts payable					
Deferred revenue					
Intracompany payables					
Equipment loan, current portion					
Revolving loan, current portion					
Total Current Liabilities					
Long-Term Obligations					
Non-current portion of long-term obligations					
Total Liabilities					
NET ASSETS					
Unrestricted					
Total Liabilities and Net Assets					

Sources: TEACH; Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

Retirement Systems

Qualified employees of TEACH participate in the California State Teachers Retirement System ("STRS") and the California Public Employees Retirement System ("PERS"). Employees who are not members of STRS or PERS contribute to social security. TEACH makes employer contributions as required by STRS and PERS.

The information set forth below regarding the STRS and PERS programs, other than the information provided by TEACH regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by TEACH or the Underwriter.

STRS. TEACH's full-time certificated teachers are members of the State Teachers' Retirement System. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources:

Powered by BoardOnTrack

employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, participant employers were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, participant employers and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: A.B. 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Powered by BoardOnTrack

Pursuant to AB 1469, participant employers' contribution rates are increasing over a seven year phase-in period in accordance with the following schedule:

EMPLOYER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	*Participant Employers*
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: A.B. 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease participant employers' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for participant employers and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See "STATE FUNDING OF EDUCATION – General" in the forepart of this Limited Offering Memorandum.

TEACH's contributions to STRS were $151,033 for fiscal year 2015-16, $248,478 for fiscal year 2016-17, $327,072 for fiscal year 2017-18 and $_____ for fiscal year 2018-19. TEACH has budgeted its contribution to STRS to be $_____ for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"),

Powered by BoardOnTrack

which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. The Public Employees' Retirement System ("PERS") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and participant employers (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for schools throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Participating employers are currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See "STATE FUNDING OF EDUCATION – General" in the forepart of this Limited Offering Memorandum. The impact of this appropriation on the 2019-20 and 2020-21 contribution rates has not yet been determined by the Borrower.

TEACH's contributions to PERS were $23,609 for fiscal year 2015-16, $11,472 for fiscal year 2016-17, $50,260 for fiscal year 2017-18 and $_____ for fiscal year 2018-19. TEACH has budgeted its contribution to PERS to be $_____ for fiscal year 2019-20

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Limited Offering Memorandum by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)[1]
Fiscal Years 2010-11 through 2017-18

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[2]	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[4]	--[4]
2014-15	73,325	56,814	16,511	--[4]	--[4]
2015-16	77,544	55,785	21,759	--[4]	--[4]
2016-17	84,416	60,865	23,551	--[4]	--[4]
2017-18[5]	92,071	64,846	27,225	--[4]	--[4]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 16, 2019, the PERS Board (defined below) approved the participant employer contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the "2018 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by $109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for participant employers. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect to the State and all other participant employers in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State and all other participant employers.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the

June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

TEACH can make no representations regarding the future program liabilities of STRS, or whether the TEACH will be required to make additional contributions to STRS in the future above those amounts required under A.B. 1469. TEACH can provide no assurances that any required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to STRS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Among the other changes to STRS, the Reform Act also: (i) requires all new participants enrolled in STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Outstanding Debt

Prior Bonds. On November 2, 2016, the Series 2016 Landlord borrowed the proceeds of the California School Finance Authority's Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2016A and Series 2016B (Taxable), issued in an aggregate par amount of $12,530,000 (the "2016 Bonds"). A portion of the proceeds of the 2016 Bonds were used by the Series 2016 Landlord to acquire the Series 2016 Facilities, which are leased to TEACH pursuant to a Lease Agreement, dated as of November 1, 2016 (the "2016 Lease"). TEACH's payments on the 2016 Lease represents TEACH's obligations in connection with the 2016 Bonds, and are in amounts sufficient to pay debt service on the 2016 Bonds each year. TEACH's obligation to make payments of rent under the 2016 Lease is limited solely to the revenues attributable to TEACH Academy. The 2016 Bonds mature in 2052, and are currently outstanding in the amount of $12,500,000.

Line of Credit. [TO COME]

SB 740

TEACH is currently eligible to receive funding under the California law referred to herein as SB 740, which provides for reimbursement of facilities lease costs of 75% of the actual lease cost to the extent funded by the State up to a limit of $1,184 per unit of classroom based ADA for the 2019-20 school year. This per-ADA amount may increase in future years based on cost of living adjustments. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – SB 740 Facilities Grant Program Funding" in the forepart of this Limited Offering Memorandum. To be eligible for SB 740 reimbursement, a charter school must serve a student population with at least 55% of its student population eligible for free or reduced lunch, or be located in a public elementary school attendance area with such composition. See "TEACH PUBLIC SCHOOLS – Charter Schools Operated by TEACH – Neighborhood and TEACH Network Demographics" herein.

In fiscal year 2018-19, TEACH was awarded $79,544.45 in SB 740 funding for TEACH Prep, $375,562.21 in SB 740 funding for TEACH Tech and $306,863.97 in SB 740 funding for TEACH Academy. There can be no assurance that any particular level of SB 740 funding will be available in fiscal year 2019-20 or any future year, or that the Schools will remain eligible for such funding. See "CERTAIN RISK FACTORS – Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors," "— Specific Risks of Charter Schools – Charter School Law" and "— SB 740 Funding" in the forepart of this Limited Offering Memorandum.

Facility Lease

[TO COME]

Public Charter Schools Grant Program

The California Department of Education administers the Federal Public Charter Schools Grant Program ("PCSGP"), which provides funding to nonprofit entities and local educational agencies to assist in the development to open high-quality charter schools. The primary focus of the PCSGP is to create charter schools that will provide public school choice to students whose assigned traditional public school is chronically low performing. TEACH has received funds through PCSGP for TEACH Academy, in the amount of $600,000, for TEACH Prep, in the amount of $475,000, and for TEACH Tech, in the amount of $250,000.

No Material Litigation

No action, suit, proceeding or investigation at law or in equity, before or by any court, governmental agency or public board or body is pending or, to the knowledge of TEACH or the Borrower, threatened,

affecting the validity of the Series 2019 Leases or the Bonds or contesting the corporate existence of the Borrower, TEACH or its authority to operate pursuant to its charters.

TEACH is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the management of TEACH, the aggregate amount of the uninsured liabilities for such lawsuits and claims will not materially affect the finances of TEACH or its operation of the Schools.

OBLIGATED GROUP PROJECTIONS AND COVERAGE RATIOS

Notwithstanding TEACH's history of performance with respect to its existing charter schools, future financial performance of the Schools may not equal or exceed the projections set forth in this Limited Offering Memorandum. Additionally, TEACH Prep's has limited operational history, as its first year of operation was the 2018-19 school year. No assurance is given that such projections will be met, or that the number of students attending the Schools may not diminish in the future. The projections of revenue and expenses for the Schools contained in this Appendix A are based upon the number of students projected to be enrolled at the Schools and were prepared by TEACH for the Borrower and have not been independently verified by any party other than TEACH. See "THE SCHOOLS – Enrollment, Attendance, Demographics and Student Retention" herein for information regarding current and projected enrollment of the Schools.

No feasibility studies have been conducted with respect to operations of the Series 2019 Facilities pertinent to the Bonds. The projections are "forward-looking statements" and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified the Borrower's projections set forth in Appendix A or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Bonds will be outstanding.

TEACH PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "INTRODUCTION" IN THE FOREPART OF THIS LIMITED OFFERING MEMORANDUM FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

The table on the following page sets forth the actual and projected consolidated net operating school revenue and consolidated base rent coverage ratio and consolidated days cash on hand for the Obligated Group Schools, for fiscal years 2010-20 through 2023-24.

TABLE 27
PROJECTED CONSOLIDATED NET OPERATING SCHOOL REVENUE, CONSOLIDATED BASE RENT COVERAGE RATIO AND CONSOLIDATED DAYS CASH ON HAND
2019-20 through 2023-24
The Obligated Group Schools

			Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24
		ENROLLMENT					
		Grades Served					
		Enrollment					
		ADA %					
		Average Daily Attendance ("ADA")					
		REVENUE					
		State Aid - Revenue Limit					
		Other State Revenue					
		Federal Revenue					
		SB740 Income[1]					
		Other Local Revenue					
		Total Revenues					
		EXPENSES					
		Certificated Salaries					
		Classified Salaries					
		Employee Benefits					
		Books & Supplies					
		Subagreement Services					
		Operating & Housekeeping Services					
		Other Services & Operations[2]					
		Other Direct & Indirect Expenses					
		Rentals, Leases, Repairs & Noncapitalized Improvements[3]					
		2016 Bonds Net Debt Service					
		2019 Bonds Net Debt Service[4]					
		Total Expenses					
		Net Income					
	[A]	Add Back: Rentals, Leases, Repairs & Noncapitalized Improvements[3]					
		Add Back: 2016 Bonds Net Debt Service					
	[B]	Add Back: 2019 Bonds Net Debt Service[4]					
	[C]	**Net Operating School Revenue**					
[A+B]	[D]	Base Rent					
(C/D)	[E]	**Base Rent Coverage Ratio**[5]					

			2019-20	2020-21	2021-22	2022-23	2023-24
		Beginning Cash Balance					
		Plus: Net Income					
		Plus: Reimbursements[6]					
	[F]	**Ending Cash Balance**[7]					
		Total Expenses					
		Less: (Base Rent)					
		Add: Maximum Annual Base Rent					
	[G]	**Operating Expenses for OG Schools**					
(G/365)	[H]	**Average Daily Expenses**					
(F/H)	[I]	**Days Cash on Hand**[8]					

[FOOTNOTES TO COME]
Source: TEACH.

THE OBLIGATED GROUP

Wooten & Avila LLC (referred to throughout as the "Borrower") is a California limited liability company, the sole member of which is TEACH and an organization described in Section 501(c)(3) of the Code. The Borrower was formed to support charter schools operated by TEACH and specifically for the purpose of holding title to property and managing, operating and leasing property, collecting income, and conveying the entire amount of such income, less expenses.

Upon the issuance of the California School Finance Authority's Charter School Revenue Bonds (TEACH Public Schools – Obligated Group), Series 2019A and Series 2019B (collectively, the "Bonds"), the California School Finance Authority (the "Authority") will loan the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower. Also upon the issuance of the Bonds, the Series 2019 Facilities (as defined in the forepart of this Limited Offering Memorandum) financed with proceeds of the Bonds will be leased to TEACH from the Borrower pursuant to the Series 2019 Leases. The Series 2019 Facilities will be used by TEACH to operate TEACH Prep and TEACH Tech. See "INTRODUCTION – The Bonds" and "THE BONDS" in the forepart of this Limited Offering Memorandum.

The Borrower is a party to the Master Indenture of Trust (as supplemented, the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1 and a Supplemental Master Indenture for Obligation No. 2, each by and between the Series 2016 Landlord, as representative of the Obligated Group (as defined in the forepart of this Limited Offering Memorandum) and a Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and Wilmington Trust, National Association, as master trustee (the "Master Trustee"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Limited Offering Memorandum.

The activities of the Series 2016 Landlord are consolidated with the activities of TEACH and the Schools in the annual audited financial statements of TEACH. The Borrower has not had audited financial statements in the past, but will be consolidated with the activities of TEACH and the Schools in the future.

Powered by BoardOnTrack

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED _____, 2019

NEW ISSUES—FULL BOOK-ENTRY **NOT RATED**

In the opinion of Kutak Rock LLP, Bond Counsel, in reliance on the opinion of Young, Minney & Corr, LLP, inter alia, that TEACH is an organization described in Section 501(c)(3) of the Code and that the Borrower is a disregarded entity under the Code, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2019A Bonds (including any original issue discount properly allocable to the owner of a Series 2019A Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2019B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.

**$_____*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019A**

**$_____*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019B (TAXABLE)**

Dated: Date of Delivery **Due: June 1 as shown on inside cover**

This cover page contains information for general reference only. It is not intended as a summary of these issues. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision.

The California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A, in the aggregate principal amount of $_____* (the "Series 2019A Bonds" or the "Tax-Exempt Bonds") and the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable), in the aggregate principal amount of $_____* (the "Series 2019B Bonds" or the "Taxable Bonds" and, together with the Series 2019A Bonds, the "Bonds") will be issued by the California School Finance Authority (the "Authority") pursuant to an Indenture, dated as of December 1, 2019 (the "Bond Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). The Authority will loan the proceeds of the Bonds to Wooten Avila LLC (the "Borrower"), a California limited liability company, the sole member of which is TEACH Inc. ("TEACH"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), pursuant to a Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower. The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 2 relating to the Bonds ("Obligation No. 2") issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016, and a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, a California limited liability company, the sole member of which is TEACH, as representative of the Obligated Group and the initial Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and Wilmington Trust, National Association, as master trustee thereunder (the "Master Trustee").

The proceeds of the Bonds will be used to (i) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain charter school educational facilities (as further described herein, the "Series 2019 Facilities"); (ii) fund a debt service reserve account; (iii) fund capitalized interest on a portion of the Bonds; and (iv) pay certain costs of issuance of the Bonds. The Series 2019 Facilities will be leased to TEACH pursuant to those certain lease agreements (each a "Series 2019 Lease" and collectively the "Series 2019 Leases"), each by and between the Borrower and TEACH. TEACH will make payments of Rent under each Series 2019 Lease from revenues derived solely from TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School ("TEACH Prep") and TEACH Tech Charter High School ("TEACH Tech" and, together with TEACH Prep, the "Series 2019 Schools"), respectively, or any other charter school operated by TEACH in a Series 2019 Facility.

The Bonds are limited obligations of the Authority payable from Payments (as defined herein) received under the Bond Indenture (including amounts payable under the Lease) and other amounts held in the funds established by the Bond Indenture (except the Rebate Fund) and payments to be made pursuant to Obligation No. 2. The obligations of the Borrower under the Loan Agreement are payable from the Payments required to be deposited with the Trustee pursuant to the Bond Indenture.

Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing [June] 1, 2020. The Bonds are being issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form (without physical certificates) in initial minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, (i) payments of the principal of and premium, if any, and interest on such Bonds will be made directly to Cede & Co. for payment to DTC participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption will be mailed only to Cede & Co. See "APPENDIX F – BOOK-ENTRY SYSTEM" attached hereto.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described under "THE BONDS – Redemption" herein.

THE PURCHASE AND HOLDING OF THE BONDS INVOLVE RISKS THAT MAY NOT BE APPROPRIATE FOR CERTAIN INVESTORS. THE BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" OR "ACCREDITED INVESTORS" (EACH AS DEFINED HEREIN). IN ADDITION, THE INITIAL PURCHASERS OF THE BONDS WILL BE REQUIRED TO SUBMIT AN INVESTOR LETTER TO THE AUTHORITY AND THE TRUSTEE. See "NOTICE TO INVESTORS" and "TRANSFER RESTRICTIONS" herein.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA (THE "STATE") OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICES (DEFINED HEREIN) OR TO MAKE FUNDS AVAILABLE TO THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the approval of legality by Kutak Rock LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by the Honorable Xavier Becerra, Attorney General of the State of California, the approval of certain matters for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel and the approval of certain matters for the Borrower and TEACH and relating to the Series 2019 Schools by Young, Minney & Corr, LLP, Sacramento, California. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about December__, 2019.*

_____
Honorable Fiona Ma
Treasurer of the State of California
as Agent for Sale

_____

[Stifel logo]

Dated: _____, 2019

* Preliminary, subject to change.

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time of formal award by the Authority. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Powered by BoardOnTrack

MATURITY SCHEDULE*

$_____*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019A

$_____ _____% Term Bonds Priced to Yield _____% due June 1, 20__ CUSIP _____ (1)

$_____*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019B (TAXABLE)

$_____ _____% Term Bonds Priced to Yield _____% due June 1, 20__ CUSIP _____ (1)

---

* Preliminary, subject to change.

† Yield to call at par on June 1, 20__. The Bonds are subject to extraordinary redemption prior to their respective maturity dates. Redemption of Bonds that were purchased at a price greater than the applicable redemption price, prior to the first optional redemption date thereof, June 1, 20__, could reduce the otherwise expected yield on such Bonds. See "THE BONDS – Redemption" and "CERTAIN RISK FACTORS – Extraordinary Redemption of Bonds Prior to First Optional Redemption Date" herein.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Services. None of the Authority, Underwriter and the Borrower are responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Limited Offering Memorandum does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the headings "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" has been furnished by the Authority. All other information set forth herein has been obtained from TEACH, the Borrower and other sources that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, The Depository Trust Company, TEACH or the Borrower since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of these transactions, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute "forward-looking statements." Such statements generally are identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the headings "CERTAIN RISK FACTORS," and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" in this Limited Offering Memorandum. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither TEACH nor the Borrower plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

NOTICE TO INVESTORS

The Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors (each as defined herein). The Bond Indenture under which the Bonds will be issued contains provisions limiting transfers of the Bonds and beneficial ownership interests in the Bonds only to Qualified Institutional Buyers or Accredited Investors. In addition, the face of each Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture and the initial purchasers of the Bonds will be required to execute and deliver to the Authority and the Trustee an investor letter or bondholder representative letter, as appropriate, in the form attached hereto as Appendix H.

Each purchaser of any Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the Authority, the Borrower, the Underwriter and the Trustee as follows:

1. That the Bonds are payable solely from certain revenues derived by the Authority under the Loan Agreement from amounts received by the Trustee pursuant to the Intercepts (as defined herein), and from certain funds and accounts established and maintained pursuant to the Bond Indenture;

2. That it is a Qualified Institutional Buyer or an Accredited Investor and that it is purchasing the Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act") or other applicable securities laws;

3. That the Bonds (a) have not been registered under the Securities Act and are not registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) may not be readily marketable;

4. That none of the Authority or any of its Board members, officers or employees takes any responsibility for, and the purchaser is not relying upon any such parties with respect to the information appearing anywhere in this Limited Offering Memorandum, other than the information under the headings "THE AUTHORITY," and "ABSENCE OF MATERIAL LITIGATION – The Authority" (collectively, the "Authority's Portion" of the Limited Offering Memorandum) and that none of such parties have participated in the preparation of this Limited Offering Memorandum;

5. That the Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers or Accredited Investors; and

6. That the Authority, the Borrower, TEACH, the Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

See "TRANSFER RESTRICTIONS" herein.

TABLE OF CONTENTS

Page

INTRODUCTION **1**

GENERAL 1
THE BONDS 1
AUTHORITY FOR ISSUANCE 2
USE OF PROCEEDS 2
SECURITY FOR THE BONDS 2
REDEMPTION 5
CERTAIN RISK FACTORS 5
MISCELLANEOUS 5

THE AUTHORITY **5**

THE BONDS **5**

GENERAL 5
BOOK-ENTRY ONLY SYSTEM 6
TRANSFER OF BONDS 6
EXCHANGE OF BONDS 7
REDEMPTION 7
DEFEASANCE 11

TRANSFER RESTRICTIONS **13**

ESTIMATED SOURCES AND USES OF FUNDS **13**

THE PROJECT **14**

TEACH PREP PROJECT 15
TEACH TECH PROJECT 18
RESOURCE CENTER PROJECT 20
OTHER PROJECT COSTS 24
APPRAISALS 24

DEBT SERVICE AND BASE RENT SCHEDULE **26**

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS **27**

LIMITED OBLIGATIONS OF THE AUTHORITY 27
BOND INDENTURE 27
THE LOAN AGREEMENT 33
THE MASTER INDENTURE 34
MORTGAGES 40
ADDITIONAL LEASES GOVERNED BY THE MASTER INDENTURE 41

THE LEASES **41**

GENERAL 41
PAYMENT OF RENT 42

CHARTER SCHOOLS **47**

GENERAL 47
CHARTERING AUTHORITY 48
ELEMENTS OF A CHARTER PETITION 48
APPROVAL OR DENIAL OF CHARTER PETITION 50
COUNTYWIDE BENEFIT CHARTER SCHOOLS 51
STATEWIDE BENEFIT CHARTER SCHOOLS 51
CHARTER MANAGEMENT ORGANIZATIONS 52
CHARTER REVOCATION 52
AMENDMENTS TO THE CHARTER SCHOOL LAW 53
GROWTH IN CHARTER SCHOOLS IN CALIFORNIA 55

STATE FUNDING OF EDUCATION **55**

GENERAL 55
ALLOCATION OF STATE FUNDING TO CHARTER SCHOOLS 60

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS **65**

LIMITATIONS ON REVENUES 65
PROPOSITION 30 66
PROPOSITION 2 66
KINDERGARTEN THROUGH COMMUNITY COLLEGE PUBLIC EDUCATION FACILITIES BOND ACT OF 2016 67

TABLE OF CONTENTS (cont'd)

Page

FUTURE INITIATIVES 68

CERTAIN RISK FACTORS 69

SUFFICIENCY OF REVENUES 69
OPERATING HISTORY; RELIANCE ON PROJECTIONS 70
DEPENDENCE ON STATE AID PAYMENTS THAT ARE SUBJECT TO ANNUAL APPROPRIATION AND POLITICAL FACTORS 71
POSSIBLE OFFSETS TO STATE APPORTIONMENT 71
DEFAULT UNDER A LEASE; NO ASSURANCE REGARDING SUBSEQUENT TENANT 72
SURVIVAL OF LEASES AFTER A BOND DEFAULT AND FORECLOSURE 72
ADDITIONAL INDEBTEDNESS AND ADDITIONAL SCHOOL INDEBTEDNESS 72
ADDITION AND REMOVAL OF MEMBERS 73
RESERVE ACCOUNT 73
PURCHASES AND TRANSFERS OF BONDS RESTRICTED TO QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS 73
TAX RELATED ISSUES 73
FACTORS THAT COULD AFFECT THE SECURITY INTEREST IN THE FACILITIES; SUPERIOR LIENS 74
CONSTRUCTION RISKS 75
LIMITATIONS OF APPRAISALS 75
LIMITATIONS ON VALUE OF THE FACILITIES AND TO REMEDIES UNDER THE MORTGAGES 75
BANKRUPTCY 77
FACTORS ASSOCIATED WITH THE SCHOOLS' OPERATIONS 78
STATE FINANCIAL DIFFICULTIES 78
BUDGET DELAYS AND RESTRICTIONS ON DISBURSEMENT OF STATE FUNDS DURING A BUDGET IMPASSE 79
KEY MANAGEMENT 79
OTHER LIMITATIONS ON ENFORCEABILITY OF REMEDIES 80
SPECIFIC RISKS OF CHARTER SCHOOLS 80
CLAIMS AND INSURANCE COVERAGE 82
RISK OF NONCONTINUED PHILANTHROPY OR GRANTS 82
FAILURE TO PROVIDE ONGOING DISCLOSURE 83
USE OF FACILITIES 83
NO RATING ON THE BONDS 83
SB 740 FUNDING 83
CYBERSECURITY 83
EXTRAORDINARY REDEMPTION OF BONDS PRIOR TO FIRST OPTIONAL REDEMPTION DATE 84

ABSENCE OF MATERIAL LITIGATION 84

THE AUTHORITY 84
THE BORROWER 84

TAX MATTERS 84

THE SERIES 2019A BONDS 84
THE SERIES 2019B BONDS 86
RECOGNITION OF INCOME GENERALLY 90
CHANGES IN FEDERAL AND STATE TAX LAW 90

APPROVAL OF LEGALITY 90

NO RATING 90

MUNICIPAL ADVISOR 91

LIMITED OFFERING OF BONDS 91

CONTINUING DISCLOSURE 91

UNDERWRITING 91

MISCELLANEOUS 92

APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP A-1
APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF TEACH AND AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2018 ..... B-1
APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS C-1
APPENDIX D – SUMMARY OF THE LEASES D-1
APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT E-1
APPENDIX F – BOOK-ENTRY SYSTEM F-1
APPENDIX G – FORM OF OPINION OF BOND COUNSEL G-1
APPENDIX H – FORMS OF INVESTOR LETTER H-1

**$_____*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019A**

**$_____*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(TEACH PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2019B (TAXABLE)**

INTRODUCTION

General

This Limited Offering Memorandum, including the cover page, the inside cover page, and Appendices hereto (the "Limited Offering Memorandum"), is provided to furnish information with respect to the sale and delivery of the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A, in the aggregate principal amount of $_____* (the "Series 2019A Bonds" or the "Tax-Exempt Bonds") and the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable), in the aggregate principal amount of $_____* (the "Series 2019B Bonds" or the "Taxable Bonds" and, together with the Series 2019A Bonds, the "Bonds") issued by the California School Finance Authority (the "Authority").

The Bonds

The Bonds will be issued pursuant to Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act") and a Bond Indenture, dated as of December 1, 2019 (the "Bond Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). The Bonds will bear interest payable on June 1 and December 1 of each year, commencing [June] 1, 2020 (each such date, an "Interest Payment Date") and will be subject to optional, mandatory and extraordinary redemption prior to maturity as set forth under "THE BONDS – Redemption" herein. The proceeds of the Bonds will be loaned to Wooten Avila LLC, a California limited liability company (the "Borrower"), pursuant to a Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower. TEACH, Inc. ("TEACH"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), is the sole member of the Borrower.

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 2 relating to the Bonds ("Obligation No. 2") issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016 (the "First Supplemental Master Indenture") and a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, a California limited liability company, the sole member of which is TEACH (the "Series 2016 Landlord"), as representative of the Obligated Group and the initial Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and Wilmington Trust, National Association, as master trustee thereunder (the "Master Trustee"). See "THE BONDS" herein.

The facilities financed with proceeds of the Bonds will be leased to TEACH pursuant to those certain lease agreements (each a "Series 2019 Lease" and, collectively, the "Series 2019 Leases") each by and between TEACH and the Borrower. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

* Preliminary, subject to change.

The Bonds will be issued in initial minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof and in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and beneficial ownership interests in the Bonds are to be sold (including secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. Pursuant to the Bond Indenture, "Qualified Institutional Buyer" means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act. Pursuant to the Bond Indenture, Accredited Investor means an "accredited investor" as defined in Regulation D promulgated under the Securities Act. The Bond Indenture and the Bonds contain provisions limiting transfers of the Bonds and beneficial ownership interests in the Bonds to Qualified Institutional Buyers or Accredited Investors. In addition, each initial purchaser of the Bonds must execute an investor letter or bondholder representative letter, as appropriate, in the form of "APPENDIX H – FORMS OF INVESTOR LETTER" in connection with its initial purchase of the Bonds. The face of each Bond will contain a legend indicating that such Bond is subject to the transfer restrictions set forth in the Bond Indenture. See "TRANSFER RESTRICTIONS" and "CERTAIN RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors" herein.

Authority for Issuance

The Bonds will be issued by the Authority pursuant to the Act, a resolution of the Authority, and the Bond Indenture. See "THE AUTHORITY" herein.

Use of Proceeds

The proceeds of the Bonds will be used to (i) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain public charter school facilities (as more fully described herein, the "Series 2019 Facilities"); (ii) fund a debt service reserve account; (iii) fund capitalized interest on a portion of the Bonds; and (iv) pay certain costs of issuance of the Bonds. The Facilities will be used by TEACH for the operation of the following public charter schools (each a "Series 2019 School" and, together, the "Series 2019 Schools"): TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School ("TEACH Prep") and TEACH Tech Charter High School ("TEACH Tech"). See "THE PROJECT" herein and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

Security for the Bonds

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement, the Intercepts (as defined below), and Obligation No. 2 issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to the Master Indenture, as supplemented by the First Supplemental Master Indenture and the Second Supplemental Master Indenture, by and between the Series 2016 Landlord, as representative of the Obligated Group and the initial Member of the Obligated Group, the Borrower, as a Member of the Obligated Group, and the Master Trustee.

Pursuant to and to the extent described in the Bond Indenture, the Authority assigns to the Trustee certain of the Authority's rights under the Loan Agreement, including the right to receive payments thereunder, but excluding any deposits to the Rebate Fund. Pursuant to the Loan Agreement, the Borrower certifies that it will cause TEACH to make payments of Rent under each Series 2019 Lease directly to the Master Trustee for deposit in the Revenue Fund. Payment of management fees to TEACH from the revenues of the Series 2019 Schools will be subordinated to the obligation to pay Rent under the Series 2019 Leases. See "THE LEASES" herein. Pursuant to the Mortgages (as defined herein), the Borrower grants to the Master Trustee a first priority lien on each Series 2019 Facility. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Pursuant to the Bond Indenture, the Trustee will hold a portion of the proceeds of the Bonds, as well as other amounts deposited by the Borrower pursuant to the Loan Agreement, if any, in a Reserve Account for the payment of debt service on the Bonds to the extent payments of Rent under the Series 2019 Leases are insufficient. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Assignment of Payments and Other Amounts, Loan Agreement, Leases, and Mortgages – Reserve Account" herein.

Cross-Collateralization; Additional Monthly Payments. TEACH will pay Rent under each Lease solely from revenues derived from or attributable to the charter schools identified therein. A shortfall in payment of Base Rent when due from revenues of any such charter school will result in additional Rent payments ("Additional Monthly Payments") becoming due under the other Leases (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Cross-Collateralization; Additional Monthly Payments" and "THE LEASES – Payment of Rent."

State Intercept Program. In connection with the issuance of the Bonds, TEACH will provide instructions to the State Controller's Office (the "State Controller") to make apportionments (each an "Intercept") to the Trustee with respect to each of the Series 2019 Schools, in amounts and on dates provided in a written notice (each an "Intercept Notice"), which amounts are expected to be sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to the Intercepts constitute Payments (as defined in the Bond Indenture) and will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture, including the payment of debt service on the Bonds. Under the laws of the State of California (the "State"), no party, including TEACH, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercepts. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN RISK FACTORS – Bankruptcy" below.

Limited Obligations. The Bonds are limited obligations of the Authority. The Authority is not obligated to advance any moneys derived from any source other than Payments (as defined below) and other assets pledged under the Bond Indenture, whether for the payment of the principal or redemption price of or interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

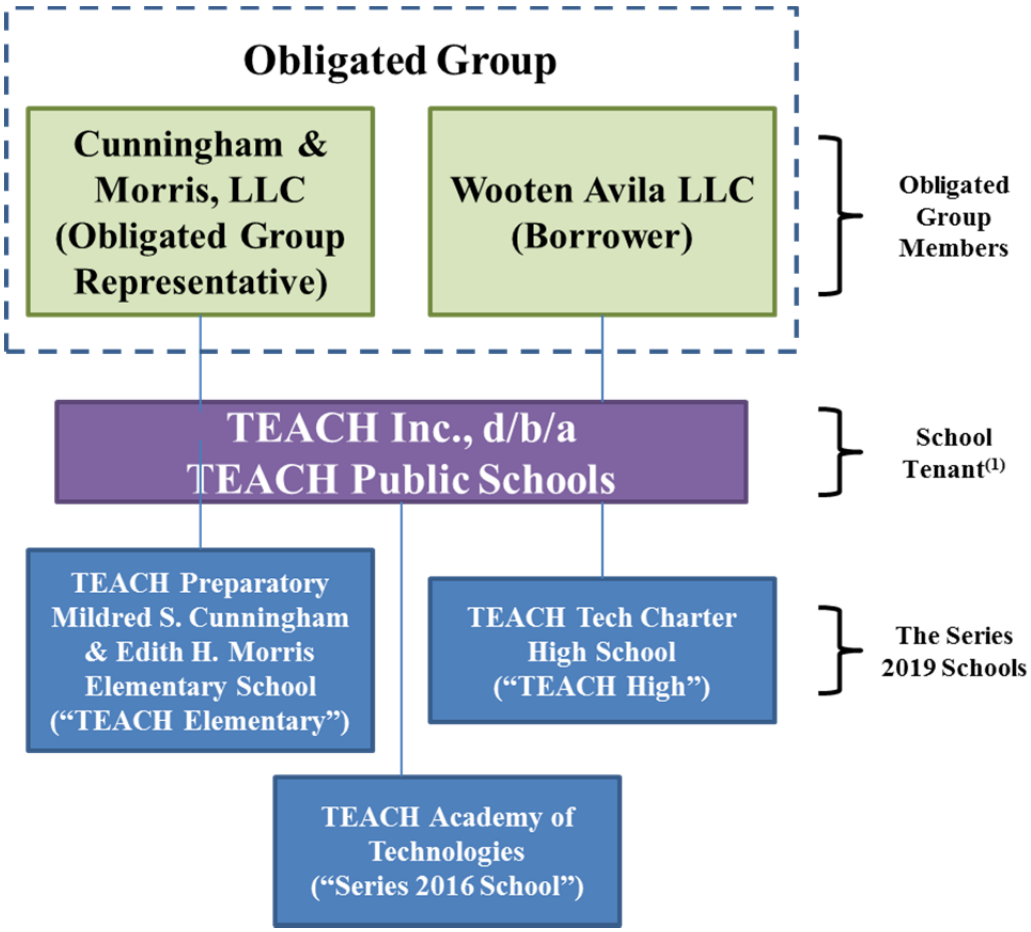
Parity Obligations; Prior Bonds. Obligation No. 2 is payable on parity with Obligation No. 1, dated as of October 1, 2016, in the aggregate principal amount of $12,530,000, issued pursuant to the Master Indenture, as supplemented by the First Supplemental Master Indenture. Obligation No. 1 was issued in connection with the California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2016A and Series 2016B (Taxable) (collectively, the "Series 2016 Bonds"), of which an aggregate principal amount of $12,500,000 is currently outstanding, issued by the Authority pursuant to an Indenture, dated as of October 1, 2016, by and between the Authority and Wilmington Trust, National Association, as trustee thereunder (the "Prior Bonds Trustee").

A portion of the proceeds of the Series 2016 Bonds were used to finance certain costs of the acquisition and improvement of certain public charter school facilities (the "Series 2016 Facility" and, together with the Series 2019 Facilities, the "Facilities"), which Series 2016 Facility is leased to TEACH pursuant to that certain Lease Agreement (the "Series 2016 Lease" and, together with the Series 2019 Leases, the "Leases") by and between TEACH and the Series 2016 Landlord (together with the Borrower, the "Landlords").

Obligated Group and Related Parties. The Borrower was formed in July 2018 for the purpose of leasing certain properties for the operation of charter schools. Upon the issuance of the Bonds, the Borrower will have a fee simple interest in each Series 2019 Facility, and lease each Series 2019 Facility to TEACH.

In connection with the issuance of the Series 2016 Bonds, the Series 2016 Landlord entered into the Master Indenture, on its own behalf and as representative of the Obligated Group, with the Master Trustee. Under the Master Indenture, each member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all required payments at the place, on the dates and in the manner provided in the Master Indenture and related supplements and obligations and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture and related supplements and obligations. The Series 2016 Landlord leases the Series 2016 Facility to TEACH pursuant to the Series 2016 Lease for the operation of TEACH Academy of Technologies (the "Series 2016 School" and, together with the Series 2019 Schools, the "Schools").

Upon the issuance of the Bonds, the Members of the Obligated Group will consist of the Borrower and the Series 2016 Landlord. The Series 2016 Landlord also serves as the Obligated Group Representative. Although additional members may be added to the Obligated Group in connection with future projects and financings, the Borrower and TEACH make no assurances that additional members will be added to the Obligated Group. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture" herein. The following diagram summarizes the relationships between the Borrower, the Series 2016 Landlord, TEACH and the Schools.



(1) TEACH holds the charters for each of the Schools and serves as the tenant under each Lease. Rent under each Lease is payable solely from the revenues derived from the School operated at the Facility subject to such Lease, and any other TEACH schools that may operate in such Facility leased from a Member of the Obligated Group in the future. See "THE LEASES" herein. Revenues generated from any other schools whose charters are held and/or that are operated and/or managed by TEACH, other than the Schools, or assets and revenues generated from sources other than the Related Projects (as defined in the Master Indenture), are not available for payment of Rent or otherwise available to the Authority, Master Trustee, Trustee, Investors and/or Bondholders.

Redemption

The Bonds will be subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described below under "THE BONDS – Redemption."

Certain Risk Factors

The Bonds may not be a suitable investment for all investors. Prospective purchasers of the Bonds should read this entire Limited Offering Memorandum, including the appendices and the information under the section "CERTAIN RISK FACTORS" before making an investment in the Bonds.

Miscellaneous

This Limited Offering Memorandum contains brief descriptions of, among other things, the Bonds, the Bond Indenture, the Loan Agreement, the Leases, the Master Indenture, the Second Supplemental Master Indenture, Obligation No. 2, the Borrower, TEACH and the Schools. All references in this Limited Offering Memorandum to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Bond Indenture. TEACH maintains a website providing additional information about itself and its operations. The information on such website is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum. Any capitalized terms in this Limited Offering Memorandum that are not defined herein will have such meaning as given to them in the Bond Indenture.

THE AUTHORITY

The Authority is a public instrumentality of the State of California created pursuant to provisions of the Act. The Authority is authorized to issue the Bonds under the Act and to make the loan contemplated by the Loan Agreement and to secure the Bonds by a pledge of the Payments and certain other funds and accounts as provided in the Bond Indenture.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference.

General

The Bonds are being issued pursuant to the Bond Indenture in the aggregate principal amount set forth on the cover of this Limited Offering Memorandum. The Bonds will initially be delivered as registered Bonds in minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof ("Authorized Denominations"), and will be transferable and exchangeable only as set forth in the Bond Indenture and as described herein. See "TRANSFER RESTRICTIONS" herein. The Bonds will be dated the date of issuance and will bear interest at the rates set forth on the inside cover page hereof from their dated date. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable in arrears on each Interest Payment Date. The Bonds will mature in the amounts and in each of the years as set forth on the inside cover page hereof.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC, and will be evidenced by one Bond for each maturity of a Series in the total aggregate principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Bond Indenture. So long as Cede & Co. is the registered owner of the Bonds, as

nominee of DTC, references herein to the Bondholders, holders or registered owners will mean Cede & Co. as aforesaid and will not mean the "beneficial owners" of the Bonds.

The principal and redemption price of and interest on the Bonds will be payable in lawful money of the United States of America upon surrender at the principal corporate trust office of the Trustee. The interest on any Bond will be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof as of the close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date (the "Record Date"), such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of $1,000,000 or more in an aggregate principal amount of the Bonds will be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such Holder will designate in writing to the Trustee by the applicable Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Trustee to Cede & Co., as nominee for DTC.

Any interest not punctually paid or duly provided for will thereafter cease to be payable to the Bondholder on such Record Date and will be paid to the person in whose name the Bond is registered at the close of business on the date established by the Trustee pursuant to the Bond Indenture as a record date for the payment of defaulted interest on the Bonds (the "Special Record Date"). The Special Record Date will be fixed by the Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities without coupons in Authorized Denominations. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of a Series of Bonds set forth on the inside cover of this Limited Offering Memorandum, and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see "APPENDIX F – BOOK-ENTRY SYSTEM" attached hereto.

Transfer of Bonds

Beneficial ownership interests in the Bonds may not be purchased by, or transferred to, any person except a Qualified Institutional Buyer or an Accredited Investor. During any period of time when the Bonds are not subject to a system of book-entry only transfers, any Bond may be transferred upon the books kept by the Trustee, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of any such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee. The Trustee will conclusively rely upon such written instrument of transfer as evidence that the transferee is a Qualified Institutional Buyer or an Accredited Investor, as defined in the Bond Indenture. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds, of the same series and maturity and for a like aggregate principal amount of Authorized Denominations. The Trustee will require the Holder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. No registration of transfers of Bonds shall be required to be made during the period established by the Trustee for selection of Bonds for redemption and after a Bond has been selected for redemption. The Bonds are subject to certain transfer restrictions under the Bond Indenture, as described herein under "TRANSFER RESTRICTIONS."

Exchange of Bonds

Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of the Bonds of the same series and maturity of other Authorized Denominations. The Trustee will require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there will be no other charge to any Holder for any such exchange.

Redemption[*]

As described below, the Bonds are subject to extraordinary optional and mandatory redemption prior to their stated maturities. Extraordinary optional or mandatory redemption of Bonds that were purchased at a price greater than the applicable redemption price, prior to the first optional redemption date thereof, could reduce the otherwise expected yield on such Bonds. See "CERTAIN RISK FACTORS – Extraordinary Redemption of Bonds Prior to First Optional Redemption Date" herein.

Optional Redemption. The Series 2019A Bonds maturing on or after June 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the Borrower from any amounts in the Redemption Fund, in whole or in part on any date on or after June 1, 20__, at a redemption price equal to 100% of the principal amount of the Series 2019A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to their stated maturity, at the option of the Borrower, as a whole or in part on any date from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Optional Construction Related Redemption. The Bonds are subject to redemption in part prior to their stated maturities, at the option of the Borrower, from excess funds on deposit in the Project Fund following Completion of the Project, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Optional Redemption Relating to Revocation of School Charter. The Bonds are subject to redemption in part prior to their stated maturity, on any date, at the option of the Borrower, in the event the charter of any School is revoked by its authorizer and has no further appeal rights, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Mandatory Redemption due to Change of Use. The Bonds are subject to redemption prior to their stated maturity, as a whole or in part, on any date from Loan prepayments made by the Borrower in the event the Project is used or operated in any manner that violates the provisions of the Act, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Mandatory Redemption from Escrowed Project Proceeds. The Bonds are subject to redemption, prior to their stated maturity, in whole or in part, on any date on or before [_____] 1, 20[__] from (i) escrowed proceeds of the Bonds transferred to the Redemption Fund from the TEACH Prep Subaccount in accordance with the Bond Indenture, (ii) escrowed proceeds of the Bonds transferred to the Redemption Fund from the Resource Center Subaccount in accordance with the Bond Indenture, and (iii) amounts transferred to the Redemption Fund from the Reserve Account and the Capitalized Interest

[*] Preliminary, subject to change.

Subaccount in connection with transfers described in the preceding clause (i), at a redemption price equal to 100% of the principal amount of the Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, plus an amount equal to the unamortized portion of the net original issue premium thereon as set forth in the schedule below, on the earliest date for which notice of redemption can reasonably be given in accordance with the Bond Indenture.

	Unamortized Net Original Issue Premium as of Redemption Date, per $100 of Principal Amount[1]				
Bond Maturing (June 1)	**December __, 2019**	**June 1, 2020**	**December 1, 2020**	**June 1, 2021**	**December 1, 2021[2]**

(1) The unamortized portion of the net original issue premium with respect to Bonds subject to redemption hereunder on any date other than the semi-annual dates set forth herein shall be interpolated on a straight-line basis.

(2) Pursuant to the Bond Indenture, if the applicable draw requirements for the Resource Center Subaccount or the TEACH Prep Subaccount have not been satisfied on or prior to _____, 20__,* then all moneys on deposit therein will be transferred to the Redemption Fund and applied to redeem Bonds as described above on the earliest date for which notice of redemption can reasonably be given in accordance with the Bond Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Escrowed Project Proceeds" and "CERTAIN RISK FACTORS – Construction Risks" herein.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Escrowed Project Proceeds" and "CERTAIN RISK FACTORS – Construction Risks" herein.

Mandatory Sinking Account Redemption. The Series 2019A Term Bonds maturing June 1, 20__, are subject to redemption prior to their stated maturity date in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on June 1, 20__ and on each June 1 thereafter, to and including June 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Series 2019A Term Bonds Maturing
June 1, 20__

Mandatory Redemption Date	Principal Amount
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__ †	

† Maturity Date.

The Series 2019A Term Bonds maturing June 1, 20__, are subject to redemption prior to their stated maturity date in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on June 1, 20__ and on each June 1 thereafter, to and including June 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

* Preliminary, subject to change.

Series 2019A Term Bonds Maturing
June 1, 20__

Mandatory Redemption Date	Principal Amount
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__ †	

† Maturity Date.

The Series 2019B Term Bonds maturing June 1, 20__, are subject to redemption prior to their stated maturity date in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on June 1, 20__ and on each June 1 thereafter, to and including June 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Series 2019B Term Bonds Maturing
June 1, 20__

Mandatory Redemption Date	Principal Amount
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__ †	

† Maturity Date.

Notice of Redemption. In connection with the redemption of Bonds (other than mandatory sinking fund redemption) the Borrower will give written notice of redemption to the Trustee (with a copy to the Authority) not less than 30 days prior to the redemption date (or such shorter notice as may be acceptable to the Trustee). Notice of redemption of any Bonds will be given by the Trustee upon the written request of the Borrower. Notice of any redemption of Bonds will be mailed postage prepaid by the Trustee not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Holders thereof at the addresses appearing on the Bond registration books described in the Bond Indenture, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption will contain all of the following information: (a) the date of such notice; (b) the name of the Bonds and the date of issue of the Bonds; (c) the redemption date; (d) the redemption price; (e) the dates of maturity of the Bonds to be redeemed; (f) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (g) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (i) a statement that such Bonds must be surrendered by the Holders at the principal corporate trust office of the Trustee, or at such other place or places designated by the Trustee; (j) a statement that such redemption is conditioned upon the receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price or upon the happening of such other event as is set forth in such Conditional Notice (as defined herein), and if such moneys are not so received said notice will be rescinded and the redemption will be cancelled; (k) a statement that any notice of redemption may be rescinded as provided in the Bond Indenture; and (l) notice that further interest on such Bonds, if any, will not accrue from and after the designated redemption date.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers provided therein or on the Bonds.

If money is not received as described in the Bond Indenture, the Trustee, within a reasonable time after the date on which such redemption was to occur, shall give notice to the persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of the Bonds pursuant to the notice of redemption.

Any notice of optional redemption may state that such redemption will be conditioned ("Conditional Notice") upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed or upon the occurrence of such other event or condition as shall be set forth in such Conditional Notice, and that, if such moneys shall not have been so received, or if such other event or condition shall have occurred or failed to occur (as the case may be), such Conditional Notice shall be of no force and effect and the redemption of the Bonds specified in the Conditional Notice shall no longer be required. The Trustee will within a reasonable time thereafter give notice, in the manner in which the original Conditional Notice was given, of the cancellation of such redemption.

Notwithstanding the foregoing, in connection with the redemption of any Bonds held through the book-entry-only system of the Depository Trust Company ("DTC"), in the event of any conflict between the notice requirements of the Indenture and the requirements and procedures of DTC, the requirements and procedures of DTC will control.

Effect of Notice. A certificate of the Trustee or the Borrower that notice of call and redemption has been given to Holders as provided in the Bond Indenture and as may be further required in the Continuing Disclosure Agreement will be conclusive as against all parties. The actual receipt by the Holder of any Bond or any other party of notice of redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest, if any, on the date fixed for redemption.

When notice of redemption has been given as provided for in the Bond Indenture, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Bond Indenture, the Bonds designated for redemption will become due and payable on the specified redemption date and interest, if any, will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the redemption premium thereon, if any, only to the escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Trustee and will not be reissued.

Right to Rescind Notice of Extraordinary Redemption. Upon written notice, or notice, promptly confirmed by written notice, from the Borrower that the Borrower has cured the conditions that caused the Bonds to be subject to extraordinary redemption, the Borrower may rescind any extraordinary redemption and notice thereof on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Holders of the Bonds so called for redemption, with a copy to the Trustee. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Holder of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Bonds there will be available in the Redemption Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the premiums payable as provided, if any, the Bonds designated in said notice of redemption.

Such monies so set aside in the Redemption Fund or in the escrow fund established for such purpose will be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds, provided that all monies in the Redemption Fund will be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date will be paid from the Redemption Fund, unless otherwise provided for to be paid from an escrow fund established for such purpose. If, after all of the Bonds of a series have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Redemption Fund or otherwise held in trust for the payment of redemption price of the Bonds of such series, said monies will be held in or returned or transferred to the Redemption Fund for payment of any Outstanding Bonds of the Borrower payable from said fund; provided, however, that if said monies are part of the proceeds of refunding bonds of the Borrower, said monies will be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such refunding bonds of the Borrower are at such time Outstanding, said monies will be transferred to the general fund of the Borrower as provided and permitted by law.

Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of the Bond Indenture and less than all of the Outstanding Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed from the Outstanding Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in inverse order of maturity or in such other order of maturity as shall be specified in a Request of the Borrower and the Mandatory Sinking Account Payments shall be reduced pro-rata.

In no event will Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Bonds in denominations greater than minimum Authorized Denominations, the Trustee will assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, will treat such amounts as separate Bonds. The Trustee will promptly notify the Authority and the Borrower in writing of the numbers of the Bonds selected for redemption.

"Outstanding" under the Bond Indenture means all Bonds theretofore, or thereupon being, authenticated and delivered to the Trustee under the Bond Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority has been discharged in accordance with the Bond Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee pursuant to the Bond Indenture.

Defeasance

Discharge of Bond Indenture. Bonds may be paid or caused to be paid in any of the following ways, provided that the Borrower also pays or causes to be paid any other sums payable under the Bond Indenture: (a) by paying or causing to be paid the principal of and interest on the Bonds Outstanding as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Bonds Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

If all Bonds then Outstanding are paid or caused to be paid as provided above and all other sums payable under the Bond Indenture are also paid or caused to be paid, and if the Borrower has paid all Additional Payments and any indemnification owed to the Authority and any other fees and expenses payable to the Authority under the Loan Agreement, then and in that case, at the election of the Borrower, and notwithstanding that any Bonds have not been surrendered for payment, the Bond Indenture and the pledge of Payments made under the Bond Indenture and all covenants, agreements and other obligations of the Authority under the Bond Indenture will cease, terminate, become void and be completely discharged and satisfied, except as provided in the Bond Indenture. In such event, upon request of the Borrower, the Trustee will cause an accounting for such period or periods as may be requested by the Borrower to be prepared and filed with the

Borrower and will execute and deliver to the Borrower all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to the Bond Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Trustee.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability of the Authority in respect of such Bond will cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority will remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment; provided further, however, that the provisions of "— Payment of Bonds after Discharge of Bond Indenture" hereinafter will apply in all events.

The Authority or Borrower may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority or Borrower may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay any Bonds, such amount (which may include money or securities held by the Trustee in the funds established pursuant to the Bond Indenture) will be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Bonds and all unpaid interest thereon to maturity, and will be:

(a) lawful money of the United States of America; or

(b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations State and Local Government Series and Zero Coupon United States Treasury Bonds;

provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Bond Indenture or by request of the Authority or the Borrower) to apply such money to the payment of such principal of and interest on such Bonds and provided, further, that the Trustee will have received (i) an Opinion of Bond Counsel to the effect that such deposit will not cause interest on the Tax-Exempt Bonds to be included in the gross income of the holder thereof for federal income tax purposes and that the Bonds to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Trustee verifying that the money or securities so deposited or held together with earnings thereon will be sufficient to make all payments of principal of and interest on the Bonds to be discharged to and including their maturity date.

Payment of Bonds after Discharge of Bond Indenture. Notwithstanding any provision of the Bond Indenture, and subject to applicable escheat laws, any moneys (including interest) held by the Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in the Bond Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will be repaid to the Borrower free from the trusts created by the Bond Indenture, and all liability of the Trustee with

respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Borrower as aforesaid, the Trustee may (at the cost of the Borrower) first mail to the holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof.

TRANSFER RESTRICTIONS

The Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The foregoing limitation will cease to apply (without notice to or consent of any Bondholder) upon and after receipt by the Trustee of a rating letter by Fitch, S&P or Moody's indicating that the Bonds are rated "A-" or "A3," as applicable, or better. The Trustee will as soon as practicable, but in no event more than ten calendar days after receipt by the Trustee of such information, notify each Bondholder that (i) the restrictions set forth in the Bond Indenture requiring that the Beneficial Owners of the Bonds be Qualified Institutional Buyers or Accredited Investors will be of no further force or effect and (ii) the Authorized Denominations of the Bonds will be $5,000 and any multiple in excess thereof. Pursuant to the Bond Indenture, "Qualified Institutional Buyer" means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act. Pursuant to the Bond Indenture, "Accredited Investor" means an "accredited investor" as defined in Regulation D promulgated under the Securities Act.

In addition, the face of each Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture. See "CERTAIN RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors" herein. On or prior to the date of delivery of the Bonds, the initial purchasers of the Bonds will be required to execute and deliver to the Authority and the Trustee an investor letter or bondholder representative letter, as appropriate, in the form attached hereto as APPENDIX H.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds.*

	Series 2019A	*Series 2019B*	*Total*
Sources:			
Bond Principal			
[Net/Aggregate] Original Issue [Premium/Discount]			
Total Sources:			
Uses:			
Project Costs[(1)]			
Capitalized Interest Subaccount[(2)]			
Reserve Account			
Costs of Issuance[(3)]			
Total Uses			

(1) See "THE PROJECT" herein.
(2) Represents capitalized interest on a portion of the Bonds.
(3) Includes legal, printing, underwriting discount and other professional fees and other miscellaneous costs of issuance.

* Preliminary, subject to change.

THE PROJECT

The proceeds of the Bonds will be used to (i) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the Series 2019 Facilities (collectively, the "Project"); (ii) fund a debt service reserve account; (iii) fund capitalized interest on a portion of the Bonds; and (iv) pay certain costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" above.

The following table presents a summary of the components of the Project.

SUMMARY OF THE PROJECT

Project	Location of Facility	Description of Project	Cost*	Use of Facility
TEACH Prep Project	8505 S. Western Avenue, Los Angeles ("TEACH Prep Facility")	Purchase of TEACH Prep Facility and improvements thereto	$6,350,000	Operation of TEACH Prep, currently serving 144 students in kindergarten through 2nd grade
TEACH Tech Project	10616 S. Western Avenue, Los Angeles ("TEACH Tech Facility")	Purchase of TEACH Tech Facility	$13,050,000	Operation of TEACH Tech, currently serving 417 students in grades 9-12
Resource Center Project	10600 S. Western Avenue, Los Angeles ("Resource Center Facility")	Purchase of Resource Center Facility and improvements thereto	$1,900,000	Use by TEACH for a parent outreach center, administrative space and parking

(1) The Borrower expects to acquire the Resource Center Facility pursuant to the Resource Center PSA (as defined herein) following the issuance of the Bonds, on or about January 16, 2020. Until such transaction closes, proceeds expected to be used for the acquisition and renovation of the Resource Center Facility will be held in escrow by the Trustee. See "Resource Center Project – Release of Bond Proceeds" and "THE BONDS – Redemption" herein.

Source: The Borrower.

General. Approximately $6,250,000* of the proceeds of the Bonds will be used to finance the acquisition of the TEACH Prep Facility and approximately $100,000* will be used to finance improvements thereto; approximately $13,050,000* of the proceeds of the Bonds will be used to finance the acquisition of the TEACH Tech Facility; approximately $1,000,000* of the proceeds of the Bonds will be used to finance the acquisition of the Resource Center Facility and approximately $900,000* will be used to finance improvements thereto; and approximately $300,000* of the proceeds of the Bonds will be used by TEACH to finance various improvements at facilities owned by the Borrower and the Series 2016 Landlord. The acquisition of the TEACH Prep Facility and the improvement thereof are referred to herein collectively as the "TEACH Prep Project." The acquisition of the TEACH Tech Facility is referred to herein as the "TEACH Tech Project." The acquisition of the Resource Center Facility and the improvement thereof are referred to herein collectively as the "Resource Center Facility." The TEACH Prep Project, TEACH Tech Project and Resource Center Project are collectively referred to herein as the "Project."

The Resource Center Facility will not be acquired by the Borrower, and accordingly will not constitute a Facility as defined in the Master Indenture, until satisfaction of certain conditions set forth in the Bond Indenture. See "THE PROJECT – Resource Center Project – Release of Bond Proceeds" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgages – Resource Center Facility" herein.

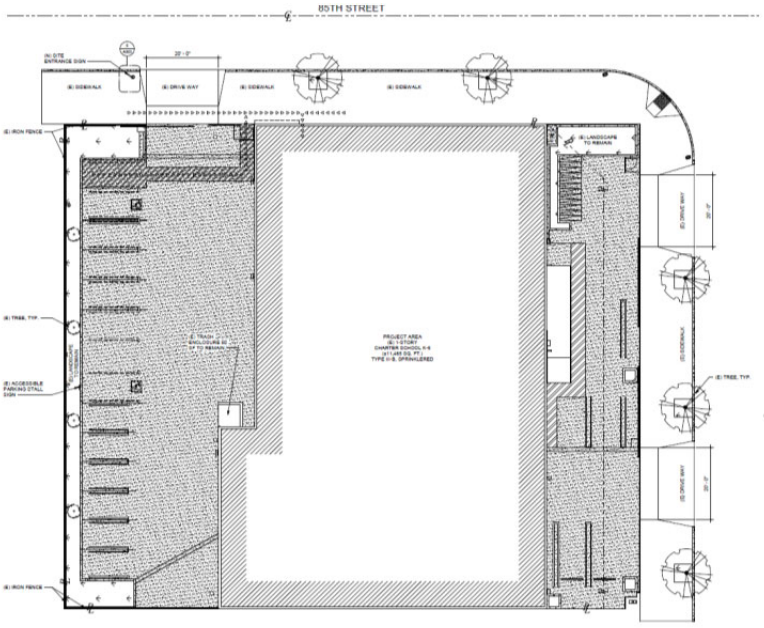
Each of the TEACH Prep Facility, TEACH Tech Facility and Resource Center Facility are also referred to herein as a "Series 2019 Facility" and, collectively, as the "Series 2019 Facilities."

* Preliminary, subject to change.

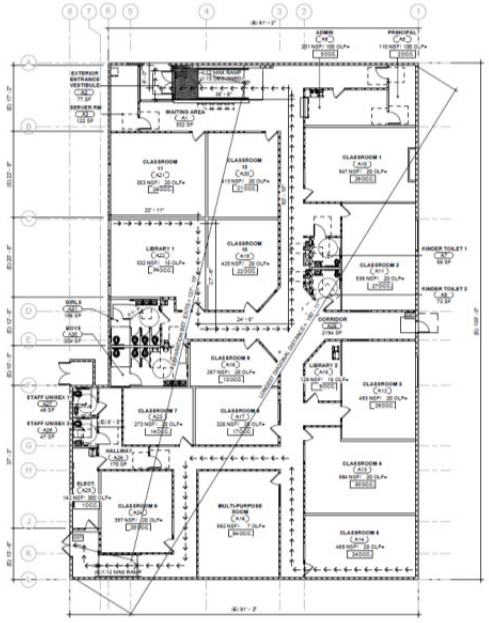
TEACH Prep Project

General. TEACH currently operates TEACH Prep in a facility located at 8505 S. Western Avenue, Los Angeles, California (the "TEACH Prep Site"). The TEACH Prep Site is an approximately 0.46 acre site, bounded on the north by W. 85th Street, on the east by Western Avenue, on the south by a gas station and on the west by single-family residences. The TEACH Prep Site is currently occupied by TEACH pursuant to a lease agreement, dated November 5, 2018 (the "Existing TEACH Prep Lease"), by and between TEACH and Red Hook TEACH III LLC (the "TEACH Prep Seller"), an affiliate of Red Hook Capital Partners, as lessor. TEACH has a 2019-20 school year enrollment of approximately 144 students in kindergarten through grade two at the TEACH Prep Site.

The TEACH Prep Seller acquired the TEACH Prep Site on March 4, 2019 for an acquisition cost of approximately $4 million. As acquired, the TEACH Prep Site was improved with one single-story building built in 1971 consisting of approximately 11,465 square feet, along with adjacent parking lots. The TEACH Prep site had been previously occupied as a grocery store, and had remained vacant since 2016 prior to being occupied by TEACH. The TEACH Prep Seller conducted renovations of the existing building located on the TEACH Prep Site following its acquisition, at a cost of approximately $_____, which has since been completed. As renovated, the TEACH Prep Site includes twelve classrooms, a library, a multipurpose room, staff and student restrooms, administrative offices and a lobby (the TEACH Prep Site, as improved, is referred to herein as the "TEACH Prep Facility").



TEACH Prep Facility Site Plan



TEACH Prep Floor Plan

[DETAILS ON CONSTRUCTION TO COME]

[PHOTO OF FACILITY TO COME]

[PHOTO OF FACILITY TO COME]

[CAPTION]

[CAPTION]

[PHOTO OF FACILITY TO COME]

[PHOTO OF FACILITY TO COME]

[CAPTION]

[CAPTION]

TEACH Prep Facility Acquisition; Release of Bond Proceeds. On October __, 2019, the Borrower and the TEACH Prep Seller entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions (the "TEACH Prep PSA"), whereby the TEACH Prep Seller agrees to sell, and the Borrower agrees to purchase, the TEACH Prep Facility from the TEACH Prep Seller for a purchase price of $6,350,000. The acquisition of the TEACH Prep Facility will not occur until on or about March __, 2020 (the "TEACH Prep Closing Date") due to certain federal tax requirements of the TEACH Tech Seller. Subject to the satisfaction of the requirements set forth below, the Borrower expects to acquire the fee interest in the TEACH Prep Facility on or about the TEACH Prep Closing Date.

Proceeds of the Bonds expected to finance the acquisition and development of the TEACH Prep Facility will be deposited in the TEACH Prep Subaccount of the Project Fund under the Bond Indenture and held by the Trustee, in trust. Proceeds on deposit in the TEACH Prep Subaccount of the Project Fund will be released upon receipt by the Borrower of (i) a grant deed evidencing fee title interest of the Borrower in the TEACH Prep Facility; (ii) a Mortgage for the TEACH Prep Facility to secure the obligations of the Borrower; (iii) a title insurance policy on the TEACH Prep Facility; (iv) evidence of insurance meeting the requirements of the Master Indenture, and evidence of payment of real estate taxes or evidence of an exemption therefrom with respect to the TEACH Prep Facility; (v) the TEACH Prep Lease (as defined below); and (vi) a certificate of the Borrower, as required under the Bond Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Escrowed Project Proceeds" herein.

In the event such conditions are not satisfied, the Bonds are subject to redemption from such unused proceeds in the Project Fund. See "THE BONDS – Redemption" herein.

Upon acquisition of the TEACH Prep Facility upon satisfaction of the requirements above, TEACH will lease the TEACH Prep Facility pursuant to a Lease Agreement, dated as of December 1, 2019 (the "TEACH Prep Lease"), by and between the Borrower and TEACH. TEACH will continue to operate TEACH Prep at the TEACH Prep Facility pursuant to the TEACH Prep Lease, and at full enrollment expects to serve ___ students in kindergarten through grade four by the 202_-2_ school year. See "THE LEASES" herein and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

Environmental Inspections. Citadel Environmental Services, Inc. ("Citadel") performed a Phase I Environmental Site Assessment for the TEACH Prep Site. In that connection, Citadel prepared a report dated November 1, 2018 (the "TEACH Prep Phase I Report"). The TEACH Prep Phase I Report states that its purpose was to review past and present land use practices and to evaluate the presence, or likely presence, of any hazardous substances or petroleum products that have been discharged into the property's structure, ground, groundwater, or surface water.

Citadel's scope of work in the environmental site assessment consisted of the following: (1) performing a site inspection to verify current site conditions, and check for visible evidence of previously disposed and/or currently present hazardous waste, surface contamination, underground and above ground storage tanks, suspect polychlorinated biphenyls, and other potential environmental hazards; (2) conducting a visual survey of the adjacent properties and the immediate vicinity to determine if any nearby sites posed a significant environmental threat to the site; (3) reviewing currently and readily available documents, including maps, aerial photographs, governmental databases of known hazardous waste sites and underground tanks, other consultant reports (if any), fire insurance maps, and other accessible records; (4) reviewing results from a search of available current land title records for environmental cleanup liens and other activity and use limitations, such as engineering controls and institutional controls; (5) consulting with appropriate governmental agencies having jurisdiction relative to past history of the property, complaints or incidents in the immediate area, and permits that may have been issued; and (6) preparing the TEACH Prep Phase I Report, inclusive of Citadel's findings and recommendations.

The TEACH Prep Phase I Report found that reported release incidents that would represent recognized environmental conditions ("REC") in connection with the site or a source of a release that would be likely to contribute to a vapor encroachment condition were identified. The TEACH Prep Phase I Report concluded that no evidence for designating the site as a controlled REC or historical REC from reviews of historical documents and present site conditions was found.

Citadel recommended conducting a Phase II subsurface investigation at the site to assess if the subsurface soil, soil vapor, and groundwater have been impacted by the historic occupancy as a possible drycleaner and by off-site auto repair and drycleaner properties. Citadel recommended that the tenant follow best management practices, in conformance with all appropriate current regulations, in regards to potential use of regulated hazardous materials and/or waste generated during everyday operations.

Citadel performed a Phase II Vapor Intrusion Survey for the TEACH Prep Site. In that connection, Citadel prepared a report dated December 7, 2018 (the "TEACH Prep Phase II Report" and, together with the TEACH Prep Phase I Report, the "TEACH Prep Environmental Reports"). The TEACH Prep Phase II Report states that its purpose was to evaluate the current subsurface conditions and potential indoor air quality concerns at the TEACH Prep Site. The investigation intended to determine if historical operations at the various parcels at the site, and upgradient of the site have impacted the subsurface by means of evaluating the current indoor air at the site and the current subsurface conditions to determine if solvents or solvent vapors are currently present.

The TEACH Prep Phase II Report concluded that the reported volatile organic compounds ("VOCs") in the indoor air at the site is likely linked to the materials being used during renovation of the interior of the building and are not correlated to infiltration of soil vapor through cracks in the concrete slab. These concentrations of VOCs in the indoor air were also well below all screening levels and do not constitute an environmental concern. The reported VOCs in soil vapor at the site may be indicative of a release of chlorinated hydrocarbons from the historic dry-cleaning facility which was present onsite in the mid-1900s. The maximum concentrations were all below the calculated soil vapor screening levels for deeper soils at commercial locations and for future commercial structures, and do not constitute an environmental concern. The TEACH Prep Phase II Report concluded that, in Citadel's opinion, neither remediation nor further assessment was necessary.

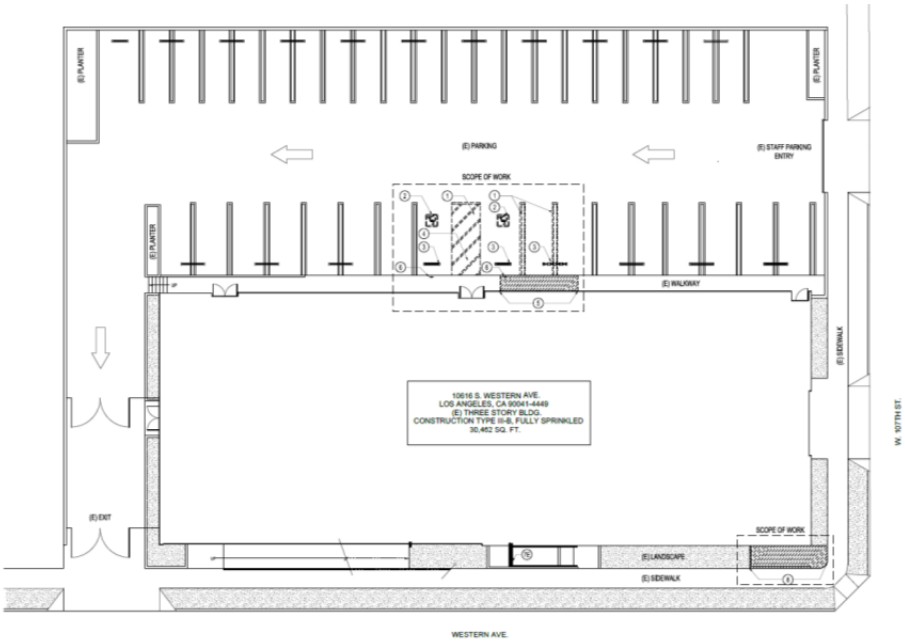
The TEACH Prep Environmental Reports each speak only as of their respective dates, and Citadel has not been asked to perform any additional assessments since the time of the assessments described in the TEACH Prep Environmental Reports. Further, the TEACH Prep Environmental Reports are each subject to the limitations specified in such reports. Potential investors may refer to the complete TEACH Prep Environmental Reports for a full understanding of such limitations, and for additional information pertinent to the assessments. The TEACH Prep Environmental Reports may be relied upon by the Borrower, TEACH and the Master Trustee, however any claim brought against Citadel in connection therewith may limited.

Costs incurred by the Borrower or TEACH with respect to environmental remediation or liability could adversely affect their respective financial conditions. See "CERTAIN RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgages" herein.

TEACH Tech Project

General. TEACH currently operates TEACH Tech in a facility located at 10616 S. Western Avenue, Los Angeles, California (the "TEACH Tech Site"). The TEACH Tech Site is an approximately 0.37 acre site, bounded on the west by Western Avenue, on the south by W. 107th Street, on the north by a restaurant located at 10600 S. Western Avenue (as further defined herein, the "Resource Center Site"), and on the east by residential properties. The TEACH Tech Site is currently occupied by TEACH pursuant to a lease agreement, dated September 27, 2017 (the "Existing TEACH Tech Lease"), by and between TEACH and Red Hook TEACH II LLC (the "TEACH Tech Seller"), an affiliate of Red Hook Capital Partners, as lessor. TEACH has a 2019-20 school year enrollment of approximately 417 students in grades 9 through 12 at the TEACH Tech Site.

The TEACH Tech Seller acquired the TEACH Tech Site on December 1, 2017 for an acquisition cost of approximately $10 million. As acquired, the TEACH Tech Site improved with one two-story building built in 1962 consisting of approximately 25,515 square feet, along with an adjacent parking lot. The TEACH Tech site has been previously occupied by Alliance Health Services Academy High School, a charter high school. The first floor of the TEACH Tech Site includes four classrooms, a multi-purpose room, offices, storage, restrooms and indoor bicycle parking. The second floor of the TEACH Tech Site includes eight classrooms, a faculty lounge, offices and administrative space, and restrooms (the TEACH Tech Site, as improved, is referred to herein as the "TEACH Tech Facility").



Powered by BoardOnTrack

TEACH Tech Facility Site Plan

[DETAILS ON CONSTRUCTION TO COME]

[PHOTO OF FACILITY TO COME]

[PHOTO OF FACILITY TO COME]

[CAPTION]

[CAPTION]

[PHOTO OF FACILITY TO COME]

[PHOTO OF FACILITY TO COME]

[CAPTION]

[CAPTION]

TEACH Tech Facility Acquisition. On October __, 2019, the Borrower and the TEACH Tech Seller entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions (the "TEACH Prep PSA"), whereby the TEACH Tech Seller agrees to sell, and the Borrower agrees to purchase, the TEACH Tech Facility from the TEACH Tech Seller for a purchase price of $13,050,000. The Borrower will acquire the fee interest in the TEACH Tech Facility upon the issuance of the Bonds.

TEACH will lease the TEACH Tech Facility pursuant to a Lease Agreement, dated as of December 1, 2019 (the "TEACH Tech Lease"), by and between the Borrower and TEACH. TEACH will continue to operate TEACH Tech at the TEACH Tech Facility pursuant to the TEACH Tech Lease, and at full enrollment expects to serve ___ students in grades 9-12 by the 202_-2_ school year. See "THE LEASES" herein and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

Environmental Inspections. Partner Engineering and Science, Inc. ("Partner") performed a Phase I Environmental Site Assessment for the TEACH Tech Site. In that connection, Partner prepared a report dated March 24, 2017 (the "TEACH Tech Phase I Report"). The TEACH Tech Phase I Report state that its purpose was to identify existing or potential Recognized Environmental Conditions affecting the subject property that: (1) constitute or result in a material violation or a potential material violation of any applicable environmental law; (2) impose any material constraints on the operation of the subject property or require a material change in the use thereof; (3) require clean-up, remedial action or other response with respect to Hazardous Substances or Petroleum Products on or affecting the subject property under any applicable environmental law; (4) may affect the value of the subject property; and (5) may require specific actions to be performed with regard to such conditions and circumstances. A Recognized Environmental Condition ("REC") is defined in the TEACH Tech Phase I Report as the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property: due to release to the environment; under conditions indicative of a release to the environment; or under conditions that pose a material threat of a future release to the environment.

Partner's scope of work in the Environmental Site Assessment included: (1) a property and adjacent site reconnaissance; (2) interviews with key personnel; (3) a review of historical sources; (4) a review of

regulatory agency records; and (5) a review of a regulatory database report provided by a third-party vendor. Partner contacted local agencies, such as environmental health departments, fire departments and building departments in order to determine any current and/or former hazardous substances usage, storage and/or releases of hazardous substances on the subject property. Additionally, Partner researched information on the presence of activity and use limitations at these agencies. The TEACH Tech Phase I Report is subject to a number of limitations and disclaimers.

The TEACH Tech Phase I Report revealed no evidence of RECs, controlled RECs, or historical RECs in connection with the TEACH Tech Site. The TEACH Tech Phase I Report identified the following environmental issue, which is an environmental concern identified by Partner which does not qualify as a REC:

> Due to the age of the subject property building there is a potential that asbestos-containing material ("ACM") are present. Overall, all suspect ACMs were observed in good condition and do not pose a health and safety concern to the occupants of the subject property at this time. An ACM Operations and Maintenance Plan, prepared by Alta Environmental Consultants and dated October 27, 2016 (the "ACM O&M Plan"), is currently being implemented at the subject property.

The TEACH Tech Phase I Report recommended no additional assessments or remediation, but recommended that the existing ACM O&M Plan should be continued to be implemented at the subject property.

The TEACH Tech Phase I Report speaks only as of its date, and Partner has not been asked to perform any additional assessments since the time of the assessment described in the TEACH Tech Phase I Report. Further, the TEACH Tech Phase I Report is subject to the limitations specified in such report. Potential investors may refer to the complete TEACH Tech Phase I Report for a full understanding of such limitations, and for additional information pertinent to the assessment. The TEACH Tech Phase I Report may be relied upon by the Borrower and the Master Trustee, however any claim brought against Partner in connection therewith is limited.

Costs incurred by the Borrower or TEACH with respect to environmental remediation or liability could adversely affect their respective financial conditions. See "CERTAIN RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgages" herein.

Resource Center Project

General. Red Hook Teach 4 LLC (the "Resource Center Seller") acquired an approximately 0.15 acre site located at 10600 S. Western Avenue, Los Angeles, California (the "Resource Center Site") on January 15, 2019, for a purchase price of approximately $660,000. The Resource Center Site is bounded on the south by the TEACH Tech Facility, on the west by Western Avenue, on the north by W. 106th Street and on the east by residential properties. The Resource Center Site currently includes a vacant approximately 2,356 square foot one-story commercial building that formerly housed a barbeque restaurant, along with a ten-space parking lot.

The Resource Center Seller intended to renovate the Resource Center Site into a charter school facility of approximately 2,350 square feet, including six offices, a conference room, storage and administrative space (the Resource Center Site, as renovated, the "Resource Center Facility"), in order to lease the Resource Center Site with an option to purchase to TEACH pursuant to the Existing Resource Center Lease described below.

The Resource Center Seller previously entered into that certain Lease Agreement, dated November 5, 2018, by and between the [Resource Center Seller, as successor lessor], and TEACH, as lessee (the "Existing Resource Center Lease"). Under the Existing Resource Center Lease, TEACH would have the option to purchase the Resource Center Site from the Resource Center Seller beginning January 1, 2021

TEACH has determined that it is advantageous to purchase the Resource Center Site instead of leasing the Resource Center Site from the Resource Center Seller pursuant to the Existing Resource Center Lease.

The Borrower will retain the Resource Center Seller's affiliate, Red Hook Capital Partners LLC, as its construction manager pursuant to a Program Management Agreement. The Program Management Agreement is expected to be executed between the Resource Center Seller and Borrower on _____, 2019.

Project Budget. The total Resource Center Project budget is estimated to be $_____.* This includes the acquisition of the Resource Center Site, as well as all the development and construction costs related to the Resource Center Site as described above. The following table indicates the anticipated project costs for acquisition and construction of the Resource Center Site (the "Resource Center Project").

WOODS AVENUE PROJECT BUDGET*

Cost Category	
Acquisition costs	
Hard costs	
Soft costs	
Management	
Contingency	
Total Project Budget	

Project Timeline. The following table indicates the anticipated construction timeline for the Resource Center Project.

CURRENT DEVELOPMENT & CONSTRUCTION TIMELINE*

Milestone Event	**Date**

Resource Center Site Acquisition; Release of Bond Proceeds. On October __, 2019, the Borrower and the Resource Center Seller entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions (the "Resource Center PSA"), whereby the Resource Center Seller agrees to sell, and the Borrower agrees to purchase, the Resource Center Facility from the Resource Center Seller for a purchase price of $900,000. The acquisition of the Resource Center Facility will not occur until on or about January 16, 2020 (the "Resource Center Closing Date") due to certain federal tax requirements of the Resource Center Seller. Subject to the satisfaction of the requirements set forth below, the Borrower expects to acquire the fee interest in the Resource Center Facility on or about the Resource Center Closing Date.

Proceeds of the Bonds expected to finance the acquisition and development of the Resource Center Facility will be deposited in the Resource Center Subaccount of the Project Fund under the Bond Indenture and held by the Trustee, in trust. Proceeds on deposit in the Resource Center Subaccount of the Project Fund will be released upon delivery to the Trustee by the Borrower of (i) to the extent applicable, ready-to-issue building permits related to the Resource Center Facility, and that all entitlements required for the Borrower's use of the Resource Center Facility have been obtained and all appeals periods have expired; (ii) a grant deed evidencing fee title interest of the Borrower in the Resource Center Facility; (iii) a Mortgage for the Resource Center Facility to secure the obligations of the Borrower; (iv) a title insurance policy on the Resource Center Facility; (v) evidence of insurance meeting the requirements of the Master Indenture, and evidence of payment

* Preliminary, subject to change.

of real estate taxes or evidence of an exemption therefrom with respect to the Resource Center Facility; (vi) the Resource Center Lease (as defined below); and (vii) a certificate of the Borrower, as required under the Bond Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Escrowed Project Proceeds" herein.

In the event such conditions are not satisfied, the Bonds are subject to redemption from such unused proceeds in the Project Fund. See "THE BONDS – Redemption" herein.

Upon acquisition of the Resource Center Facility upon satisfaction of the requirements above, TEACH will lease the Resource Center Facility pursuant to a Lease Agreement, dated as of December 1, 2019 (the "Resource Center Lease"), by and between the Borrower and TEACH. TEACH will use the Resource Center Facility as a parent outreach center, administrative space and parking for TEACH Tech. See "THE LEASES" herein and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

Environmental Inspections. Alta Environmental ("Alta") performed a Phase I Environmental Site Assessment for the Resource Center Site. In that connection, Alta prepared a report dated November 23, 2018 (the "Resource Center Phase I Report"). The Resource Center Phase I Report states that its purpose was to determine whether or not there are any recognized environmental conditions ("RECs") at the Resource Center Site. The Resource Center Phase I Report defined RECs as "the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property (1) due to a release to the environment; (2) under conditions indicative of a release to the environment; or (3) under conditions that pose a material threat of a future release to the environment. De minimus conditions are not recognized environmental conditions." Alta's objective for the Environmental Site Assessment was to identify conditions indicative of releases and threatened releases of hazardous substances, pollutants, contaminants, petroleum and petroleum products, and controlled substances on, at, in, or to the site.

Alta performed the following services to assess the property: (1) reviewed historical sources of information; (2) searched for recorded environmental clean-up liens; (3) reviewed Federal, State, Tribal, and local government records; (4) visually inspected the site and the adjoining sites; (5) evaluated any specialized knowledge or experience on the part of the purchaser; (6) determined commonly known or reasonably ascertainable information about the property; and (7) provided an opinion on the degree of obviousness of the presence or likely presence of contamination at the property, and the ability to detect the contamination by appropriate investigation.

The Resource Center Phase I Report identified the existence of the following RECs in association with the site:

- Tetrachloroethylene ("PCE") – A Preliminary Environmental Assessment performed in 2015 determined that PCE was present in soil vapor above regulatory screening levels. The source of the PCE detected in the soil vapor samples was not determined.

- Dry-Cleaning Solvents – Based on records, dry-cleaning operations occurred between 1969 and 2009 at an off-site property located approximately 650-feet north of the site and upgradient with respect to groundwater flow. Various permits were found for synthetic solvents and PCE use. Historically, dry-cleaners have been known for contributing to solvent contamination in the soil and groundwater underlying their properties.

- Methane and other Oil Field Gases – The site is located within the boundaries of the Howard Townsite Oil Field and in the near proximity of a Los Angeles City Methane Zone. Though there are no oil wells on the site, it is possible that methane and other oil field gases are present beneath the site.

- Organochlorine Pesticides ("OCPs") – Due to the possibility for historical pesticide use on the property, it is possible for OCPs to exist in the shallow soil on the site.

- Lead-Based Paint ("LBP") and Asbestos-Containing Material ("ACM") – Due to the age of the building and former shed (constructed before 1970) located at the site, it is possible for LBP and ACM to be present in the building materials and for elevated levels of lead to be present in the shallow soil.

- Polychlorinated Biphenyls ("PCBs") – Records indicate that soil samples were collected from the site in 2015 during a previous environmental site assessment. PCBs, at concentrations below human health screening levels at the time, were reported to have been identified in the shallow soil samples collected at the site. However, as the soil sampling data was not included in a report signed and sealed by a California registered professional that included a laboratory report with chain of custody documentation, this data cannot be validated. Based on the reported presence of PCBs in the shallow soils at the site, their reported presence is considered to represent a REC.

- Former Adjoining Service/Filling Station – The southern adjoining property appears to have been developed with an automotive service/filling station between 1947 and 1958. No records of underground storage tanks were identified during a review of relevant regulatory agency records. However, based on the age of this business, these records may no longer exist. Due to the limited amount of information available pertaining to the former filling/service operation at the southern adjoining property, it is considered to represent a REC.

Alta recommended conducting a Phase II Environmental Site Assessment at the site to determine whether or not the identified RECs pose a significant risk to human health or the environment.

Partner performed a Phase II Subsurface Investigation Report for the Resource Center Site. In that connection, Partner prepared a report dated December 27, 2018 (the "Resource Center Phase II Report" and, together with the Resource Center Phase I Report, the "Resource Center Environmental Reports"). The Resource Center Phase II Report states that its purpose was to evaluate the potential impact of volatile organic compounds ("VOCs"), polychlorinated biphenyls ("PCBs"), organochlorine pesticides ("OCPs"), methane, and/or lead to soil gas and/or soil as a consequence of a release or releases from the on-site detections of tetrachloroethylene ("PCE") in soil gas above screening levels, PCBs detected in shallow soils, the potential for lead and OCPs to be present in shallow soil, the former adjacent gasoline service station, and the former up-gradient dry cleaning facility.

The Resource Center Phase II Report concluded that based on the subsurface investigation, it appears that there are de minimis impacts to soil gas beneath the subject property which do not appear to represent a concern to human health or the environment at this time. Partner recommended no further investigation with respect to the on-site detections of PCE in soil gas above screening levels, PCBs detected in shallow soils, the potential for lead and OCPs to be present in shallow soil, the former adjacent gasoline service station, and the former up-gradient dry cleaning facility at this time. If the on-site clarifier is no longer in use, it should be cleaned and decommissioned. If the subject property is redeveloped as a parking lot, it may be prudent to implement a soils management plan for use in redevelopment considering the source of the VOC impacts to soil gas has not been identified. [CONFIRM USE AS RESOURCE CENTER DOESN'T AFFECT CONCLUSIONS]

The Resource Center Environmental Reports each speak only as of their respective dates, and neither Alta nor Partner has been asked to perform any additional assessments since the time of the assessments described in the Resource Center Environmental Reports. Further, the Resource Center Environmental Reports are each subject to the limitations specified in such reports. Potential investors may refer to the complete Resource Center Environmental Reports for a full understanding of such limitations, and for additional information pertinent to the assessments. The Resource Center Environmental Reports may be

relied upon by the Borrower and the Master Trustee, however any claim brought against Citadel or Partner in connection therewith may limited. [CONFIRM PHASE I MAY BE RELIED UPON]

Costs incurred by the Borrower or TEACH with respect to environmental remediation or liability could adversely affect their respective financial conditions. See "CERTAIN RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgages" herein.

Other Project Costs

Approximately $_____* of the proceeds of the Bonds are expected to be used to finance improvements to the Series 2016 Facility, which facility was financed with proceeds of the Series 2016 Bonds.

Appraisals

TEACH Prep Facility. Kidder Mathews Valuation Advisory Services (the "Appraiser"), appraised the sites and the buildings comprising the TEACH Prep Facility. In that connection, the Appraiser prepared an as-is market value of the fee simple interest in the TEACH Prep Facility, with an effective date of _____, 2019 (the "TEACH Prep Appraisal").

[The TEACH Prep Appraisal employed three different approaches: (i) the income approach, which is based on the premise that properties are purchased for their income producing potential, and considers both the annual return on the invested principal and the return of the invested principal; (ii) the cost approach, which is based on the principle of substitution that affirms that an investor will pay no more for an already improved property than the alternative cost to construct a property of similar quality and utility; and (iii) the sales approach, which is based on sales of comparable properties that are adjusted to the subject property based on differences in the subject property and the sale property.]

TEACH Tech Facility. The Appraiser appraised the site and the buildings comprising the TEACH Tech Facility. In that connection, the Appraiser prepared an as-is market value of the fee simple interest in the TEACH Tech Facility, with an effective date of _____, 2019 (the "TEACH Tech Appraisal").

[The TEACH Tech Appraisal employed three different approaches: (i) the income approach, which is based on the premise that properties are purchased for their income producing potential, and considers both the annual return on the invested principal and the return of the invested principal; (ii) the cost approach, which is based on the principle of substitution that affirms that an investor will pay no more for an already improved property than the alternative cost to construct a property of similar quality and utility; and (iii) the sales approach, which is based on sales of comparable properties that are adjusted to the subject property based on differences in the subject property and the sale property]

Resource Center Facility. The Appraiser appraised the site and building comprising the Resource Center Facility. In that connection, the Appraiser prepared an as-is market value of the fee simple interest in the Resource Center Facility, with an effective date of _____, 2019 (the "Resource Center Appraisal").

[The Resource Center Appraisal employed three different approaches: (i) the income approach, which is based on the premise that properties are purchased for their income producing potential, and considers both the annual return on the invested principal and the return of the invested principal; (ii) the cost approach, which is based on the principle of substitution that affirms that an investor will pay no more for an already improved property than the alternative cost to construct a property of similar quality and utility; and (iii) the sales approach, which is based on sales of comparable properties that are adjusted to the subject property based on differences in the subject property and the sale property]

Appraisal Amounts. The following table summarizes the appraised values of the Facilities.

THE FACILITIES
Appraised Value Summary

Facility	*Appraised Value*	*Date of Value*
TEACH Prep Facility		
TEACH Tech Facility		
Resource Center Facility		
Total Appraised Value		

Source: The Borrower.

The total appraised value of the Facilities of $_____ is equal to approximately ___%[*] of the expected aggregate par amount of the Bonds of $_____.[*] See "CERTAIN RISK FACTORS – Limitations of Appraisals" herein.

Limitations. The summaries of the Appraisals contained in this section are not meant to be exhaustive, and reference should be made to such reports for a complete recital of their respective terms. Complete copies of the Appraisals are available upon request from the Underwriter. The value of each Facility as estimated in the Appraisals represents only the opinion of the respective Appraiser, and only as of the effective dates. The Appraisers have not been engaged to update or revise the estimates contained in the Appraisals since their effective dates. See "CERTAIN RISK FACTORS – Limitations of Appraisals" herein.

[REMAINDER OF PAGE LEFT BLANK]

[*] Preliminary, subject to change.

DEBT SERVICE SCHEDULE

The annual debt service payment requirements of the Bonds and the Series 2016 Bonds are set forth in the table below.*

	Series 2019A Bonds[1]		*Series 2019B Bonds*[1]				
Period Ending June 1	*Principal*	*Interest*	*Principal*	*Interest*	*TotalBonds Debt Service*	*Series 2016 Bonds Debt Service*	*Total Obligated Group Bonds Debt Service*
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2043							
2044							
2045							
2046							
2047							
2048							
2049							
2050							
2051							
2052							
2053							
2054							
2055							
2056							
2057							
2058							
Totals							

(1) Totals may not add due to rounding.

* Preliminary, subject to change.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations of the Authority

The Bonds and interest thereon constitute special, limited obligations of the Authority and are payable solely from certain revenues received under the Bond Indenture and from certain funds and accounts established and maintained under the Bond Indenture. The Authority is not obligated to advance any moneys derived from any source whether for the payment of the principal or redemption price or interest with respect to the Bonds.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICES OR TO MAKE FUNDS AVAILABLE TO THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

Bond Indenture

Pledge of Payments and Other Amounts. In the Bond Indenture, the Authority pledged to secure the payment of the principal of and interest on the Bonds in accordance with the terms of the Bond Indenture, all of the Payments (except Payments described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Bond Indenture. Said pledge will constitute a lien on and security interest in such assets and will attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

"Payments," under the Bond Indenture, means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Trustee with respect to the Intercepts, (ii) all moneys, if any, received by the Trustee directly from, or on behalf of, the Borrower, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into any fund or account created and held under the Bond Indenture) or Obligation No. 2, and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture. See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – BOND INDENTURE" attached hereto.

State Intercept Program. In connection with the issuance of the Bonds, TEACH will provide instructions to the State Controller to make the Intercepts to the Trustee with respect to the Series 2019 Schools in amounts and on dates provided in the Intercept Notices which amounts are expected to be sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to the Intercepts constitute Payments (as defined in the Bond Indenture) and will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture, including if necessary, the payment of debt service on the Bonds. Under the laws of the State, no party, including TEACH, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercepts.

In addition, notwithstanding any provision of the Loan Agreement to the contrary, the Borrower certifies that it will instruct or cause the Borrower to cause TEACH, pursuant to each Series 2019 Lease, to pay Rent (as defined in each Lease), less any amounts paid through the Intercepts, directly to the Trustee for deposit in the Revenue Fund. See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – LOAN AGREEMENT" attached hereto.

Rent under each Lease is payable by TEACH solely from the Gross School Revenues, as defined herein, which are derived from the operations of the Series 2019 Schools, and any other schools operated by TEACH that may operate in any Facility leased from Members of the Obligated Group in the future. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Payment of Rent" and "— Covenants" herein. Revenues generated from any other schools whose charters are held and/or that are operated and/or managed by TEACH, or assets and revenues generated from sources other than the Project, are not available for payment of Rent or otherwise available to the Authority, Master Trustee, Trustee, Investors and/or Bondholders.

Assignment of Payments and Other Amounts, Loan Agreement, Leases, and Mortgages. The Authority assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, (i) all of the Payments (except Payments described in clause (i) of the definition thereof) and other amounts pledged under "— Pledge of Payments and Other Amounts" above, (ii) all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the right to receive any Administrative Fees and Expenses, any Additional Payments (as defined herein), any right to be indemnified, held harmless or defended, any right to receive information, reports, certifications or other documents and any right to notice, consent, approval or inspection under the Bond Indenture or under the Loan Agreement, and the obligation of the Borrower to make deposits pursuant to the Tax Certificate) and Obligation No. 2. The Authority will also cause Obligation No. 2 to be registered in the name of the Trustee.

The Trustee will be entitled to and will receive all of the assigned Payments, and any such Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee will be entitled to and will (subject to the provisions of the Bond Indenture, including its rights and protections thereunder) take all steps, actions and proceedings following any event of default under the Loan Agreement or Obligation No. 2 reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Borrower under the Loan Agreement and Obligation No. 2.

The Borrower will take all actions necessary for the Trustee to collect directly from the State Controller the amounts set forth in the Intercept Notices on the dates set forth in the Intercept Notices. The Payments described in clause (i) of the definition thereof are assigned to the Trustee, for the benefit of the Holders of the Bonds, by virtue of the filing of the Intercept Notices with the State Controller. The Trustee shall be entitled to and shall receive all of such assigned Payments.

Revenue Fund. The Trustee will establish, maintain and hold in trust a special fund designated as the "Revenue Fund." All Payments will be promptly deposited by the Trustee upon receipt thereof into the Revenue Fund, and will be held in trust for the benefit of the Holders from time to time of the Bonds but will nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture. The Trustee will establish within the Revenue Fund an Interest Account, a Principal Account, and a Reserve Account for the payment of debt service on the Bonds.

Interest Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Bond Indenture).

Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided in the Bond Indenture.

The Trustee will establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the "____ Sinking Account," inserting therein the series and maturity (if more than one such account is established) for each Term Bond. On or before June 1 in each year, the Trustee will transfer the amount deposited in the Principal Account on that date pursuant to the Bond Indenture, as described in "— Allocation of Revenues" below, from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee will transfer the amount deposited in the Principal Account pursuant to the Bond Indenture for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in the Bond Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee will apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, in writing, except that the purchase price (excluding accrued interest) will not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Borrower has deposited Bonds with the Trustee, or Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. In the event of an optional redemption of all or a portion of the Bonds, the Borrower will provide the Trustee with a revised sinking fund schedule giving effect to the purchase or redemption so completed. All Bonds purchased or deposited pursuant to the provisions of the Bond Indenture summarized in this paragraph will be delivered to the Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds are no longer Outstanding will be withdrawn by the Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Borrower with the Trustee will be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Borrower directs.

The Term Bonds, which are Bonds payable on or before their specified maturity dates from Mandatory Sinking Account Payments, will be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments as set forth in "THE BONDS – Redemption – Mandatory Sinking Fund Redemption."

Reserve Account. Under the Bond Indenture, the Trustee will establish a reserve account (the "Reserve Account") within the Revenue Fund. All amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Account or the Principal Account, or (together with any other funds available) for the payment or redemption of all Outstanding Bonds.

Amounts on deposit in the Reserve Account will be valued by the Trustee at their fair market value (i) each January 1 and July 1 and (ii) upon notice being given of the transfer of any moneys on deposit in the Project Fund pursuant to the Bond Indenture taking into account the reduction in debt service resulting from such bond redemption, and the Trustee will notify the Borrower of the results of such valuation. If the amount on deposit in the Reserve Account on the first Business Day following such valuation is less than one-hundred percent (100%) of the Reserve Account Requirement (as defined below), the Borrower has agreed in the Loan Agreement to make the deposits to the Reserve Account required by the Bond Indenture. If the amount on deposit in the Reserve Account on the first Business Day following such valuation is greater than the Reserve Account Requirement, the excess will be withdrawn from the Reserve Account and transferred to, with respect

to valuations completed pursuant to (i) above, the Revenue Fund, and with respect to valuations completed pursuant to (ii) above, the Redemption Fund on the date fixed for redemption. See "CERTAIN RISK FACTORS" herein.

"Reserve Account Requirement" means as of any date of calculation, an amount which will be equal to the least of (i) 10% of the original principal amount of the Bonds, (ii) the maximum annual debt service with respect to the Bonds Outstanding, (iii) 125% of average annual debt service with respect to the Bonds, and (iv) for the last Bond Year only, the total debt service with respect to the Bonds Outstanding.

Repair and Replacement Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Repair and Replacement Fund," which shall be used solely for the purposes set forth in the Bond Indenture. Moneys in the Repair and Replacement Fund to be used to pay for capital items not budgeted as ordinary maintenance and repair costs related to the Facilities shall be disbursed upon receipt of a requisition of the Borrower, and the Trustee is authorized and directed to issue payments for each such disbursement upon receipt of such a requisition.

When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Revenue Fund, the balance of the Redemption Fund and the balance of the Repair and Replacement Fund, and (ii) all other amounts owed under the Loan Agreement and the Bond Indenture have been paid, moneys held in the Repair and Replacement Fund may be deposited into the Revenue Fund and credited against payments of Loan Repayments required under the Loan Agreement.

Pursuant to the Bond Indenture, the Repair and Replacement Fund Requirement means $[_____]; provided, however, that the Repair and Replacement Fund Requirement will initially be $[0] as of the date of delivery of the Bonds and will increase by $[_____] on the first Business Day of each month commencing [_____, 2020] until the Repair and Replacement Fund Requirement equals $[_____].

Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the Project Fund, and within the Project Fund, the Construction Subaccount and the Woods Avenue Subaccount. Proceeds of the Bonds shall be deposited in the Project Fund. See "ESTIMATED SOURCES AND USES OF FUNDS." Moneys in the Project Fund shall be disbursed pursuant to Requisitions of the Borrower; provided, however, that disbursements from the Woods Avenue Subaccount must also satisfy the requirements below.

Conditions to Release of Bond Proceeds from Escrowed Project Proceeds. No money deposited in the TEACH Prep Subaccount shall be disbursed unless the Borrower shall have delivered to the Trustee evidence of all of the following (the "TEACH Prep Draw Requirements"):

(i) a grant deed evidencing fee title interest of the Borrower in the TEACH Prep Facility;

(ii) a mortgage, deed of trust, security agreement, assignment of rents and leases and/or financing statement for the TEACH Prep Facility in the form attached to the Bond Indenture to secure the obligations of the Borrower;

(iii) an ALTA policy of lender's title insurance on the TEACH Prep Facility, in an aggregate amount not less than the aggregate principal amount of the Bonds allocated to finance such TEACH Prep Facility, naming and payable to the Trustee, insuring the fee title interest of the Borrower to the TEACH Prep Facility with such endorsements as are typical in similar transactions, subject only to permitted liens, issued by a title insurance company qualified to do business in the State;

(iv) the TEACH Prep Lease;

(v) evidence of insurance meeting the requirements of the Master Indenture of Trust, and evidence of payment of real estate taxes or evidence of an exemption therefrom with respect to the TEACH Prep Facility; and

(vi) a Certificate of the Borrower to the effect that the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date thereof and that the TEACH Prep Draw Requirements above have been satisfied.

On [_____, 2020], if the TEACH Prep Draw Requirements have not been satisfied, then all moneys on deposit in the TEACH Prep Subaccount shall be transferred to the Redemption Fund. Upon the written direction of the Borrower delivered to the Trustee on any date prior to the satisfaction of the Draw Requirements, but in no event later than [_____, 2020], the Borrower may direct the Trustee to (i) transfer all moneys on deposit in the applicable account to the Redemption Fund and (ii) mail a notice of redemption in accordance with the Bond Indenture in order to redeem certain Bonds in accordance therewith.

No money deposited in the Resource Center Subaccount shall be disbursed unless the Borrower shall have delivered to the Trustee evidence of all of the following (the "Resource Center Draw Requirements"):

(i) to the extent applicable, ready-to-issue building permits related to the Resource Center Facility, and that all entitlements required for the Borrower's use of the Resource Center Facility have been obtained and all appeals periods have expired;

(ii) a grant deed evidencing fee title interest of the Borrower in the Resource Center Facility;

(iii) a mortgage, deed of trust, security agreement, assignment of rents and leases and/or financing statement for the Resource Center Facility in the form attached to the Bond Indenture to secure the obligations of the Borrower;

(iv) an ALTA policy of lender's title insurance on the Resource Center Facility, in an aggregate amount not less than the aggregate principal amount of the Bonds allocated to finance such Resource Center Facility, naming and payable to the Trustee, insuring the fee title interest of the Borrower to the Resource Center Facility with such endorsements as are typical in similar transactions, subject only to permitted liens, issued by a title insurance company qualified to do business in the State;

(v) the Resource Center Lease;

(vi) evidence of insurance meeting the requirements of the Master Indenture of Trust, and evidence of payment of real estate taxes or evidence of an exemption therefrom with respect to the Resource Center Facilities; and

(vii) a Certificate of the Borrower to the effect that the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date thereof and that the Resource Center Draw Requirements above have been satisfied.

On [_____, 2020], if the Resource Center Draw Requirements have not been satisfied, then all moneys on deposit in the Resource Center Subaccount shall be transferred to the Redemption Fund. Upon the written direction of the Borrower delivered to the Trustee on any date prior to the satisfaction of the Draw Requirements, but in no event later than [_____, 2020], the Borrower may direct the Trustee to (i) transfer all moneys on deposit in the applicable account to the Redemption Fund and (ii) mail a notice of redemption in accordance with the Bond Indenture in order to redeem certain Bonds in accordance therewith.

See "THE BONDS – Redemption – Extraordinary Mandatory Redemption from Escrowed Project Proceeds" herein.

Allocation of Payments. Promptly upon receipt, the Trustee will deposit the Payments to the Revenue Fund. On or before May 25th and November 25th of each year, the Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Revenue Fund), and then to the Repair and Replacement Fund, the Rebate Fund, and to the Administration Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Payments sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority; provided, however, no moneys deposited in the Revenue Fund pursuant to the Intercepts will be deposited to the Rebate Fund:

(1) To the Interest Account, the amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest, taking into account the amounts to be transferred from the Capitalized Interest Subaccount pursuant to the Bond Indenture;

(2) To the Principal Account, one-half of the aggregate amount of principal becoming due to redeem or pay Bonds or to make Mandatory Sinking Account Payments and payable on the next succeeding Principal Payment Date, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments; provided that from the date of delivery of the Bonds until the first Principal Payment Date with respect to the Bonds (if less than twelve months), transfers to the Principal Account shall be sufficient on a pro-rata basis to pay the principal and Mandatory Sinking Account Payments becoming due and payable on said Principal Payment Date;

(3) To the Reserve Account, (A) the greater of (i) the amount designated for deposit to the Reserve Account in a written direction of the Borrower, and (ii) one-half of the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Reserve Account if the balance in said account is at least equal to the Reserve Account Requirement, and (B) in the event the balance in said account shall be less than the Reserve Account Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount);

(4) To the Repair and Replacement Fund, $16,680, until the balance therein is at least equal to the Repair and Replacement Fund Requirement, and thereafter (i) the greater of (A) the amount designated for deposit in the Repair and Replacement Fund in a written direction of the Borrower, and (B) one-half of the aggregate amount of each prior withdrawal from the Repair and Replacement Fund, provided that no deposit need be made into the Repair and Replacement Fund if the balance in said account is at least equal to the Repair and Replacement Fund Requirement, and (ii) in the event the balance in said account is less than the Repair and Replacement Fund Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture or due to an increase in the Repair and Replacement Fund Requirement, the amount necessary to increase the balance in said account to an amount at least equal to the Repair and Replacement Fund Requirement (until deposits on account of such valuation deficiency, if any, are sufficient to increase the balance in said account to said amount);

(5) To the Rebate Fund, such amounts as are required to be deposited therein by instruction from the Borrower given in accordance with the Bond Indenture (including the Tax Certificate); and

(6) To the Administration Fund, an amount equal to one-half of the annual Administrative Fees and Expenses.

Moneys remaining in the Revenue Fund after the foregoing transfers will be transferred on June 1 and December 1 of each year, commencing June 1, 2020, by the Trustee to or at the direction of the Borrower free and clear of the lien of the Bond Indenture.

See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – BOND INDENTURE" and "– LOAN AGREEMENT" attached hereto.

For more information on the Project, the Schools, the Borrower and the members of the Obligated Group, see "THE PROJECT" and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

The Loan Agreement

The Authority and the Borrower will execute the Loan Agreement to provide for the loan by the Authority to the Borrower of proceeds from the sale of the Bonds. In consideration of the issuance of the Bonds by the Authority and the application of the proceeds thereof as provided in the Bond Indenture, the Borrower agrees to issue, or cause to be issued, and to cause to be authenticated and delivered to the Authority, Obligation No. 2, pursuant to the Master Indenture and the Supplemental Master Indenture, concurrently with the issuance and delivery of the Bonds. The Authority will assign its rights in the Loan Agreement (except for the right to receive any Administrative Fees and Expenses, any Additional Payments (as defined herein), any right to be indemnified, held harmless or defended, any right to receive information, reports, certifications or other documents and any right to notice, consent, approval or inspection under the Bond Indenture or under the Loan Agreement, and the obligation of the Borrower to make deposits pursuant to the Tax Certificate) to the Trustee and will assign Obligation No. 2 to the Trustee. Pursuant to the Loan Agreement, the Borrower agrees to pay, or cause to be paid, from Gross Revenues of the Borrower or from any other legally available funds of the Borrower, to the Trustee for deposit in the Revenue Fund, amounts equal to the aggregate amount of interest payable on the Outstanding Bonds and, on or before the maturity or redemption date of the Bonds, an amount equal to an amount which, together with other funds in the Revenue Fund then available for payment of principal of and interest on the Bonds, shall be sufficient to provide for the payment in full of the interest on, the principal amount, and redemption premium, if any, of the Outstanding Bonds. In addition to such Loan Repayments, the Loan Agreement also requires the Borrower to pay Additional Payments to the Authority, to the Trustee or to the appropriate payee, as the case may be, as follows:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Borrower will have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower will have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(b) All reasonable fees, charges and expenses of the Trustee and the Master Trustee, as applicable, for services rendered under the Bond Indenture and the Master Indenture, respectively, and all amounts referred to in the Bond Indenture and Master Indenture, as and when the same become due and payable;

(c) The fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the other Borrower Documents or the Bond Indenture;

(d) All fees and expenses of any Rating Agency then rating the Bonds and the Rebate Analyst, and if a deposit is required to be made to the Rebate Fund as a result of any calculation made pursuant to the Bond Indenture, the amount of such deposit, which will be deposited in the Rebate Fund not later than the tenth day of the calendar month immediately following the date on which such calculation was made pursuant to the Bond Indenture;

(e) All amounts necessary for deposit into the Repair and Replacement Fund pursuant to the Bond Indenture;

(f) The annual fee of the Authority and the fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Loan Agreement, the other Borrower Documents, the Bonds or the Bond Indenture, including, without limitation, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Loan Agreement, the other Borrower Documents, the Bonds or the Bond Indenture or any of the other documents contemplated thereby, or in connection with the supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement and the other Borrower Documents; and

(g) The amount necessary to replenish any fund established under the Bond Indenture, but only to the extent then required under the Bond Indenture.

All such payments will be made by the Borrower from the Gross Revenues for payment to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Bond Indenture. See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE LOAN AGREEMENT" attached hereto.

The Master Indenture

Joint and Several Obligations of the Obligated Group. Under the Master Indenture, each Member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, the Second Supplemental Master Indenture and Obligation No. 2, and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture, the Second Supplemental Master Indenture and Obligation No. 2. Each Member acknowledges and agrees that the time of such payment and performance is of the essence of the obligations under the Master Indenture.

Upon the issuance of the Bonds, the Borrower and the Series 2016 Landlord will be the only members of the Obligated Group. TEACH is not a member of the Obligated Group, is not a party to the Master Indenture and is obligated solely as lessee under each Lease, in respect of payment from the sources specified therein relating to the Schools, and is not responsible, party to or otherwise obligated under the Loan Agreement, the Bond Indenture, the Master Indenture or the Second Supplemental Master Indenture to make payments directly on the Loan, Obligation No. 2 or the Bonds.

Subject to the provisions of the Master Indenture permitting withdrawal from the Obligated Group, the obligation of each Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with the Master Indenture. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Members or otherwise, will be regarded as payments in gross without any

right on the part of any one or more of the Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that in the event of any such Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee will be entitled to prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Member has become fixed.

Each such Obligation will be a primary obligation and will not be treated as ancillary to or collateral with any other obligation and will be independent of any other security so that the covenants and agreements of each Member under the Master Indenture will be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of the Master Indenture, and to enforce the making of Required Payments.

The Master Trustee will not take recourse against the Borrower or any other Member, if any, with respect to the failure by the Borrower or any other Member to make any Required Payment under the Master Indenture and the Supplemental Master Indenture except recourse to the Gross Revenues and the amounts held in the funds and accounts created under the Bond Indenture (except the Rebate Fund) or under the Master Indenture, or to such other security as may from time to time be given for the payment of obligations arising out of the Master Indenture, the Supplemental Master Indenture or any other agreement securing the obligations of the Borrower or any other Member with respect to the Bonds.

For a more detailed discussion of entry to or withdrawal from the Obligated Group, see "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE MASTER INDENTURE" attached hereto. All capitalized terms used and not defined herein have the meanings listed in "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – DEFINITIONS" attached hereto.

Gross Revenue Fund. Pursuant to the Master Indenture, the Members will cause to be transferred directly to the Master Trustee pursuant to the Intercept, all Rent, which will be deposited in the Revenue Fund established under the Bond Indenture. Each Member of the Obligated Group further agrees in the Master Indenture that, unless otherwise provided in a Related Supplement or if such Related Bonds are payable in full from funds that are subject to the Intercept under the Master Indenture, so long as any of the Obligations remain Outstanding, all of the Gross Revenues of the Obligated Group will be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which the Members will establish and maintain, subject to the provisions of the Master Indenture, in one or more accounts at such banking institution or institutions as the Members will from time to time designate in writing to the Master Trustee for such purpose (the "Depository Bank(s)"). Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, each Member, respectively, pledges, and to the extent permitted by law grants a security interest to the Master Trustee in, the Gross Revenue Fund and all of the Gross Revenues of the Obligated Group to secure the payment of Required Payments and the performance by the Members of their other obligations under the Master Indenture. Each Member, respectively, will execute and cause to be filed Uniform Commercial Code financing statements, will execute and cause to be sent to each Depository Bank and to the Master Trustee a notice of the security interest granted under the Master Indenture and will execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof.

Amounts in the Gross Revenue Fund may be used and withdrawn by any Member at any time for any lawful purpose, except as hereinafter provided. In the event that any Member is delinquent for more than one business day in the payment of any Required Payment with respect to any Obligation issued pursuant to a Related Supplement, the Master Trustee, upon notice from the Obligated Group Representative or actual knowledge of such delinquency, will notify the Obligated Group Representative and the Depository Bank(s) of such delinquency, and, unless such Required Payment is paid, or provision for payment is duly made, in a

manner satisfactory to the Master Trustee, within five days after receipt of such notice, the Obligated Group Representative or the appropriate Member will cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Master Trustee. The Gross Revenue Fund will continue to be held in the name and to the credit of the Master Trustee until six months after the amounts on deposit in said fund are sufficient to pay in full, or have been used to pay in full, all Required Payments in default and all other Events of Default known to the Master Trustee will have been made good or cured to the satisfaction of the Master Trustee or provision deemed by the Master Trustee to be adequate will have been made therefor, whereupon the Gross Revenue Fund (except for the Gross Revenues required to make such payments or cure such defaults) will be returned to the name and credit of the appropriate Members. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Master Trustee will use and withdraw amounts in said Fund from time to time (1) first, to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts will not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference, and (2) second, to such other payments in the order which the Master Trustee, in its discretion, will determine to be in the best interests of the Holders of Obligations without discrimination or preference. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Members will not be entitled to use or withdraw any of the Gross Revenues of the Obligated Group unless and to the extent that the Master Trustee at its sole discretion so directs for the payment of current or past due operating expenses of the Members; provided, however, that the Members will be entitled to use or withdraw any amounts in the Gross Revenue Fund which do not constitute Gross Revenues of the Obligated Group. Each Member agrees to execute and deliver all instruments as may be required to implement the Master Indenture. Each Member further agrees that a failure to comply with the terms of this Section will cause irreparable harm to the Holders and will entitle the Master Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the Members as provided in the Master Indenture.

Limitations on Indebtedness. Under the Master Indenture, each Member covenants and agrees that it will not incur any Additional Indebtedness after the issuance of the Bonds except as follows:

(a) Long-Term Indebtedness may be incurred if prior to the issuance of such Additional Indebtedness the following is satisfied: an Independent Consultant selected by the Obligated Group Representative provides a written report to the Master Trustee setting forth projections

(1) which indicate that the Consolidated Base Rent Coverage Ratio for each of the three consecutive full Fiscal Years beginning in the earlier of:

(i) the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Additional Indebtedness, based upon a certified written estimated completion date by the consulting engineer for such Facility or Facilities; or

(ii) the first full Fiscal Year in which the obligor of such Additional Indebtedness will have scheduled payments of interest on or principal of the Additional Indebtedness to be issued for the payment of which provision has not been made as indicated in the report of such Independent Consultant from proceeds of such Additional Indebtedness, investment income thereon or from other appropriate sources (other than Consolidated Net Operating School Revenue),

provides for a Consolidated Base Rent Coverage Ratio, taking into account all Outstanding Long Term Indebtedness and the Additional Indebtedness to be issued, of not less than 1.20:1.00.; and

(2) the Consolidated Base Rent Coverage Ratio for the Fiscal Year immediately preceding the assumption of the proposed Additional Indebtedness is calculated to be at least 1.00:1.00 in such

Fiscal Year, or would have been greater than it would otherwise have been, absent such proposed Additional Indebtedness.

The report of the Independent Consultant will take into account the audited results of operations and verified enrollment of the Obligated Group Schools for the most recently completed Fiscal Year and projected enrollment of the Obligated Group Schools and Gross Revenue at the completion of such Facility or Facilities financed with such Additional Indebtedness. In addition, the report of the Independent Consultant will assume that the Long Term Indebtedness then to be incurred will have been outstanding for the entire year.

(b) Long Term Indebtedness may be incurred for the purpose of refunding any Outstanding Indebtedness, if prior to the incurrence thereof, there is delivered to the Trustee an Officer's Certificate demonstrating that (i) the Maximum Annual Debt Service will not increase by more than 10% after the incurrence of such proposed refunding Long Term Indebtedness and after giving effect to the disposition of the proceeds thereof or (ii) the total Debt Service on the Indebtedness being refinanced will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof; or (iii) the requirements summarized in paragraph (a)(1) above are met; provided that the foregoing will not apply to any refinancing with Balloon Indebtedness.

(c) Short Term Indebtedness may be incurred by any Member as long as the Short Term Indebtedness is made payable from such Member's Gross Revenues.

(d) Indebtedness consisting of purchase money obligations with respect to any item of equipment related to the Facilities may be incurred without limitation.

(e) Indebtedness consisting of leases which are considered operating leases under generally accepted accounting principles may be incurred without limitation; or

(f) Subordinated Indebtedness may be incurred without limitation.

Amendment of Leases. There will be no amendment, modification or termination of any of the Leases without (1) an Officer's Certificate delivered to the Master Trustee stating that the amendment, modification or termination of the Lease contemplated will not have a material adverse effect on the financial position of the Obligated Group or (2) the prior written consent of the Master Trustee, which consent shall only be given if:

(a) in the Opinion of Bond Counsel, such amendment is necessary to preserve the exclusion of interest on related Tax-Exempt Bonds from gross income for purposes of federal income taxation or the exemption of interest on the related Tax-Exempt Bonds from state income taxation;

(b) (1)(A) the Holders of a majority in principal amount of the related the Bonds then Outstanding consent in writing to such amendment, modification or termination, or (B) in the Opinion of Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Related Bondholders or result in any material impairment of the security given for the payment of the related Bonds, and (2) the Master Trustee will receive an Opinion of Bond Counsel substantially to the effect that such amendment, modification or termination will not, in and of itself, adversely affect any exclusion of interest on the Related Bonds from gross income for purposes of federal income taxation; or

(c) it has received a written representation from the Borrower to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Related Bonds; provided that, if an Event of Default with respect to the failure to make due and punctual payment of any Required Payment on an Obligation or the failure to observe or perform any covenant or agreement under the Master Indenture (and such failure has not been cured within 60 days) has occurred and is continuing, the Master Trustee rather than the Borrower will make a determination that such an amendment or modification will not materially and adversely affect the interest of the Holders of the Related Bonds (provided that, in

making such determination, the Master Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel).

Rates and Charges; Debt Coverage. Each Member covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges for the use of its Facilities and for the services furnished or to be furnished by the Members so that the Debt Service Coverage Ratio of the Obligated Group as a whole at the end of each Fiscal Year is not less than 1.00:1.00. If the Debt Service Coverage Ratio of the Obligated Group falls below 1.00:1.00, it shall constitute an Event of Default under the Master Indenture.

Other Covenants. Each of the Members of the Obligated Group agrees to comply with other covenants set forth in the Master Indenture, including covenants to insure the Facilities against loss or damage. See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE MASTER INDENTURE."

Membership in Obligated Group. Additional Members may be added to the Obligated Group from time to time provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of the Master Indenture;

(b) a Related Supplement executed by the Obligated Group Representative, the new Member and the Master Trustee pursuant to which the proposed new Member (1) agrees to become a Member, (2) agrees to be bound by the terms and restrictions imposed by the Master Indenture and the Obligations, and (3) irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants to the Obligated Group Representative full power to execute Related Supplements authorizing the issuance of Obligations and to execute and deliver Obligations;

(c) an Opinion of Counsel to the Master Trustee to the effect that (1) the proposed new Member has taken all necessary action to become a Member, and upon execution of the Related Supplement, such proposed new Member will be bound by the terms of the Master Indenture and (2) the addition of such Member will not cause the Master Indenture or any Obligations to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred);

(d) an Independent Consultant's or Accountant's report, or an Officer's Certificate, as appropriate, to the effect that the condition described in the Limitations on Additional Indebtedness section of the Master Indenture would be met for the incurrence of one dollar of additional Long-Term Indebtedness immediately following the addition of such new Member;

(e) an Opinion of Bond Counsel to the effect that the addition of such Member will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred);

(f) an Officer's Certificate to the effect that no Member, immediately after the addition of such new Member, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(g) a duly executed and delivered Mortgage encumbering the all Property, Plant and Equipment of such new Member, subject only to Permitted Liens.

Any certification or calculation made in accordance with this Section may take into account the effect of the withdrawal of another Member or Members from the Obligated Group in connection with the addition of a Member to the Obligated Group.

Withdrawal from Obligated Group. Any Member may withdraw from the Obligated Group, and be released from further liability or obligation under the provisions of the Master Indenture, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that, immediately following withdrawal of such Member, no Member would be in default in the performance or observance of any covenant or condition of the Master Indenture;

(b) an Opinion of Bond Counsel to the effect that the withdrawal of such Member is in compliance with the conditions contained in the Master Indenture, and such withdrawal will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred); and

(c) an Officer's Certificate to the effect that, to the best of such Officer's knowledge, the withdrawal of such Member will not cause a downgrade or withdrawal of any then-current rating on the Related Bonds outstanding hereunder by the related rating agency; and

(d) an Independent Consultant's report stating that:

(1) the Consolidated Base Rent Coverage Ratio for the current Fiscal Year, taking such withdrawal into account, is calculated to be at least 1.20:1.00 in such Fiscal Year or would be greater than it would otherwise have been absent such withdrawal; and

(2) the forecast Consolidated Base Rent Coverage Ratio for the two consecutive Fiscal Years immediately following such withdrawal, taking such withdrawal into account, is projected to be at least 1.25:1.00 in each Fiscal Year or would be greater than it would otherwise have been absent such withdrawal.

Any certification or calculation made in accordance with this Section may take into account the effect of the addition of another Member or Members to the Obligated Group in connection with the withdrawal of a Member from the Obligated Group.

Upon compliance with the conditions described above, the Master Trustee shall execute any documents reasonably requested by the withdrawing Member to evidence the termination of such Member's obligations under the Master Indenture (including without limitation termination of the pledge of such Member's Gross Revenues) under any Related Supplements and under all Obligations (including without limitation reconveyance of the Mortgage encumbering such Member's Property, Plant and Equipment for the benefit of the Master Trustee).

Cross-Collateralization; Extraordinary Monthly Rent. Pursuant to the Master Indenture, each Member covenants and agrees that each Lease will contain the following provisions:

If on the 25th of any month a Related Bond Trustee does not receive sufficient payments to make all deposits and or payments required under the Related Bond Indenture, the Related Bond Trustee will notify the Borrower and the related Lessee in writing of the deficiency (each such notice, an "Extraordinary Monthly Rent Notice").

In the event that a Lessee under a Lease receives a notice (an "Extraordinary Monthly Rent Notice") from either the lessor under such lease (the "Lessor") or the Related Bond Trustee stating that the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Lessee shall pay the Extraordinary Monthly Rent to the Related Bond Trustee within three business days after such Lessee's receipt of the Extraordinary Monthly Rent Notice. The Lessor shall covenant in such Lease to immediately provide the Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture.

"Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which will be the Lessee's Proportionate Share of the Extraordinary Monthly Rent.

"Proportionate Share" means the amount required to be paid by Lessee to ensure that all of the required Rent and School Loan Repayments with respect to all of the Related Projects have been timely made. There is no assurance that the amount of Extraordinary Monthly Rent will be sufficient to cover any Rent not paid by any other Related Project (as defined in the Master Indenture).

The definition of "Rent" set forth under the related Lease shall include, as one component, the "Extraordinary Monthly Rent."

Mortgages

Pursuant to the Master Indenture, each Member will enter into a mortgage, including leasehold deed of trust, deed of trust, security agreement, assignment of rents and leases and/or financing statement as provided therein (each, a "Mortgage") for the respective Facilities to secure the obligations of the Members under the Master Indenture and each Member, respectively, agrees to supplement such Mortgage or to execute and deliver such other deeds of trust or mortgages as may be necessary from time to grant to the Master Trustee a first priority lien on any Property, Plant and Equipment of the Member, subject to certain permitted liens. The Mortgages also create a current and absolute assignment of the rents under the Lease in favor of the Master Trustee. See "THE LEASES" herein.

In connection with the issuance of the Bonds, the Borrower will enter into a Mortgage for the TEACH Tech Facility to secure its obligations under the Master Indenture.

Pursuant to the Master Indenture and in connection with the execution and delivery of the Mortgages, the Borrower has covenanted to obtain or cause to be obtained, an ALTA title insurance policy on the Facilities in an aggregate amount not less than the aggregate principal amount of the Bonds naming and payable to the Master Trustee, insuring the fee title interest of the Borrower in each Facility, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State. See "CERTAIN RISK FACTORS — Limitations On Value of the Facilities and to Remedies Under the Mortgages" herein.

TEACH Prep Facility and Resource Center Facility. The Borrower will not acquire the TEACH Prep Facility and Resource Center Facility until the satisfaction of the draw requirements described under the headings "THE PROJECT – TEACH Prep Project" and "— Resource Center Project" herein. The Borrower expects to acquire the Resource Center Facility on or about January 16, 2020, and expects to acquire the TEACH Prep Facility on or about March __, 2020. Accordingly, the Borrower will not enter into Mortgages for such sites in connection with the issuance of the Bonds. Upon the satisfaction of the respective draw requirements and acquisition of the TEACH Prep Facility and Resource Center Facility, the Borrower will enter into a Mortgage for each Facility to secure its obligations under the Master Indenture.

Also concurrently with the acquisition of the Resource Center Facility and TEACH Prep Facility, in satisfaction of the respective draw requirements, the Borrower will obtain, at its own cost and expense, an ALTA policy of title insurance regarding each Facility, in an aggregate amount, together with such title insurance relating to the TEACH Tech Facility, not less than the aggregate principal amount of the Bonds, payable to the Master Trustee, insuring the fee title of the Borrower to the Resource Center Facility and the TEACH Prep Facility, respectively, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State.

Additional Leases Governed by the Master Indenture

Under the Master Indenture, "lease" is defined as the Leases and each other lease agreement pursuant to which a Lessee leases a facility at which a School (as defined in the Master Indenture) is located from a Member of the Obligated Group.

If a Member of the Obligated group enters into a Lease (as defined in the Master Indenture), such Lease, must contain the following provisions:

(a) Extraordinary Monthly Rent: In the event that the Lessee under such Lease receives a notice (an "Extraordinary Monthly Rent Notice") from either the lessor under such lease (the "Lessor") or the Related Bond Trustee (as defined in the Master Indenture) stating the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Lessee shall pay the Extraordinary Monthly Rent to the Related Bond Trustee within three business days after such Lessee's receipt of the Extraordinary Monthly Rent Notice. The Lessor shall covenant in such Lease to immediately provide the Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture. "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be the Lessee's Proportionate Share of the Extraordinary Monthly Rent. "Proportionate Share" means the amount required to be paid by Lessee to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. There is no assurance that the amount of Extraordinary Monthly Rent will be sufficient to cover any Rent not paid by any other Related Project.

(b) The definition of "Base Rent" set forth under the related Lease shall include, as one component, the "Extraordinary Monthly Rent."

(c) A Base Rent Coverage Ratio Covenant substantially similar to the covenant described under the heading "— The Lease – Base Rent Coverage Ratio" above.

The Borrower and the Series 2016 Landlord are currently the only Members of the Obligated Group, and the only leases (as defined in the Master Indenture) are the Series 2019 Leases and the Series 2016 Lease, and the only schools (as defined in the Master Indenture) are the Series 2019 Schools and the Series 2016 School. TEACH and the Borrower provide no assurances that other schools and leases will be added and be subject to the provisions of the Master Indenture.

THE LEASES

The following section contains a brief description of the Leases. All references in this Limited Offering Memorandum to the Leases are qualified in their entirety by reference to the Leases, copies of which may be obtained by request to the Underwriter. See "APPENDIX D – SUMMARY OF THE LEASES" attached hereto.

General

The primary source of Gross Revenues for the Members of the Obligated Group are the payments of Rent received pursuant to the Leases. Under the Series 2019 Leases, the Borrower will lease to TEACH, and

TEACH will lease from the Borrower, each Series 2019 Facility, for an initial term of __ approximately __ years until June 30, 20__ (the "Series 2019 Initial Lease Term"). In addition, each Series 2019 Lease provides for options (each a "Renewal Option") to extend such Series 2019 Lease for additional periods (each a "Renewal Term") for ___ Renewal Term so of ___ years each.

Under the Series 2016 Lease, the Series 2016 Landlord leases to TEACH, and TEACH leases from the Series 2016 Landlord, the Series 2016 Facility, for an initial term ending on June 30, 2052 (the "Series 2016 Initial Lease Term"). In addition, the Series 2016 Lease has three 5-year renewal options (each a "Renewal Option")

Collectively, each Initial Lease Term and each Renewal Term thereof are referenced herein as a "Lease Term." Pursuant to each Lease, Rocketship has covenanted that, so long as the Landlord has any obligations under the Loan Documents, it will exercise each Renewal Option under the applicable Lease.

The provisions of each Lease are substantially similar except for the amount of rent payable and the Facility subject to each Lease. See "APPENDIX E – SUMMARY OF THE LEASES" attached hereto.

Payment of Rent

Pursuant to the Leases, TEACH will make monthly payments of Rent in advance on the 20th day of each calendar month. "Rent," as defined under the Lease, comprises the following: (i) the monthly payment of Base Rent (as defined in each Lease); (ii) Additional Rent (as defined in each Lease); (iii) Extraordinary Monthly Rent (as defined in each Lease); and (iv) any Expenses (as defined in each Lease).

TEACH will cause all payments of Rent under the Lease to be received by the Master Trustee on behalf of the Lessor in lawful money of the United States on or before the day on which such payments are due, without offset or deduction. TEACH has agreed to take such action as may be necessary to include all payments of Rent due under each Lease in its annual budget, to make, as necessary, annual appropriations for all such payments and to take such action annually as will be required to provide funds in such year for such payments of Rent.

The source of payment for the obligations of TEACH under each Lease will be limited solely and exclusively to assets and revenues derived from operations pursuant to the School operated in the applicable Facility, and any other charter school operated by TEACH in the portion of the Facilities subject to the Lease (as further defined in the Lease as the "Premises"). Revenue derived from operations of one Obligated Group School is only available to pay Base Rent due with respect to the any other Obligated Group School through the Extraordinary Monthly Rent provisions described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Leases Governed by the Master Indenture" herein. No other assets or revenues of TEACH will be available to satisfy its obligations under the Lease, except at the election of TEACH. Accordingly, if operations of all Obligated Group Schools failed to provide sufficient revenue to provide for the payment of Rent under all of the applicable Leases, excess revenues produced by operations of any other charter school operated by TEACH may not be available for the payment thereof. See "CERTAIN RISK FACTORS" herein.

If any Rent is not received within ten calendar days after the Master Trustee or the applicable Lessor has notified TEACH in writing that a payment due has not been received, then TEACH will immediately pay to the applicable party a late charge equal to 5% of such delinquent rent as liquidated damages for TEACH's failure to make timely payment. In no event will this provision for a late charge be deemed to grant to TEACH a grace period or extension of time within which to pay any Rent or prevent the Lessor from exercising any right or remedy available to the Lessor upon TEACH's failure to pay any rent due under the Lease in a timely fashion. If any Rent remains delinquent for a period in excess of 30 days then, in addition to such late charge, TEACH will pay to the applicable party interest on any rent that is not paid when due at the Agreed Interest Rate from the date such amount became due until paid.

Neither TEACH's general revenues nor any revenues TEACH may derive from its operation of schools (other than the Schools pursuant to the Leases or other schools TEACH may operate in the portion of the Facilities subject to the Leases), nor from any schools TEACH may operate in the future, are pledged or otherwise available to make payments under the Leases and with respect to the Bonds.

Included in the Rent payable by TEACH under the Leases are amounts sufficient to pay Extraordinary Monthly Rent, as further described below under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Leases Governed by the Master Indenture."

Covenants. The Leases contain various covenants (including financial reporting covenants), representations and warranties made by TEACH to the Lessor. Certain of those covenants include:

(a) Restrictions on the use of the Premises to the operation of a charter school;

(b) Compliance by the Lessee with applicable laws, including environmental laws and Applicable Requirements (as defined in the Lease);

(c) Maintenance and repair covenants;

(d) Certain sublease and assignment restrictions;

(e) Covenants to maintain insurance policy coverages required under the Master Indenture as set forth in the Lease;

(f) Indemnification of the Lessor pursuant to the Lease terms; and

(g) Maintaining its charter with a sponsoring entity and take or cause to be taken all actions required to renew or extend the term of its charter with a sponsoring entity.

Financial Covenants. The Leases also contains the following financial covenants on the part of the Lessee.

Base Rent Coverage Ratio. The Lessee covenants and agrees to calculate for each Fiscal Year its Base Rent Coverage Ratio (as defined below) for the Lease based on its audited financial statements for such Fiscal Year, and to provide a copy of such calculation for such period to the Lessor and the Master Trustee annually commencing with the Fiscal Year ending June 30, 20__. The Lessee also covenants to maintain its Net Operating School Revenue (defined below) so that its Base Rent Coverage Ratio at the end of each Fiscal Year is not less than 1.10 to 1.00; provided that, except as provided below, the Lessee's failure to achieve the required Base Rent Coverage Ratio will not constitute an Event of Default under the Lease if the Lessee promptly engages an Independent Consultant to prepare a report, to be delivered to the Lessee, the Lessor and Trustee within 45 days of engagement, with recommendations for meeting the required Base Rent Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by TEACH may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, TEACH covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Lessors and Master Trustee within 90 days after being so retained. TEACH, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. The Lessee will not be obligated to retain such an Independent Consultant more often than once during any 24 month period. Notwithstanding the foregoing, the Lessee's failure to achieve a Base Rent Coverage Ratio of 1.00 to 1.00 will constitute an Event of Default under the Lease.

"Base Rent Coverage Ratio" means for any period of time the ratio determined by dividing (i) Net Operating School Revenue (as defined below), by (ii) the amount of scheduled Base Rent under the Lease.

"Educational Management Fees" means that portion of an educational management fee, if any, paid to TEACH in connection with management services provided by TEACH or an affiliate thereof and related to or payable from revenues attributable to the applicable Obligated Group School and to any other charter school operated by TEACH in the property subject to the Lease. This fee will be subordinated to the payment of Rent due under the Lease.

"Gross School Revenues" means all revenue, income, receipts and money received by or on behalf of TEACH from all lawfully available sources attributable to its operation of the applicable Obligated Group School and to any other charter school operated by TEACH in the property subject to the Lease, including from any applicable district or county or from the State pursuant to the Charter School Law from the LCFF, general purpose entitlement or revenue limit; but excluding gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for Rent payments or operating expenses. Any other income, revenue, receipts, contributions or other monies received by TEACH not specifically described in the immediately preceding sentence shall not constitute Gross School Revenues.

"Long Term School Indebtedness" means Obligated Group School Indebtedness having an original maturity greater than one year or renewable at the option of TEACH for a period of greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Obligated Group School Indebtedness, no such Obligated Group School Indebtedness is permitted to be outstanding thereunder for a period of at least 20 consecutive days during each calendar year.

"Net Operating School Revenue" means TEACH's Gross School Revenues minus its Operating Expenses (defined below); provided, that no determination thereof will take into account: (a) any gain or loss resulting from either the early extinguishment or refinancing of Obligated Group School Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business; (b) gifts, grants, bequests, donations or contributions, and income therefrom, to the extent specifically permanently restricted by the donor or by law to a particular purpose inconsistent with their use for the payment of Operating Expenses; (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (e) unrealized gains or losses that do not result in the receipt or expenditure of cash; and (f) nonrecurring items which involve the receipt, expenditure or transfer of assets.

"Obligated Group School Indebtedness" means Indebtedness (as such term is defined in the Master Indenture) related to or payable from revenues of the applicable Obligated Group School and to any other charter school operated by TEACH in the property subject to the Lease.

"Operating Expenses" means except as provided below, all unrestricted expenses of the Lessee, attributable to operations of the applicable Obligated Group School and to any other charter school operated by the Lessee at the applicable Facility in the portion of such Facilities subject to the Lease, including maintenance, repair expenses, utility expenses, equipment lease and other rental expense (excluding the Base Rent and the Extraordinary Monthly Rent, if any, but including the Additional Rent and Expenses, as defined in the Lease), administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Lessee, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Lessee not otherwise taken into account herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles, all in such amounts as reasonably determined by the Lessors. "Operating Expenses" shall exclude, however, (i) all subordinated Education Management Fees, (ii)

depreciation and amortization, and (iii) any expenses which are treated as extraordinary in accordance with generally accepted accounting principles.

Liquidity Covenant. TEACH will calculate Consolidated Days Cash on Hand (as defined below) for the Obligated Group Schools as of the last day of each Fiscal Year, commencing with the Fiscal Year ending June 30, 20__, based upon its audited financial statements for such Fiscal Year and file such reports with Master Trustee. For each calculation date, TEACH, on behalf of the Obligated Group Schools, will maintain Consolidated Days Cash on Hand as of the last day of each Fiscal Year equal to or greater than 45 days.

"Consolidated Days Cash on Hand" means (i) the sum of Cash and Cash Equivalents of the Obligated Group Schools, as shown on TEACH's audited financial statements for each Fiscal Year, and any State payments accrued to such Fiscal Year and scheduled to be received within two months following the end of such Fiscal Year ("Cash on Hand"); divided by (ii) the Average Daily Expenses for Obligated Group Schools (as calculated for the most recent Fiscal Year ending before such date).

"Average Daily Expenses for Obligated Group Schools" means (A) cash requirements during such Fiscal Year related to or payable from revenues attributable to the schools operated by TEACH under the Leases, which have been financed with Obligations issued under the Master Indenture (the "Obligated Group Schools") (excluding from such calculation all depreciation and other non-cash items), and including within such calculation on behalf of the Obligated Group Schools in the aggregate (i) all Operating Expenses for such Fiscal Year for the Obligated Group Schools, (ii) subordinated Educational Management Fees, and (iii) the maximum Base Rent payable under the Leases for all Obligated Group Schools between TEACH and any member of the Obligated Group for that year or any other year, divided by (B) 365.

TEACH will provide a certificate to the Lessors and Master Trustee at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether TEACH, on behalf of the Obligated Group Schools, has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, TEACH covenants to retain an Independent Consultant, at the expense of TEACH, on behalf of the Obligated Group Schools, within 45 days, to make recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by TEACH may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, TEACH covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Lessors and Master Trustee within 90 days after being so retained. TEACH, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law.

No proceeds of any Short Term Indebtedness will be considered unrestricted available cash for purposes of such calculation (other than the proceeds of any working capital loans made to bridge deferrals in State payments or start-up loans from the State of California or the California Department of Education).

In the event TEACH, on behalf of the Obligated Group Schools, fails to have such an amount on deposit, it will not be a default or Event of Default under the Lease.

TEACH will not be obligated to retain such an Independent Consultant on behalf of the Obligated Group Schools more often than once during any 24 month period.

See APPENDIX C – "SUMMARY OF PRINCIPAL BOND DOCUMENTS – DEFINITIONS" for capitalized terms not defined herein.

Financial Reporting. Lessee agrees to provide the relevant Lessor, and upon written request of the Bond Trustee or Master Trustee, the following information:

(a) If Lessee is undertaking any construction at a Facility, not later than 60 days after the end of each quarter, a construction progress report with respect to any such construction until such construction is substantially complete.

(b) Quarterly unaudited financial information and operating data of the School(s) not later than 60 days after the end of each quarter.

(c) Quarterly, not later than 60 days after the end of each quarter, a report of the School's (or Schools') quarterly enrollment data and waitlist data by grade for the previous fiscal quarter.

(d) Prior to the end of each fiscal year, a copy of the annual budget of the School(s) for the subsequent Fiscal Year.

(e) Quarterly, not later than 60 days after the end of each quarter, a year to date comparison of the revenue and expenditures in the unaudited financial statements for such quarter to the annual budget for the applicable fiscal year.

(f) Quarterly, not later than 60 days after the end of each quarter, a copy of any recommendations of any Independent Consultant received in accordance with the Master Indenture pursuant to the Liquidity Covenant and Base Rent Coverage Ratio covenant under the Leases described above.

(g) Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2019, copies of the audited financial statements of Lessee and the School(s) for the prior fiscal year prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available.

(h) Annually, no later than six (6) months after the close of each fiscal year, commencing with the Fiscal Year ending June 30, 2019, the certifications and calculations of the Consolidated Days Cash on Hand for the School(s) and the Base Rent Coverage Ratio for each School as described in the Liquidity Covenant and Base Rent Coverage Ratio covenant under the Leases described above.

(i) Such other information as may be reasonably requested by the Borrower, the Authority, the Bond Trustee or Master Trustee

Limitations on Obligated Group School Indebtedness. TEACH covenants that it will not incur, assume or guarantee ("incur"), any Obligated Group School Indebtedness (secured or unsecured), except Obligated Group School Indebtedness with respect to purposes specifically benefiting TEACH, and except as provided below.

To the extent permitted by applicable law and if no Event of Default under the Lease, or an event that with the giving of notice or passage of time or both would constitute an Event of Default under the Lease, has occurred and is continuing, TEACH may incur or assume Nonrecourse Indebtedness (as defined below), Short-Term Indebtedness (as defined below), and Interim Indebtedness (as defined below) to a total aggregate principal amount outstanding at any time not in excess of the greater of: (1) 25% of Operating Expenses in any Fiscal Year, or (2) the maximum amount of advance apportionment and principal apportionment due to the School in any fiscal year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or Sections 16325.5 and 16326 of the California Government Code, or any subsequent legislation authorizing additional deferrals of such apportionments.

(i) "Nonrecourse Indebtedness" means all Obligated Group School Indebtedness with respect to which the obligee is prevented by applicable law or contractual arrangement from exercising recourse, or any other right or remedy exercisable by a creditor, against all or any part of the Premises or the Improvements in order to pay, satisfy or discharge all or any part of the Obligated Group School Indebtedness.

(ii) "Short-Term Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to one year and not renewable at the option of TEACH for a term greater than one year from the date of original incurrence or issuance, provided, however, that any Short-Term Indebtedness that has been issued as revenue anticipation notes ("RANs") will not be included or counted as Short-Term Indebtedness to the extent that the RANs are secured by deferred apportionment revenues expressly pledged and deposited in an intercept account to pay such RANs.

(iii) "Interim Indebtedness" means all Obligated Group School Indebtedness having an original maturity less than or equal to five years and not renewable at the option of TEACH for a term greater than five years from the date of original incurrence or issuance.

CHARTER SCHOOLS

General

This section provides a brief overview of California's system for funding charter schools. Prospective purchasers of the Bonds should note that the overview contained in this section and the summary of relevant law noted by cross-reference in the sections that follow are provided for the convenience of prospective purchasers but are not and do not purport to be comprehensive. Additional information regarding various aspects of charter school funding in California is available on numerous State-maintained websites and through other publicly available sources.

Under State Law, charter schools are largely independent schools operating as part of the public school system under the exclusive control of the officers of the public schools. A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and is usually sponsored by an existing local public school district or county board of education. Specific goals and operating procedures for the charter school are detailed in a "charter" granted by the sponsoring board to the charter organizers.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. Charter schools in the State are created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). The law also requires that a public charter school be nonsectarian in its programs, admission policies, employment practices and all other operations, and prohibits the conversion of a private school to a charter school. Public charter schools may not charge tuition and may not discriminate against any pupil on the basis of ethnicity, national origin, gender or disability. State public charter schools are required to participate in the State Testing and Reporting Program.

According to the Charter School Law, the purpose of a charter school is to: (1) improve pupil learning; (2) increase learning opportunities for all pupils, with special emphasis on expanded learning experiences for pupils identified as academically low achieving; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site; (5) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (6) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (7) provide vigorous competition within the public school system to stimulate continual improvements in all public schools.

Anyone may write a charter. However, for a new charter school (not conversion of an existing traditional public school), charter developers must present a petition to the governing board of the local school district (or other chartering authority) containing the signatures of either: (1) a number of teachers meaningfully interested in teaching at the school equal to at least 50 percent of the number of teachers the charter school estimates will be employed during the charter school's first year of operation, or (2) a number of

parents or legal guardians representing at least 50 percent of the number of pupils expected to enroll at the school in its first year. For conversion schools, Charter School Law requires signatures of at least 50 percent of the permanent status teachers at the school to be converted. Pupils may not be required to attend a charter school nor may teachers be compelled to teach there. Charters are granted for a maximum term of five years, and may be renewed for new five-year terms without limitation upon satisfaction of certain criteria described below.

Generally, each charter school is funded to its statutory entitlement after the local contribution is taken into account. Local funding comes from the chartering school district or other sponsoring local education agency in lieu of property taxes (generally funded from the school district's own property tax receipts), while the State funds the balance directly through the county office of education. The proportion coming from the State will vary from district to district depending on the amount of local property taxes collected. In addition, charter schools receive certain State funding and lottery funds based upon pupil attendance, and may be eligible for other special programmatic aid from State and federal grants. Charter schools are prohibited from charging tuition under the Charter School Law.

For additional information regarding funding of education in the State and information relating to certain risks and other considerations relevant to a decision to invest in the Bonds, see "STATE FUNDING OF EDUCATION" and "CERTAIN RISK FACTORS – Specific Risks of Charter Schools" herein.

Chartering Authority

Under the Charter School Law, the local school district governing board serves as the primary chartering authority. A petitioner may seek approval of a charter from a county board of education if the pupils to be served are pupils that would normally be provided direct education and related services by the county office of education. A petitioner may also seek approval from a county board of education for a countywide charter school, which may be granted only if the county board finds that the proposed countywide charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates only in one school district in the county. See "— Countywide Benefit Charter Schools" below. A petitioner may seek approval directly from the State Board of Education only if the State Board of Education finds that the proposed state charter school will provide instructional services of statewide benefit that cannot be provided by a charter school operating in only one school district or county. See "— Statewide Benefit Charter" below. Petitioners may request the county board of education or the State Board of Education to review a charter petition if the petition has been previously denied by the local school district governing board. If the petitioners elect to submit a petition for establishment of a charter school to the county board of education and the county board of education denies the petition, the petitioners may file a petition for establishment of a charter school with the State Board of Education.

If a petitioner's charter petition is denied by the local school district governing board and subsequently approved by the State Board of Education, any petition for renewal must also be first sought, and denied, by a local school district before it can be acted upon by the State Board of Education.

The Schools' charter petitions were approved by Los Angeles Unified School District ("LAUSD"). For information concerning the charters granted with respect to the Schools, see "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – TEACH PUBLIC SCHOOLS – Charter Schools Operated by TEACH" attached hereto.

Elements of a Charter Petition

Each charter petition, at a minimum, must contain reasonably comprehensive descriptions of each of sixteen required elements. They are:

1. A description of the educational program of the charter school.

2. The annual goals for the charter school for all pupils and for each subgroup of pupils.

3. If the proposed charter school will serve high school pupils, the manner in which the charter school will inform parents about the transferability of courses to other public high schools and the eligibility of courses to meet college entrance requirements.

4. The measurable pupil outcomes identified for use by the charter school.

5. The method by which pupil progress in meeting those pupil outcomes is to be measured.

6. The charter school's governance structure, including parental involvement.

7. The qualifications to be met by individuals employed by the charter school.

8. Procedures to ensure health and safety of pupils and staff.

9. The means by which the charter school will achieve racial and ethnic balance among pupils, reflective of the general population residing in the chartering district.

10. Admission policies and procedures, consistent with the requirements in Education Code Section 47605(d).

11. The manner in which annual, independent financial audits will be conducted, and the manner in which audit exceptions and deficiencies will be resolved to the satisfaction of the chartering authority.

12. The procedures by which pupils may be suspended or expelled from the charter school for disciplinary reasons or otherwise involuntarily removed from the charter school for any reason.

13. Provisions for employee coverage under the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security.

14. The public school attendance alternatives for pupils residing within the district who choose not to attend charter schools.

15. A description of the rights of any employee of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school.

16. The procedures to be followed by the charter school and the entity granting the charter to resolve disputes relating to provisions of the charter.

17. A declaration of whether or not the charter school will be deemed the exclusive public school employer of the employees of the charter school for purposes of the Educational Employment Relations Act.

18. A description of the procedures for closure of the school and disposition of assets.

Under the accountability requirements of Assembly Bill 1137 ("AB 1137"), signed into law in October 2003, districts or other agencies that grant charter authority must identify a contact person for charter schools, visit each charter school at least once a year, and ensure that charter schools submit all required reports (including fiscal reports that must be sent four times a year to the district and local county office of education). In addition, the district must monitor the fiscal condition of its charter schools and notify the State

Department of Education whenever a charter is granted, denied, revoked, or the charter school will cease operation. AB 1137 also required that charter schools show a certain level of academic performance to have their charters renewed.

Approval or Denial of Charter Petition

No later than 30 days after receiving a petition, the governing board of the school district will hold a public hearing on the provisions of the charter, at which time the governing board of the school district will consider the level of support for the petition by teachers employed by the school district, other employees of the school district, and parents. Following review of the petition and the public hearing, the governing board of the school district will either grant or deny the charter within 60 days of receipt of the petition, provided, however, that the date may be extended by an additional 30 days if both parties agree to the extension. In reviewing petitions for the establishment of charter schools authorized by a school district, the chartering authority will be guided by the intent of the State Legislature that charter schools are and should become an integral part of the California educational system and that the establishment of charter schools should be encouraged. The governing board of the school district will grant a charter for the operation of a school if it is satisfied that granting the charter is consistent with sound educational practice.

The governing board of the school district will not deny a petition for the establishment of a charter school unless it makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the following findings:

(1) The charter school presents an unsound educational program for the pupils to be enrolled in the charter school;

(2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition;

(3) The petition does not contain the number of required signatures;

(4) The petition does not contain an affirmation of each of the admission conditions described in Education Code Section 47605(d);

(5) The petition does not contain reasonably comprehensive descriptions of all of the elements described in "— Elements of a Charter Petition" herein; and

(6) The petition does not contain a declaration of whether or not the charter school will be deemed the exclusive public employer of the employees of the charter school for purposes of Chapter 10.7 of the Government Code.

In reviewing petitions for the establishment of charter schools within the school district, the governing board of the school district will give preference to petitions that demonstrate the capability to provide comprehensive learning experiences to pupils identified by the petitioner or petitioners as academically low achieving pursuant to the standards established by the State Board of Education.

If the governing board of a school district denies a petition, the petitioner may elect to submit the petition for the establishment of a charter school to the county board of education. The county board of education will review the petition pursuant to the same process by which a school district reviews a charter school petition. If the petitioner elects to submit a petition for establishment of a charter school to the county board of education and the county board of education denies the petition, the petitioner may file a petition for establishment of a charter school with the state board, and the state board may approve the petition, in accordance with the same process by which a school board reviews such petition.

If either the county board of education or the state board fails to act on a petition within 120 days of receipt, the decision of the governing board of the school district to deny the petition will be subject to judicial review.

Countywide Benefit Charter Schools

Education Code Section 47605.6 provides for the creation of countywide benefit charter schools to operate at one or more sites within the geographic boundaries of a county and that provide instructional services that are not generally provided by a county office of education. A county board of education may approve a countywide charter only if it finds, in addition to the other requirements of the Charter School Law, that the educational services to be provided by the charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates in only one school district in the county.

The provisions governing denial of a charter petition for school district governing boards, also apply to the denial of petition to countywide benefit charters. A county board of education will deny a petition if it finds one or more of the following: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are demonstrably unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, (v) the petition does not contain comprehensive descriptions of the educational program of the school, measurable pupil outcomes and certain other factors, as required by State law, and (vi) any other basis that the county board of education finds justifies the denial of the petition.

None of the Series 2019 Schools operate pursuant to a countywide benefit charter. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – TEACH PUBLIC SCHOOLS – Charter Schools Operated by TEACH" attached hereto.

Statewide Benefit Charter Schools

Education Code Section 47605.8 provides for the creation of statewide benefit charter schools to operate at multiple locations throughout the State of California. A petition for the operation of a state charter school may be submitted to the State Board of Education ("SBE") and the SBE has the authority to approve a charter for the operation of a state charter school. The SBE may not approve a petition for the operation of a state charter school unless it finds that the proposed state charter school will provide instructional services of statewide benefit that cannot be provided by a charter school operating in only one school district, or only in one county. As a condition of charter petition approval, the SBE may enter into an agreement with a third party, at the expense of the charter school, to oversee, monitor, and report on, the operations of the charter school.

The provisions governing denial of a charter petition for county boards of education, also apply to the denial of a petition to statewide benefit charters. Petition denials include: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, and (v) the petition does not contain comprehensive descriptions of the educational program of the school, measurable pupil outcomes and certain other factors, as required by State law.

Neither of the Series 2019 Schools operate pursuant to a Statewide benefit charter. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – TEACH PUBLIC SCHOOLS – Charter Schools Operated by TEACH" attached hereto.

Charter Management Organizations

As the number of charter schools operating pursuant to the Charter School Law has increased over time, nonprofit organizations have been established, referred to as charter management organizations ("CMOs"), to manage the operations of several charter schools for the purpose of achieving certain economic and operational efficiencies. CMOs centralize or share certain functions and resources among multiple charter schools, including but not limited to accounting, human resources, marketing, purchasing, property management and administration. CMOs may operate at the regional or statewide level. TEACH functions as a CMO for the Schools. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

Charter Revocation

A charter may be revoked if the charter granting authority finds, based on substantial evidence, that a charter school (i) has committed a material violation any of the conditions, standards or procedures set forth in its charter, or (ii) has failed to meet or to pursue any of the student outcomes identified in its charter, or (iii) has failed to meet generally accepted accounting principles, or engages in fiscal mismanagement, or (iv) has violated any provision of law. Prior to revoking a charter, the charter granting authority must notify the charter school of the violation, afford the charter school a reasonable opportunity to remedy the violation (unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils), and, upon failure to do so, give written notice of intent to revoke and notice of facts in support of revocation to the charter school and hold a public hearing on the matter. An adverse decision by a school district governing board may be appealed to the county board of education and an adverse decision by the county board, directly or on appeal, may be appealed to the SBE. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters" herein.

In addition, the SBE, whether or not it is the charter granting authority, may take action based on the recommendation of the State Superintendent of Public Instruction, including but not limited to revocation of a school's charter, upon a finding of (i) gross financial mismanagement that jeopardizes the financial stability of the charter school, (ii) illegal or substantially improper use of charter school funds for the personal benefit of any officer, director or fiduciary of the charter school, or (iii) substantial and sustained departure from measurably successful practices such that continuing departure would jeopardize the educational development of the school's pupils. Regulations promulgated by the SBE that became effective February 13, 2011 require the California Department of Education to identify and notify the SBE of each charter school that is determined to warrant action pursuant to clause (iii) of the immediately preceding sentence by November 1 of each year. Under these regulations, charter schools so notified are required to be given an opportunity to submit written information as to why its charter should not be revoked. Any resulting action to revoke a charter is effective at the end of the fiscal year in which the action is taken, unless the SBE identifies departures at the school that are so significant as to be cause for immediate revocation and closure of the charter school. The regulations require the SBE to hold a public hearing to consider action including but not limited to charter revocation not later than March 31. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters" herein.

TEACH has not received any notice from the SBE, Los Angeles County or the Schools' chartering authority, LAUSD, regarding any violation or proposal to revoke any of the Schools' charters or of any other violation requiring corrective action. In addition, as noted above, any future adverse decision by the governing board of LAUSD may be appealed to the Los Angeles County Board of Education and an adverse decision by such Board of Education, directly or on appeal, may be appealed to the SBE. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – THE SCHOOLS – Letters of Good Standing" attached hereto.

Amendments to the Charter School Law

The Legislature has amended the Charter School Law frequently since its initial adoption in 1992, and legislative and public attitudes are still evolving. Neither the Borrower nor any charter school has any control over State legislative or regulatory decision making that could affect the operations or ongoing funding sources for the School.

Assembly Bill 1505 ("AB 1505") was signed into law by the Governor on October 3, 2019. The provisions of AB 1505 amending existing law relating to the review, approval and appeal of charter petitions will become operative on July 1, 2020. As enacted, AB 1505 will make various changes to provisions relating to the review of charter school petitions and renewals by authorizers, including the following:

- Adding additional factors for a school district to consider when reviewing a charter school petition, including the interests of the community, the academic needs of the pupils, by which means the charter school will achieve a balance of racial and ethnic pupils, the fiscal impact on the school district, and whether the charter school would substantially undermine existing services, academic offerings or programmatic offerings of the school district.

- Renewals of existing charter school petitions will not be subject to the authorizer's evaluation of the fiscal impact on the school district, so long as the renewal does not request an expansion to additional sites or grade levels.

- Authorizers must deny a renewal if the charter school has received certain low performance levels on the California School Dashboard for the most recent two years prior to renewal, unless the authorizer makes certain findings.

- Authorizers may not deny a renewal, and may renew for a term between 5 and 7 years, if the charter school has received certain high performance levels on the California School Dashboard for the most recent two years prior to renewal.

- Petitions denied by a school district and county may only be appealed to the State Board of Education if the State Board of Education finds an abuse of discretion by the school district or county. If approved on State appeal, the State Board of Education will designate either the school district or the county as the authorizer.

- All charter school teachers will be required to be certified.

- No new nonclassroom-based charter schools may be approved from January 1, 2020 through January 1, 2022.

Assembly Bill 1507 ("AB 1507") was signed into law by the Governor on October 3, 2019. AB 1507 will allow a charter school to operate one resource center, meeting space or other satellite facility within the jurisdiction of the school district where the charter school is physically located, and will prohibit the establishment of any other such facility.

On October 13, 2019, the Governor vetoed Assembly Bill 1613 ("AB 1613"). As passed by the State Assembly and State Senate, AB 1613 would make any construction, alteration, demolition, installation or repair work done on a charter school subject to prevailing wages, when such work is paid for, in whole or in part, with proceeds of conduit revenue bonds. AB 1613 may still be enacted into law if both the State Senate and State Assembly vote to override the Governor's veto by a vote of two-thirds of the members of each house.

On June 6, 2019, State Superintendent of Public Instruction Tony Thurmond delivered to the Governor a report from the California Charter School Policy Task Force, including a list of recommendations for charter school reform (the "Task Force Report"). The Task Force Report recommendations, which were recommended unanimously by the members of the task force, include, among others:

- Hold school districts harmless for one year for any net loss in ADA due to students enrolling in a charter school;

- Allow charter authorizers to factor in saturation (including both the number of schools and enrollment in those schools), academic outcomes and offerings, and a statement of need based on academic outcomes and offerings, when determining whether to approve or deny a charter petition;

In addition to the unanimous recommendations, including the two listed above, the Task Force Report identified several other proposals which were supported by a majority, but not all, of the task force members. These included, among others, limiting the appeal rights of charter petitioners to only the county-level, and only when there was an error made by the school district in denying the petition; allowing authorizers to consider fiscal impact to the school district as part of the charter authorization process; and prohibiting school districts from authorizing charter schools located outside of their boundaries.

Neither the Borrower nor TEACH makes any representation as to whether any proposed amendments to the Charter School Law will be enacted into law, or what, if any, impact such proposed amendments would have on the Borrower or TEACH. For legislative updates see https://www.ccsa.org/what-we-do/legislative-advocacy. The parties to this transaction take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Growth in Charter Schools in California

California has the largest concentration of charter schools in the nation with approximately 660,000 students enrolled in charter schools for the 2018-19 school year, according to the California Charter Schools Association. The California Charter Schools Association also reported that 70 new charter school equivalents (63 new schools, and seven significant expansions of existing schools) opened in the State of California in the 2018-19 school year, bringing the total number of charter schools in California up to 1,323.

TOTAL CHARTER SCHOOLS IN CALIFORNIA
Fiscal Years 1998-99 Through 2018-19

Fiscal Year	Number of Charter Schools
2018-19	1,323
2017-18	1,275
2016-17	1,254
2015-16	1,230
2014-15	1,182
2013-14	1,130
2012-13	1,063
2011-12	982
2010-11	912
2009-10	809
2008-09	746
2007-08	682
2006-07	585
2005-06	560
2004-05	502
2003-04	443
2002-03	408
2001-02	349
2000-01	299
1999-00	235
1998-99	177

Source: California Charter School Association.

STATE FUNDING OF EDUCATION

General

The Charter School Law provides that the State legislature intended "each charter school be provided with operational funding that is equal to the total funding that would be available to a similar school district serving a similar pupil population . . ." As is true for school districts in the State, charter schools' revenue is derived primarily from two sources: a State portion funded from the State's general fund and a locally generated portion derived from each sponsoring school district's share of the local *ad valorem* property tax. Decreases in State revenues, or in the legislative appropriations made to fund education, may significantly affect charter schools' operations.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by the State Legislature no later than June 15, although this deadline has been breached in previous years. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a

budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. This lower vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2019-20 State budget on June 27, 2019.

Failure by the State to adopt a budget may restrict the State Controller's ability to disburse State funds. Under the rule of White v. Davis (also referred to as Jarvis v. Connell), a State Court of Appeal decision reached in 2002 and later refined by a California Supreme Court decision in 2003, the State Controller may be able to disburse State funds after the beginning of the fiscal year prior to the adoption of the State budget bill or emergency appropriation if the expenditure, among other things, is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the Borrower might experience delays in receiving certain expected revenues. See "CERTAIN RISK FACTORS" herein.

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. A brief description of the adopted State budget for fiscal year 2019-20 is included below; however, no prediction can be made as to how State income or State education funding will vary over the entire term to maturity of the Bonds, and neither the Borrower nor the Authority takes any responsibility for informing Beneficial Owners of the Bonds as to any such annual fluctuations. Information about the State budget and State spending for education is regularly available at various State maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov., under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, currently located at www.treasurer.ca.gov., and the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org. The information referred to is prepared by the respective entities maintaining each website and not by the Borrower or the Authority, and neither the Borrower nor the Authority can take any responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

Aggregate State Education Funding. Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is mandated for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs, including charter schools.

The Proposition 98 guaranteed amount for education is based on prior year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State's share of the guaranteed amount

is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post year end revisions, as additional information regarding the various factors becomes available. Over the long run, the guaranteed amount may increase as enrollment and per capita personal income grow.

If, at year end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the mandated amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal years 2004-05, 2010-11, 2011-12 and 2012-13; and by proposing to amend the Constitution's definition of the guaranteed amount and settle up requirement under certain circumstances. The 2014-15 State Budget and 2015-16 State Budget reversed certain of these trends by, among other things, eliminating certain deferrals, authorizing payments of certain deferred amounts owed to schools subject to State General Fund Revenues and authorizing settle-up payments with respect to deferred apportionments of the Proposition 98 minimum guarantee.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of $138 billion and total expenditures of $142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $20.7 billion, including $5.4 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of $143.8 billion and authorizes expenditures of $147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.8 billion, including $1.4 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of $376.5 million in order to comply with Proposition 2. The amount is below the threshold required to trigger certain maximum local reserve levels for school districts created by

State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS – Proposition 2" herein.

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at $81.1 billion. With respect to K-12 education, ongoing per-pupil spending is set at $11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA.

- *Settle-Up Payment* – An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – $645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) $152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) $492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

- *Pension Costs* – A $3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – Retirement Systems" attached hereto.

- *After School Programs* - $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.

- *Teacher Support* - $43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes $89.8 in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.

- *Broadband Infrastructure* - $7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.

- *Full-Day Kindergarten* - $300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.

- *Wildfire-Related Cost Adjustments* – An increase of $2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions. Neither the Borrower nor TEACH can predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. Neither the Borrower nor TEACH can predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the Borrower and TEACH will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the Borrower and TEACH.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 4, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years – such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Future Budgets and Budgetary Actions. The Borrower, TEACH and the Authority cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the Borrower will have no control. Certain actions could result in a significant

shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2019-20 and in future fiscal years. State budget shortfalls in future fiscal years could have a material adverse financial impact on the Borrower and TEACH.

Allocation of State Funding to Charter Schools

General Purpose Entitlement. Under the Charter School Law, each charter school is calculated to have a "general purpose entitlement," which has in the past been based on the statewide average amount of State aid, local property taxes and other revenue received by school districts of similar type and serving similar pupil populations. The general purpose entitlement is calculated on a per student basis at each of four grade level ranges (grades K-3, grades 4-5, grades 6-8, and grades 9-12) and is multiplied by the charter school's Average Daily Attendance ("ADA") in each grade level range.

Each charter school's general purpose entitlement is funded from local funding in lieu of property taxes and, to the extent such funding is insufficient to fulfill the entire entitlement, from money appropriated by the State from the State's general fund for education. The local share, which must be transferred in monthly installments to the charter school by the sponsoring local educational agency in lieu of property taxes, is the average amount of property taxes per ADA received by the district, including charter school students, multiplied by the charter school's ADA.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State budget, establishes a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

Funding. The primary component of AB 97, as modified by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. Under the LCFF, State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans (identical to the grade spans previously used for charter school funding). Each Base Grant is subject to certain adjustments and add-ons, as discussed below. LCFF was fully implemented over a period of six fiscal years, by fiscal year 2018-19. Beginning in fiscal year 2013-14, an annual transition adjustment as calculated for each charter school, equal to such charter school's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, charter schools had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of the charter school's respective funding gaps.

For fiscal year 2013-14, the Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. In each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs are subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. The LCFF also provides additional add-ons to charter schools that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

Charter schools that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. The LCFF authorizes a supplemental grant add-on (each, a "Supplemental Grant") for charter schools that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such charter schools' respective percentages of unduplicated EL/LI student enrollment. Charter schools whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such charter school's unduplicated EL/LI student enrollment in excess of the 55% threshold; provided that a charter school may not receive a Concentration Grant for a greater proportion of EL/LI than the highest percentage of any school district in which the charter school has a physical location.

For certain charter schools that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the general purpose funding such charter schools would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such charter schools in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF.

The sum of a charter school's adjusted Base Grants, Supplemental Grants and Concentration Grants will be multiplied by the charter school's total current year ADA. This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district or charter school will amount to the difference between such total LCFF allocation and such entity's share of applicable local property taxes. Most school districts and charter schools receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts and charter schools.

Accountability. The SBE has adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts and charter schools increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts/schools on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts and charter schools can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts and charter schools are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. Charter school LCAPs are required to be included in charter petitions and updated annually. School district and charter school LCAPs must be annually updated and posted on the district or charter school's website using a State-mandated standard reporting format.

Lottery Funding. Charter schools receive funding from the State Lottery Fund, which receives all proceeds from, among other sources, the sale of lottery tickets. Lottery funding is allocated to charter schools per unit of ADA. Lottery funds are distributed quarterly by the State Controller's Office. Funding is based on annual average ADA. Lottery funds are identified as either "Proposition 20" funds or "non-Proposition 20" funds. Proposition 20 lottery funds may only be used to purchase instructional materials. Non-Proposition 20 lottery funds are unrestricted, except that they may not be used for acquisition of property, construction of facilities, financing of research, or for other non-instructional purposes. Lottery funding is not included in the

charter school categorical block grant. Lottery funding is approximately 2% of public school revenues and is estimated at $207 per unit of ADA for the 2019-20 fiscal year, of which approximately $153 is "non-Proposition 20" and $54 is "Proposition 20" funding.

Categorical Funding. Charter schools may apply for and receive categorical funds for many programs that are not included in general purpose entitlement funding, if otherwise eligible, but may not receive aid for programs exclusively or almost exclusively provided by a county office of education.

SB 740 Facilities Grant Program Funding. In the 2019-20 fiscal year, charter schools that meet certain criteria are eligible to receive up to $1,184 per unit of ADA to reimburse an amount up to 75% of their annual facilities rent and lease costs from amounts appropriated under the annual Budget Act (as defined below). This per-ADA amount may increase in future years based on cost of living adjustments. To be eligible for SB 740 benefits: (i) 55% or more of the charter school's students must be eligible for free or reduced priced meals; or (ii) the charter school must be located in the attendance area of a public elementary school in which 55% or more of students are eligible for free or reduced priced meals and the charter school must give a preference in admissions to students who are currently enrolled in that public elementary school and to students who reside in the elementary school attendance area where the charter school is located. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – SB 740" attached hereto.

SB 740 facilities funding may be used for costs associated with facilities rents and leases (consistent with the definitions used in the California School Accounting Manual) ("Facility Rents"), and for costs associated with remodeling buildings, deferred maintenance, installing or extending service systems and other built-in equipment, and improving sites (collectively, "Other Costs"). SB 740 facilities funding is not included in the charter school categorical block grant.

SB 740 funding is subject to the annual Budget Act. In the event insufficient funds are appropriated, the available funds are first used to reimburse for Facility Rents (on a pro rata basis if funds are insufficient), and any remaining funds are apportioned to reimburse for Other Costs on a pro rata basis. In addition to the risk of underfunding, should there be any changes to the free and reduced-price meal eligibility data, the amount of grant funds, which is awarded in three disbursements, may be adjusted (or a reimbursement notice provided).

The SB 740 program is administered by the Authority. In prior years, the program has been "undersubscribed," meaning that awards were not limited by the level of appropriation. However, the program was "oversubscribed" in fiscal year 2017-18 and is expected to be in the current fiscal year, with awards being reduced on a pro-rata basis. The 2018-19 Budget provides $21.1 million in one-time funding to backfill a fiscal year 2017-18 shortfall in the SB 740 program. The 2018-19 Budget also provides for an additional $24.8 million to the SB 740 program for the 2018-19 fiscal year; however, this increase does not address the oversubscription in the 2017-18 fiscal year due to increased grant amount per ADA.

Effective beginning the 2017-18 fiscal year, reimbursable costs under the SB 740 program are limited to either of the following conditions: (i) reimbursable facility rent or lease costs do not exceed the prior year's costs on file with the Authority as of the 2016–17 fiscal year, subject to a cost-of-living adjustment; or (ii) the rent or lease costs of new facility agreements are at or below market rate based on an independent appraisal paid for by the charter school. See "CERTAIN RISK FACTORS – SB 740 Funding" herein.

Set forth in the following table are historical data regarding SB 740 funding and awards for fiscal years 2014-15 through 2018-19, and projected data for the current fiscal year.

HISTORICAL SB 740 GRANT AWARDS
Fiscal Years 2014-15 to 2019-20

		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
A.	**No. of Schools Awarded**	330	357	394	417	415	445[2]
B.	**Total Amount Awarded**	$75,428,519	$87,477,373	$97,866,240	$133,177,000	$137,786,000	$136,786,000[2]
	Amount awarded for lease costs	--	--	--	116,965,203	123,344,172 [1]	
	Amount awarded for Other Costs	--	--	--	16,211,797	25,813,509 [1]	
C.	**Total Funds Appropriated to SB 740[3]**	$92,031,000	$112,031,000	$112,031,000	$133,177,000[4]	$136,786,000	$136,786,000
D.	**Subscription Percentage[5]**	82%	78%	87%	104%	109% [1]	-- [5]
E.	**Total Average Daily Attendance ("ADA")[6]**	116,865	131,412	140,389	151,630	175,087 [1]	$182,624[2]
F.	**Average Award Per ADA[7]**	$645	$666	$691	$878	$781 [1]	$749
G.	**Maximum Award Allowed Per ADA[8]**	$750	$750	$750	$1,117	$1,147	$1,184

(1) Figures are current estimates as of October 1, 2019, and subject to change.
(2) The estimated 2019-20 amount awarded is projected by adjusting the 2018-19 amount awarded by the percent increase of applicants in 2019-20 to date.
(3) Funds annually appropriated by the State Legislature toward SB 740 grant awards.
(4) Includes an additional approximately $21.1 million appropriated for the 2017-18 fiscal year in the 2018-19 Budget.
(5) From 2013-14 to 2016-17, the SB 740 Program has been undersubscribed. However, for 2017-18, the SB 740 Program was oversubscribed. The Authority made SB 740 awards by first reimbursing lease costs (which are expected to be reimbursed to the full award amount), and then applying a pro-rata reduction in the award amount for applied-for "other costs" spread across all eligible applicants. For purposes of estimating SB 740 Program funding for TEACH, projections assume receipt of a calculated grant award of $1,000 per ADA award. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OBLIGATED GROUP PROJECTIONS AND COVERAGE RATIOS" attached hereto. In 2017-18, lease costs were fully funded at 100%, and other costs were funded at a pro-rata rate of 73.01%. In 2018-19, the Authority expects to fully fund lease costs at 100%, and fund other costs at a pro-rata rate of 52.07%. The Authority expects the SB 740 Program to be oversubscribed in 2019-20, however it has not yet reviewed applications and cannot predict at what rate it will be oversubscribed.
(6) Total ADA from all schools awarded in each fiscal year.
(7) Equal to the "Amount Awarded" divided by the "Total ADA." The Average Award Per ADA is lower than the Maximum Award Allowed Per ADA because a significant number of schools do not qualify for the maximum amount allowed; instead they are capped at 75% of actual rent. For 2018-19 and 2019-20, figures are current estimates because SB 740 applications are still being received.
(8) SB 740 Program grant awards are calculated at the lower of: (a) 75% of actual rent paid or (b) maximum award allowed per ADA by State law. From 2012-13 to 2016-17, the maximum award allowed per ADA by State law was $750 per ADA. Pursuant to a change in State law passed by the State Legislature in June 2017, the maximum award allowed by State law was increased from $750 per ADA to $1,117 per ADA, subject to cost of living adjustments. The maximum award for 2019-20 is $1,184.

Source: The Authority.

Annual Funding Components. The following tables describe ADA-based state funding of California charter school education for Fiscal Year 2015-16 through 2019-20:

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2015-16
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,083	$7,189	$7,403	$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery[2]	162	162	162	162
Total[1]	$7,982	$7,351	$7,565	$8,962

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2016-17
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,083	$7,189	$7,403	$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery[2]	189	189	189	189
Total[1]	$8,009	$7,378	$7,592	$8,989

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2017-18
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,193	$7,301	$7,518	$8,712
CTE/CSR Add-ons	748	--	--	227
Lottery[2]	194	194	194	194
Total[1]	$8,135	$7,495	$7,712	$9,133

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2018-19
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,459	$7,571	$7,796	$9,034
CTE/CSR Add-ons	776	--	--	235
Lottery[2]	204	204	204	204
Total[1]	$8,439	$7,775	$8,000	$9,473

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2019-20[3]
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,702	7,818	8,050	9,329
CTE/CSR Add-ons	801	--	--	243
Lottery[2]	207	207	207	207
Total[1]	$8,710	$8,025	$8,257	$9,779

(1) Excludes special education, nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind or Every Student Succeeds Act, class size reduction, supplemental instruction, economic impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

(2) Estimated.

(3) The Fiscal Year 2019-20 funding amounts are preliminary, used for initial budgeting purposes in general. For specific projections with respect to the Schools, see "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OBLIGATED GROUP PROJECTIONS AND COVERAGE RATIOS" attached hereto.

Sources: California Charter Schools Association; California Department of Education.

For a description of the Schools' ADA and funding related thereto, see "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax will be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on: (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the ballot proposition, but only if certain accountability measures are included in the bond proposition. Charter schools may not conduct bond elections or issue bonds payable from property taxes, but may benefit from the proceeds of bonds issued by the school district in which the charter school is located.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of local school districts.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior

Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place. Charter schools are not directly dependent on local property taxes. To the extent local property taxes fund the general purpose entitlement, losses in local property tax income are required to be made up by the State.

Proposition 30

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but not over $300,000 for single filers (over $340,000 but not over $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but not over $500,000 for single filers (over $408,000 but not over $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for joint filers). The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends through 2030 the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general

fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the Minimum Funding Guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the Minimum Funding Guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the Minimum Funding Guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated Minimum Funding Guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 ("Proposition 51") is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. TEACH makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The table below shows the expected use of bond funds under Proposition 51:

PROPOSITION 51
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	$7,000
Community College Facilities	$2,000
Total	$9,000

Future Initiatives

Articles XIIIA, Proposition 98, Proposition 30, Proposition 55, and Proposition 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting State and local revenues for education, and the ability or obligation of these government agencies to expend revenues for charter school purposes.

Powered by BoardOnTrack

CERTAIN RISK FACTORS

Investment in the Bonds involves substantial risks. The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Certain factors which could result in a reduction of revenues available to the Obligated Group and a corresponding reduction in payments made to the Authority are discussed herein.

A number of factors could have an adverse impact on the ability of TEACH to generate revenues needed to meet its obligations under the Series 2019 Leases, which could, in turn, have an adverse effect on the ability of the Borrower to generate sufficient revenues to meet its obligations to make payments due under the Loan Agreement and Obligation No. 2. The ability of TEACH to generate sufficient revenues to make payments under the Series 2019 Leases is dependent upon a number of elements, including State budget pressures, demand for charter schools, the ability of the Series 2019 Schools to provide the educational services and classes demanded by parents or to attract students generally, changes in the level of confidence in the public school system in general or public charter schools in particular, competition, faculty recruitment, demographic changes, legislation, governmental regulations, changes in immigration policy, litigation and the Schools' ability to achieve enrollment and fundraising levels. This, in turn, is affected by numerous circumstances both within and outside the control of the Obligated Group and TEACH, including a continuation of favorable governmental policies and programs with respect to public charter schools (see "CHARTER SCHOOLS" herein); the competitive appeal and perceived quality of the Series 2019 Schools' curriculum; the ability and energy of the Series 2019 Schools' faculties and administration; and the benevolence of the Series 2019 Schools' supporters. There can be no assurance given that revenues of the Obligated Group or the revenues of TEACH attributable to the Series 2019 Schools will not decrease. Any and all financial projections are only good faith estimates and are not intended as a representation or warranty as to the future financial condition of the Borrower or TEACH.

See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" and "APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF TEACH AND AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2018" attached hereto.

Sufficiency of Revenues

The Bonds are payable primarily from Payments which are derived from payments received under the Loan Agreement and Obligation No. 2. The Borrower will also encumber its fee simple interest in each Series 2019 Facility with a Mortgage as security for the obligation to make the payments under the Loan Agreement and Obligation No. 2.

The Borrower's primary expected source of the revenues will be the Rent payments it receives from TEACH pursuant to the Series 2019 Leases. The Series 2019 Leases provide that TEACH will be obligated to pay rent thereunder only from revenues derived from operation of the Series 2019 Schools. See "THE LEASES" herein. Based on present circumstances, including the successful operating history of the Series 2019 Schools, TEACH believes it will generate a sufficient amount of such revenues to meet its payment obligations under the Series 2019 Leases representing the source of payment by the Borrower and the Obligated Group of debt service on the Bonds. However, either of the Series 2019 Schools' charters may be terminated or not extended or renewed, or the basis of the assumptions utilized by TEACH and the Borrower to formulate such beliefs may otherwise change. No representation or assurance can be made that the members of the Obligated Group generate or will continue to generate sufficient revenues to meet their obligations under the Loan Agreement and Obligation No. 2 with respect to the Bonds.

AS NOTED ELSEWHERE HEREIN, THE OBLIGATION OF TEACH TO MAKE PAYMENTS UNDER THE SERIES 2019 LEASES IS A SPECIAL OBLIGATION LIMITED SOLELY TO THE GROSS SCHOOL REVENUES OF THE SERIES 2019 SCHOOLS, WHICH INCOME DERIVES SOLELY FROM THE OPERATION OF THE SERIES 2019 SCHOOLS AND NOT THE OTHER CHARTER SCHOOLS OPERATED BY OR ANY OTHER REVENUES OF TEACH. NEITHER THE GENERAL REVENUES NOR THE REVENUES TEACH MAY DERIVE FROM THE OPERATION OF CHARTER SCHOOLS OTHER THAN THE SCHOOLS, NOR FROM ANY SCHOOL TEACH MAY OPERATE IN THE FUTURE, ARE PLEDGED TO MAKE PAYMENTS WITH RESPECT TO THE LEASES OR THE BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.

Moreover, although in addition to the property subject to the Leases, the Borrower or other Members may own and lease other facilities itself or through its affiliates to other charter schools, and TEACH may establish and operate, directly or through its affiliates, other charter schools, the obligations represented by the Loan Agreement and Obligation No. 2 are not secured generally by such properties of the Borrower or its affiliates nor by the revenues of TEACH that are not derived from operation of the Schools.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICES OR TO MAKE FUNDS AVAILABLE TO THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

Operating History; Reliance on Projections

See Appendix A for information regarding current and projected enrollment of the Schools. No assurance is given that such projections will be met, or that the number of students attending the Schools may not diminish in the future. The projections of revenues and expenses contained in Appendix A are based upon the number of students projected to be enrolled at the Schools and were prepared by TEACH for the Borrower and have not been independently verified by any party other than TEACH.

No feasibility studies have been conducted with respect to operations of the Series 2019 Facilities pertinent to the Bonds. The projections are "forward-looking statements" and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified the Borrower's projections set forth in Appendix A or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Bonds will be outstanding.

TEACH PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE

PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" TO REVIEW THE PROJECTIONS, THEIR UNDERLYING ASSUMPTIONS, AND THE OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS. REFER TO "INTRODUCTION" ABOVE, FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors

California charter schools such as the Schools may not charge tuition and have no taxing authority. The primary source of revenue generated by charter schools is aid provided by the State for all public schools. The amount of State aid received with respect to any individual school is based on a variety of factors. The amount of aid available in any year to pay the per pupil allowance is subject to appropriation by the California Legislature. The Legislature bases its decisions about appropriations on many factors, including the State's economic performance. Moreover, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. As a result, the Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, for the Series 2019 Schools to generate sufficient revenue to allow TEACH to meet its obligations under the Leases representing debt service payments on the Bonds. No liability would accrue to the State in such event, and the State would not be obligated or liable for any future payments or any damages. If the State were to withhold State aid payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the Series 2019 Schools could be forced to cease operations.

Possible Offsets to State Apportionment

Section 41344 of the Education Code provides that if an audit or review requires the Series 2019 Schools to repay prior year apportionments because of significant audit exceptions, including penalty payments ("Audit Exceptions"), the Superintendent of Public Instruction (the "Superintendent") and the Director of the Department of Finance (the "Director"), or their designees, will jointly establish a plan for the annual repayment of Audit Exceptions (the "Audit Repayment Plan"), which under certain circumstances can extend for a period of up to eight equal annual payments. The State Controller withholds from the State School Fund the amounts specified in the Audit Repayment Plan. If the Superintendent and the Director do not establish an Audit Repayment Plan, the State Controller withholds the entire amount of the Audit Exceptions from the next apportionment.

Included in the principal apportionment is the general-purpose entitlement for charter schools, which are the "funds subject to intercept" pursuant to Section 17199.4 of the Education Code ("Section 17199.4"). Specifically, the funds subject to intercept are funds apportioned for purposes of the charter school block grant or the local control funding formula (as described in Section 17199.4) with respect to the School.

Because the apportionments are the sum of multiple program entitlement calculations as well as prior adjustments, the amount available may be more or less than the calculated amount of funds subject to intercept. The amount available for intercept is therefore the lesser of periodic calculated funds subject to intercept and the amount of cash provided to TEACH with respect to the Series 2019 Schools by the State.

The State Controller may reduce the funding available in the payment schedules for these apportionments to offset for funds owing to the State. These offsets include, but are not limited to, the following: Charter School Revolving Loan (Education Code Section 41365), Class Size Reduction (Education Code Section 52124); Audit Repayment (Education Code Sections 41341, 41344); and Accounts Receivable (Government Code Section 12419.5), in addition to other possible authorized or required offsets, or additional offsets not yet authorized by legislation. None of the foregoing offsets are currently applicable to the Series 2019 Schools.

Default Under a Lease; No Assurance Regarding Subsequent Tenant

If there is a default by the Borrower under the Loan Agreement attributable to a default by TEACH under a Series 2019 Lease, the Borrower will likely not have sufficient funds to satisfy its obligations under the Loan Agreement and Obligation No. 2 absent re-leasing – or in appropriate cases, selling – the applicable Series 2019 Facilities. Were TEACH to default under a Series 2019 Lease, there is no assurance that the Borrower would be able to find a new tenant for the applicable Facility which could generate revenues in a sufficient amount to allow the Borrower to make payments under the Loan Agreement and Obligation No. 2 to satisfy debt service on the Bonds or a buyer that would purchase such Facility for a sufficient amount to allow the Borrower to repay principal and interest with respect to the Loan. This risk is heightened by the fact that the Facilities have been or will be, as applicable, improved specifically for use as charter school campuses and may be legally restricted to that use.

Survival of Leases after a Bond Default and Foreclosure

The Borrower, TEACH, and the Master Trustee will enter into a Subordination, Non-Disturbance and Attornment Agreement (each, an "SNDA") with respect to each Series 2019 Facility. Each SNDA addresses the priority of the rights between TEACH, the Borrower and the Master Trustee for each Series 2019 Facility. Each SNDA provides that TEACH's rights under a Series 2019 Lease to the use, possession and enjoyment of the respective Series 2019 Facility will not be disturbed by the Master Trustee so long as no event of default exists under such Series 2019 Lease. The non-disturbance portion assures TEACH and the Borrower that its rights to the Series 2019 Facility will be preserved ("nondisturbed") on specified conditions within control of TEACH or the Borrower, as applicable, if the Borrower defaults on its Loan with the Authority or TEACH defaults on its obligations under the Series 2019 Lease, respectively, and the Master Trustee forecloses on the Series 2019 Facility. The attornment component of each SNDA provides that TEACH will continue its obligations under the Series 2019 Lease if a new landlord takes over the Series 2019 Lease.

Additional Indebtedness and Additional School Indebtedness

The Master Indenture permits the issuance of Additional Indebtedness on a parity basis with Obligation No. 1 and Obligation No. 2 if certain conditions are met. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Limitations on Additional Indebtedness" herein. TEACH expects that the Borrower or other affiliates of TEACH may acquire, construct and equip additional charter schools in the future. If they do, or for certain other expenses, they may issue Additional Indebtedness which may or may not be on a parity basis with Obligation No. 1 and Obligation No. 2 and may or may not be issued through the Master Indenture. If secured on a parity basis, any such parity indebtedness would be entitled to share ratably with the holders of the Bonds and the Series 2016 Bonds and any other holder of parity debt in any moneys realized from the exercise of remedies in the event of a default by the Borrower to the extent provided in the Bond Documents. The amount of any such Additional Indebtedness is undetermined at this time. The issuance of Additional Indebtedness may adversely affect the investment security of the Bonds.

Under each Lease, TEACH may also issue additional Obligated Group School Indebtedness, subject to certain conditions and limitations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Certain Covenants Under the Leases – Limitations on Obligated Group School Indebtedness"

herein. The issuance of such additional Obligated Group School Indebtedness may adversely affect the investment security of the Bonds.

Addition and Removal of Members

The Master Indenture permits the addition of Members under the Obligated Group, but it also permits the removal of Members, subject to certain conditions and limitations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Withdrawal from Obligated Group" herein. Any such withdrawal of Members from the Obligated Group may decrease the revenues available for payment of debt service on the Bonds and may adversely affect the investment security of the Bonds.

Reserve Account

The Bond Indenture establishes the Reserve Account within the Revenue Fund for payment of principal of and interest on the Bonds to the extent the Payments are insufficient to make such payments. Although the Borrower believes such reserve to be reasonable and anticipates that the Payments will be sufficient to cover the debt service on the Bonds, there is no assurance that funds on deposit in the Reserve Account and future Payments will be sufficient to cover debt service on the Bonds.

Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors

As described in the "NOTICE TO INVESTORS" that precedes the Table of Contents of this Limited Offering Memorandum, the Bonds are to be sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The Bond Indenture contains provisions limiting transfers of the Bonds and beneficial interests therein to Qualified Institutional Buyers or Accredited Investors. The face of each Bond will contain a legend indicating that the Bond is subject to transfer restrictions as set forth in the Bond Indenture. The Bonds will be issued in minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof. In light of these restrictions, purchasers should not expect that there will be an active secondary market for the Bonds.

There can be no assurance that there will be a secondary market for the purchase or sale of the Bonds, and there may be no market for the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrower. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Bonds.

Investors should be aware that they might be required to bear the financial risks of this investment for an indefinite period of time and/or that to the extent there is a secondary market for the Bonds, the secondary market price of the Bonds may be affected as a result of the restrictions. If a trading market for the Bonds develops, future trading prices of such Bonds will depend on many factors, including, among other things, prevailing interest rates and the market for similar instruments. Depending upon those and other factors, the Bonds may trade at a discount from their principal amount.

Tax Related Issues

Tax-Exempt Status of Interest on the Series 2019A Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2019A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Series 2019A Bond proceeds, limitations on the investment earnings of Series 2019A Bond proceeds prior to expenditure, a requirement that certain investment earnings on Series 2019A Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the "IRS"). The Authority, the Borrower, and TEACH have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by any of the

foregoing to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2019A Bonds as taxable, retroactively to the date of issuance of the Series 2019A Bonds.

Maintenance of Tax-Exempt Status. The tax-exempt status of the Series 2019A Bonds depends upon the maintenance by TEACH of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including the operation for charitable and educational purposes and avoidance of transactions which may cause the assets of either to inure to the benefit of private individuals.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations and, in particular, charter schools. As a result, tax-exempt organizations are increasingly subject to a greater degree of scrutiny. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the Section 501(c)(3) status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by TEACH could potentially result in loss of tax exemption of interest on the Series 2019A Bonds and of other existing and future tax-exempt debt of members of the Obligated Group, if any, and defaults in covenants regarding the Series 2019A Bonds and other existing and future tax-exempt debt, if any, would likely be triggered.

Less onerous sanctions have been enacted which enforce rules applicable to Section 501(c)(3) organizations, but these sanctions do not replace the other remedies available to the IRS as mentioned above.

State Income Tax Exemption. The loss by TEACH of federal tax exemption might trigger a challenge to its State income tax exemption. Such event could be adverse and material.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). To the extent TEACH does not properly account for and report UBTI, if any, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of TEACH, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2019A Bonds.

Exemption from Property Taxes. In recent years, State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt corporations with respect to their real property tax exemptions. The management of TEACH believes that the Series 2019 Facilities will be exempt from California real property taxation.

Factors That Could Affect the Security Interest in the Facilities; Superior Liens

The Master Trustee's security interest in the Series 2019 Facilities may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal or state bankruptcy or insolvency laws that may affect the enforceability of the Loan Agreement, (vi) rights of third parties in amounts not in the possession of the Trustee, and (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the California Uniform Commercial Code as from time to time in effect.

No Mortgage on TEACH Prep Facility and Resource Center Facility. The Borrower will not acquire the TEACH Prep Facility or the Resource Center Facility until the satisfaction of the draw requirements described under the heading "THE PROJECT – TEACH Prep Project" and "— Resource Center Project" herein. Accordingly, the Borrower will not enter into Mortgages for such Facilities in connection with the issuance of the Bonds. Upon the satisfaction of the respective draw requirements and acquisition of the respective sites, the Borrower will enter into a Mortgage for each such Facility to secure its obligations under the Master Indenture. If the Borrower were to not satisfy the respective draw requirements, the Borrower may not be able to acquire the TEACH Prep Facility or the Resource Center Facility as described in "THE PROJECT – TEACH Prep Project" and "— Resource Center Project" herein, respectively, and consequently the Borrower's obligations under the Master Indenture and Obligation No. 2 would not be secured by a Mortgage on the TEACH Prep Facility or Resource Center Facility, as applicable. In such an event, proceeds of the Bonds deposited in the TEACH Prep Subaccount or Resource Center Subaccount of the Project Fund, respectively, would be used by the Borrower for the mandatory redemption of Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Escrowed Project Proceeds" and "THE BONDS – Redemption" herein.

Construction Risks

Construction under the Project is generally subject to all typical construction related risks. Such risks include, among others, labor disputes, defective building materials, schedule delays, shortages in various labor trades, fire or other property or casualty damage, unanticipated subsoil conditions and financial difficulties on the part of or disputes with a construction manager, key suppliers, contractors or subcontractors. There can be no assurance that construction problems of the types described above, or other problems, will not frustrate the planned completion the Resource Center Project.

Limitations of Appraisals

Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the appraised values set forth in "THE PROJECT" represent a reliable estimate of what such Facilities would bring in liquidation following an Event of Default. See "THE PROJECT – Appraisals" herein.

Limitations on Value of the Facilities and to Remedies Under the Mortgages

Maintenance of Value. The Series 2019 Facilities are located in a region that has experienced significant real property market volatility over the past several years. There can be no assurance made that, should the Members of the Obligated Group default in making the payments due under Obligation No. 2, including in the event TEACH defaults in making the Rent payments due under the Series 2019 Leases, the Series 2019 Facilities could be foreclosed upon and sold for the amounts owed under Obligation No. 2.

Hazardous Substances. While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Borrower may be required by law to remedy conditions of the Series 2019 Facilities relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are stringent and similar to certain federal acts. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. The effect, therefore, should any of the Series 2019 Facilities be affected by a hazardous substance, is generally to reduce the marketability and value of the parcel by the cost of remedying the condition. Further, such liabilities may arise not simply from the existence of a

hazardous substance but from the method of handling the hazardous substance. Any of these potentialities could significantly affect the value of the Series 2019 Facilities that would be realized upon a default and foreclosure.

See "THE PROJECT" herein for a description of environmental reports regarding the Series 2019 Facilities.

Foreclosure. There are two methods of foreclosing on a deed of trust or mortgage under California law, by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and send a copy to the trustor, to any person who has recorded a request for a copy of the notice of default and notice of sale, to any successor in interest of the trustor and to certain other parties discernable from the real property records. The trustee then must wait for the lapse of at least three months after the recording of the notice of default and election to sell before establishing the trustee's proposed sale date and giving a notice of sale (in a form mandated by California statutes). The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the trustee's sale by at least 20 days. Such notice of sale must be posted on the property and sent, at least 20 days prior to the trustee's sale, to the trustor, to each person who has requested a copy, to any successor in interest of the trustor, to the beneficiary of any junior deed of trust and to certain other parties discernable from the real property records. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. The trustor, any successor in interest of the trustor in the trust property, or any person having a junior lien or encumbrance of record may, during the statutory reinstatement period, which extends to five days prior to the sale date, cure any monetary default by paying any delinquent installments of the debt then due under the terms of the deed of trust and certain other obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys' and trustees' fees. Following a nonjudicial sale, neither the trustor nor any junior lienholder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

Should foreclosure under a deed of trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and may require several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs). In addition, in order to assure collection of any rents assigned as additional collateral under the Mortgages, a receiver for the Series 2019 Facilities may be appointed by a court.

Damage, Destruction or Condemnation. Although the Borrower will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement and the Mortgages, there can be no assurance that any portion of the Series 2019 Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Borrower, as a result of damage or destruction to the Series 2019 Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Series 2019 Facilities, or any portion thereof, are damaged or destroyed, or are taken in a condemnation proceeding, the proceeds of insurance or any condemnation award for the Series 2019 Facilities, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Series 2019 Facilities or to redeem Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Series 2019 Facilities, or any portion thereof, or to redeem Bonds will be sufficient for that purpose, or that any remaining portion of the Series 2019 Facilities will generate revenues sufficient to pay the expenses of the Borrower and the Loan Repayments.

Seismic. The Series 2019 Facilities are located in a seismically active region of California. The occurrence of severe seismic activity could result in substantial damage to the Series 2019 Facilities, which could adversely affect the ability of TEACH to operate the Series 2019 Facilities or make payments due under the Series 2019 Leases and/or the ability of the Borrower to make the Loan Repayments and could adversely affect the value of the Series 2019 Facilities. The Borrower is not obligated by the Loan Agreement or Master Indenture to maintain earthquake insurance on any portion of the Series 2019 Facilities and there can be no assurance that the Borrower will obtain such coverage in the future.

Field Act Compliance. Certain public schools in the state of California, are entitled and approved through the DSA, which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the California building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 et seq. of the California Education Code (the "Field Act"). The Field Act resulted from the Long Beach Earthquake in 1933 in which 70 public schools were destroyed and another 120 schools suffered major structural damage. The Field Act sets forth structural design standards to enable applicable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake. The DSA process requires state approved inspectors to certify that the work is being done in accordance with the approved plans. The Field Act does not apply generally to all public schools and it does not apply to the Series 2019 Facilities.

Flood. Pursuant to the Master Indenture, the Borrower has covenanted that, so long as a Series 2019 Facility is located in a special flood hazard area as designated by the Federal Emergency Management Agency, the Borrower will maintain, or cause to be maintained flood insurance coverage in an amount equal to or greater than the replacement value of such Series 2019 Facility. [The Series 2019 Facilities are not located in special flood hazard areas.]

Environmental Risks. There are potential risks relating to liabilities for environmental hazards with respect to the ownership of any real property. If hazardous substances are found to be located on a property, owners of such property may be held liable for costs and other liabilities related to the removal of such substances which costs and liabilities could exceed the value of the Series 2019 Facilities or any portion thereof.

See "THE PROJECT" herein for a description of environmental reports regarding the Series 2019 Facilities.

Bankruptcy

The rights and remedies of the Beneficial Owners of the Bonds are subject to various provisions of the Federal Bankruptcy Code (the "Bankruptcy Code"). If the Borrower or TEACH were to become a debtor in a bankruptcy case, its revenues and certain of its accounts receivable and other property created or otherwise acquired after the filing of such petition and for up to 90 days prior to the filing of such petition may not be subject to the security interest created under the Mortgages for the benefit of the Beneficial Owners of the Bonds. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such entity, and its property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over such property. If the bankruptcy court so ordered, the property of the Borrower or another Member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such entity despite the security interest of the Trustee or Master Trustee therein. While the Bankruptcy Code requires that the interest of the Trustee or Master Trustee as lien owner be adequately protected before the collateral may be used by the Borrower or a Member, such protection could take the form of a replacement lien on assets acquired or created after the bankruptcy petition is instituted. The rights of the Trustee or Master Trustee to enforce liens and security interests against the Borrower's or another Member's assets could be delayed during the pendency of the rehabilitation proceedings.

The Borrower or TEACH could file a plan for the reorganization of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Factors Associated with the Schools' Operations

There are a number of factors affecting schools generally that could have an adverse effect on the Series 2019 Schools and on TEACH's financial position and ability to operate the Series 2019 Facilities as charter schools and, consequently, on the Borrower's ability to make Loan Repayments necessary to make debt service payments on the Bonds. These factors include, but are not limited to: (i) failure to qualify for statutory reimbursement under state programs; (ii) increasing costs of compliance with federal, state or local laws or regulations, including, but not limited to, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; (iii) taxes or other charges imposed by federal, state or local governments; (iv) the ability to attract a sufficient number of students; (v) changes in existing statutes pertaining to the powers of the Series 2019 Schools and disruption of the Series 2019 Schools' operations by real or perceived threats against the Series 2019 Schools, their staff members or students; and (vi) decline in the reputation of the Series 2019 Schools or the ability of the Series 2019 Schools and its management to provide educational services desired and accepted by the population it serves. Potential purchasers should be aware that the Series 2019 Schools face constant competition for students and there can be no assurance that such Series 2019 Schools will continue to attract and retain the number of students that are needed to generate revenues sufficient to make payments on the Series 2019 Leases that are the source of revenue to debt service on the Bonds. Neither the Borrower nor TEACH can assess or predict the ultimate effect of the foregoing factors on its operations or financial results of its operations or on its ability to make payments required under the Series 2019 Leases, the Loan Agreement or Obligation No. 2.

State Financial Difficulties

Charter schools, like all public schools, depend on revenues from the State for a large portion of their operating budgets. The availability of State funds for public education is a function of constitutional and statutory provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State School Fund) and the annual State budget process. Decreases in State revenues may adversely affect education appropriations made by the Legislature. As noted, the Legislature bases its decisions about appropriations on many factors, including the State's economic performance, and, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. See "CERTAIN RISK FACTORS – Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors" above.

The State has previously experienced severe financial difficulties. In prior years, the State's response to its financial difficulties has had a significant impact on Proposition 98 funding and settle-up treatment, as further described in "STATE FUNDING OF EDUCATION." In the past, the State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. The State has also sought to avoid increases in the minimum guarantee through various mechanisms by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current-year increases; by deferring State aid payments from one fiscal year to the next; and by suspending Proposition 98. Continued decreases in State revenues may adversely affect education appropriations made by the Legislature. None of the Borrower, TEACH or any other party to the Bond transaction can predict how State income or

State education funding will vary over the entire term of the Bonds. No party to the Bond transaction takes any responsibility for informing owners of the Bonds about any such changes.

Information about the financial condition of the State, as well as its budget and spending for education, is available and regularly updated on various State-maintained websites, including those of the LAO, the Department of Finance and the California State Controller. In addition, various State of California official statements, which contain summaries of current and past State budgets and the impact of those budgets on State education funding, may be found at the website of the California State Treasurer, www.treasurer.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

Budget Delays and Restrictions on Disbursement of State Funds during a Budget Impasse

The State Constitution specifies that an annual budget will be proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues for the ensuing fiscal year. State law also requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "May Revision"). The May Revision is normally the basis for final negotiations between the Governor and Legislature to reach agreement on appropriations and other legislation to fund State government for the ensuing fiscal year (the "Budget Act").

The Budget Act must be approved by a majority vote of each House of the Legislature and must be in balance. The budget becomes law upon the signature of the Governor. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, currently under the heading "California Budget." Analyses of budgets are prepared by the Legislative Analyst's Office at www.lao.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

The State Legislature is required to approve a State Budget Act no later than June 15 of each year. The State Legislature has failed to approve the State Budget Act by the deadline therefor in a number of years. Failure by the State to adopt a Budget Act restricts the California State Controller's ability to disburse State funds after the beginning of the ensuing fiscal year. See "STATE FUNDING OF EDUCATION – General – Adoption of Annual State Budget" herein regarding the ability of the State Controller to disburse State funds in such situations. Any State budget delay would delay the State's appropriation of funds and could negatively impact TEACH's ongoing viability and its ongoing ability to make payments under the Series 2019 Leases representing debt service on the Bonds.

Key Management

The creation of, and the philosophy of teaching in, charter schools generally initially may reflect the vision and commitment of a few key persons on the board of directors and/or the upper management of the charter school or its management organization ("Key Directors/Managers"). Loss of any such Key Directors/Managers, and the inability of TEACH to find comparable qualified replacements, could adversely affect their respective operations or financial results. See Appendix A for more information regarding the management and leadership of TEACH.

Other Limitations on Enforceability of Remedies

There exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

In addition to the foregoing, the realization of any rights under the Loan Agreement, the Bond Indenture and the Mortgages upon a default depends upon the exercise of various remedies specified in the Loan Agreement, the Bond Indenture and the Mortgages. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement, the Bond Indenture and the Mortgages may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Loan Agreement, the Bond Indenture or the Mortgages. Accordingly, the ability of the Authority, the Trustee or the Master Trustee to exercise remedies under the Loan Agreement, the Bond Indenture and the Mortgages upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Specific Risks of Charter Schools

Charter School Law. The Charter School Law is evolving. Amendments are made relatively frequently and legislative and public attitudes are still forming. Certain amendments have been described elsewhere in this Limited Offering Memorandum. It is likely that additional changes will be made in the future, some of which may be adverse to charter schools in general may affect the financial viability of the School.

AB 1505 was enacted by the Governor on October 3, 2019, and makes various changes to provisions relating to the review of charter school petitions and renewals by authorizers. See "CHARTER SCHOOLS – Amendments to the Charter School Law" herein.

Non-Renewal or Revocation of Charters. The Charter School Law enables charter authorizers to grant five-year charters which may be renewed after evaluation and can be revoked at any time because of either educational non-performance or fiscal mismanagement. See "CHARTER SCHOOLS" herein. Management of TEACH believes that it has stable relationships with the Authorizer of the Series 2019 Schools' charters, and representatives on the Los Angeles County Board of Education and State Board of Education, each of which, under appropriate circumstances, is authorized to grant charters under the Charter School Law. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – TEACH PUBLIC SCHOOLS – Charter Schools Operated by TEACH" herein.

Legal Challenges. In addition to non-renewal or revocation, a charter may also be subject to challenge by an interested third-party. No assurance can be given that the Series 2019 Schools' charters will not be subjected to legal challenge. See "ABSENCE OF MATERIAL LITIGATION – the Borrower" herein and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – No Material Litigation" attached hereto. Any failure of TEACH to have a charter for each of the Series 2019 Schools in place could well have a material adverse effect on the Borrower and their ability to generate revenues necessary to make payments under the Loan Agreement and Obligation No. 2 which are expected to provide sufficient revenues to satisfy the debt service requirements for the Bonds.

Budgetary Constraints. Charter schools are funded primarily from State and local tax revenues and budgetary pressures at the State or local level may jeopardize future funding levels, which may adversely affect the ability of the Borrower to make payments under the Loan Agreement and Obligation No. 2. See "STATE FUNDING OF EDUCATION" above.

Enrollment Levels. TEACH's revenues and financial strength will depend in part upon maintaining certain enrollment levels at the Series 2019 Schools. A reduction in enrollment for the Series 2019 Schools will have a direct result of reducing revenues available to pay amounts due under the Series 2019 Leases. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – THE SCHOOLS –Enrollment, Attendance, Demographics and Student Retention" attached hereto.

Risk of Reduction in ADA Funding. Since the majority of funds for the Series 2019 Schools' operations come from the State on the basis of ADA, the Series 2019 Schools are subject to State funding reductions or restrictions that might affect all public school districts and charter schools. Among other such risks, over time the State may not increase ADA-based funding commensurate with increases in the cost of school operations, or the State may even decrease ADA-based funding.

ADA-based funding is determined by actual attendance, and not by student enrollment data. Regardless of the statewide level of ADA-based funding, the Series 2019 Schools are subject to loss of revenue if enrollment should decrease, or if average daily attendance should decrease even if enrollment remains steady, whether due to student illness, truancy or other factors. Such a loss of revenues could adversely affect the ability of TEACH to make Rent payments due under the Series 2019 Leases and, consequently, the ability of the Borrower to make payments under the Loan Agreement and Obligation No. 2.

In addition, the Charter School Law prohibits a charter school from imposing fees or charges for its educational services. Therefore, the Series 2019 Schools are dependent upon receipt of ADA-based funding, as well as philanthropic support. There is little TEACH or the Borrower can do to increase revenues, other than for the Series 2019 Schools to admit a larger number of students.

Compliance with the Elementary and Secondary Education Act. Prior to the adoption of the ESSA (defined below), the No Child Left Behind Act of 2001 (the "NCLB") served as the primary federal law with respect to K-12 education. NCLB employed the concept of Adequate Yearly Progress ("AYP") to measure and hold schools and school districts responsible for student achievement. In California, the NCLB subjected California schools to an annual AYP determination. AYP was calculated by using a formula set by the California Department of Education. It measured participation rates, math and reading performance, and graduation rate targets for the elementary, middle and high school levels. In connection with the adoption of ESSA, the federal government has repealed the AYP requirement.

Under California law, if a school received Title I funds and did not make AYP for two consecutive years, the school was placed on "Program Improvement" status and the school was required to develop a school improvement plan. If the school did not achieve AYP goals for a third year, "corrective action" was undertaken, which could include the provision of supplemental educational services for low-performing, low-income students. A school that continued to fail to make AYP was required to take corrective action and undergo restructuring plans. Failure to meet AYP for years subsequent to the second year carried further consequences under the NCLB. Under California law, the right to operate a charter school may be terminated if the school fails to make or meet reasonable progress toward achievement of goals, objectives, content standards, pupil performance standards or applicable federal requirements.

In March 2014, the State of California was granted a one-year waiver by the U.S. Department of Education from using test results of academic assessments to calculate AYP under the then-existing NCLB, in order to facilitate the state's transition to the new California Assessment of Student Performance and Progress ("CAASPP") system. In March 2015, the California State Board of Education requested another one-year

waiver from the U.S. Department of Education. In May 2015, the U.S. Department of Education granted the additional one-year waiver, with certain conditions.

In December 2015, the Every Student Succeeds Act of 2015 ("ESSA") was passed by Congress and signed by the President in connection with the amendment and reauthorization of the Elementary and Secondary Education Act of 1965. With the passage of ESSA, states are no longer required to produce AYP, but are required to develop new accountability systems by 2017-18. See "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – THE SCHOOLS – Academic Outcomes for the Schools – California School Dashboard" attached hereto. ESSA, among other things, prohibits officers and employees of the federal government from mandating, directing or controlling a state, local education agency or school's specific instructional content, academic standards and assessments, curriculum, or program of instruction, as a condition of eligibility to receive funds under ESSA.

State Retirement Systems. TEACH is currently a member employer of the State's STRS and PERS retirement systems (see "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – Retirement Systems" attached hereto). Although TEACH does not anticipate withdrawing from or otherwise terminating its membership in STRS or PERS, there can be no assurance that State law or Federal law under the Code, including IRS rulings and other guidance, will permit charter schools to continue to participate in the STRS Governmental Plan (as defined in Section 414(d) of the Code).

The STRS and PERS retirement systems have substantial system-wide unfunded liabilities. If TEACH were to withdraw from STRS or PERS, voluntarily or otherwise, it could be liable for its share of the unfunded liabilities of the systems. Neither TEACH nor the Underwriter can predict what liabilities, if any, would result if TEACH's member employer status in the retirement systems were to terminate, or what impact any such a termination would have on TEACH's finances and operations.

Claims and Insurance Coverage

Litigation could arise from the corporate and business activities of TEACH, the Series 2019 Schools or the Borrower. Such litigation may result as a result of TEACH's status as an employer. Many of these risks are covered by insurance, but some are not. For example, claims arising from wrongful termination or sexual molestation claims and business disputes may not be covered by insurance or other sources. Such claims may, in whole or in part, constitute a significant liability of TEACH, a charter school or the Borrower if determined or settled adversely, as may any additional claims for other torts, accidents, or environmental enforcement actions, to the extent such claims exceed the limits of applicable insurance coverage.

The Borrower and TEACH covenant and agree in the Loan Agreement and the Series 2019 Leases that they will maintain, or caused to be maintained, property, general liability and business interruption insurance with respect to the Series 2019 Facilities at levels set forth therein. The Borrower and TEACH are not obligated by the Loan Agreement or the Series 2019 Leases to maintain earthquake insurance and there can be no assurance that the Borrower or TEACH will obtain such coverage in the future. See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – LOAN AGREEMENT" attached hereto.

Risk of Noncontinued Philanthropy or Grants

[In the past, TEACH has received some income from unrestricted gifts and donations or grants to supplement operating revenues to finance operations and capital needs. Gifts, grants and donations are expected to continue. However, there can be no assurance that projections of this non-operating revenue will be realized or will not decrease, adversely affecting the financial condition of TEACH.]

Failure to Provide Ongoing Disclosure

The Borrower and TEACH will enter into a Continuing Disclosure Agreement with Urban Futures, Inc., as dissemination agent, pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule") in connection with the issuance of the Bonds. Any material failure to comply with the Continuing Disclosure Agreement and the Rule in the future may adversely affect the liquidity of the affected Bonds and their market price in the secondary market.

Use of Facilities

No assurance can be given as to whether a challenge to the educational use of a Series 2019 Facility brought would result in an interruption of a Series 2019 School's operations and have a material negative impact on the Revenues. Any court order prohibiting the educational use of a Series 2019 Facility would entitle the Master Trustee to submit a claim on the lender's title insurance policy. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

No Rating on the Bonds

The Bonds are not rated, and the Borrower does not contemplate making application to any rating agency for the assignment of a rating to the Bonds. See "NO RATING" herein.

SB 740 Funding

Effective beginning the 2017-18 fiscal year, reimbursable costs under the SB 740 program are limited to either of the following conditions: (i) reimbursable facility rent or lease costs do not exceed the prior year's costs on file with the Authority as of the 2016–17 fiscal year, subject to a cost-of-living adjustment; or (ii) the rent or lease costs of new facility agreements are at or below market rate based on an independent appraisal paid for by the charter school.

In order to be eligible for the SB 740 program, a charter school must be in good standing with its chartering authority and be in compliance with the terms of its charter at the time of application submission, and without interruption throughout the term of the grant. The Authority relies on information from the chartering authority regarding a school's good standing and compliance with the terms of its charter.

TEACH has received SB 740 funding in the past, and expects to continue receiving such funding relating to facilities costs of the TEACH Prep Facility and TEACH Tech Facility. However, there can be no assurances that TEACH will continue to qualify for or receive SB 740 funding, or that such funding will not be reduced or eliminated by the State in the future. See "STATE FUNDING OF EDUCATION – SB 740 Facilities Grant Program Funding" and "CERTAIN RISK FACTORS – Specific Risks of Charter Schools" herein, and "APPENDIX A – CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – SB 740" attached hereto. The financial projections set forth in Appendix A attached hereto assume the receipt of SB 740 funding relating to the Series 2019 Schools in fiscal year 2019-20 and future fiscal years, and a failure to receive such funding would negatively affect TEACH's finances.

Cybersecurity

TEACH, like many other public and private entities, relies on a technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, TEACH is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to TEACH's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. [Within the last five years, TEACH has not experienced attacks on its

computer operating systems which resulted in a breach of its cybersecurity systems that are in place. No assurances can be given that TEACH's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of TEACH. TEACH carries cybersecurity insurance.]

Extraordinary Redemption of Bonds Prior to First Optional Redemption Date

The Bonds may be subject to extraordinary optional or mandatory redemption resulting from the receipt of insurance or condemnation proceeds relating to the Facility, as a result of excess proceeds in the Project Fund after the completion of the Project, or in the event the Project is used or operated in any manner that violates the provisions of the Act. See "THE BONDS – Redemption" herein. The resulting redemption of Bonds purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds.

ABSENCE OF MATERIAL LITIGATION

The Authority

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Bonds, the completeness or accuracy of this Limited Offering Memorandum or the existence or powers of the Authority relating to the sale of the Bonds.

The Borrower

To the knowledge of the Borrower, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Borrower seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Borrower taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Borrower in connection with the Bonds, the completeness or accuracy of the Limited Offering Memorandum or the existence or powers of the Borrower relating to the sale of the Bonds.

TAX MATTERS

The Series 2019A Bonds

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, in reliance on the opinion of Young, Minney & Corr, LLP, inter alia, that TEACH is an organization described in Section 501(c)(3) of the Code and the Borrower is a disregarded entity under the Code, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2019A Bonds [(including any original issue discount properly allocable to the owner of a Series 2019A Bond)] is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the Authority, the Borrower and TEACH with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2019A Bonds. Failure to comply with such requirements could cause interest on the Series 2019A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019A Bonds. The Authority, the Borrower and TEACH have covenanted

to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2019A Bonds.

The accrual or receipt of interest on the Series 2019A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2019A Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2019A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2019A Bonds.

Bond Counsel is also of the opinion that interest on the Series 2019A Bonds is exempt from State of California personal income taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2019A Bonds under the laws of the State of California or any other state or jurisdiction.

Original Issue Discount. The Series 2019A Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Limited Offering Memorandum (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Series 2019A Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Limited Offering Memorandum (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2019A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2019A Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2019A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

The Series 2019B Bonds

General Matters. Bond Counsel is of the opinion that interest on the Series 2019B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2019B Bonds is exempt from State of California personal income taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2019B Bonds under the laws of the State of California or any other state or jurisdiction.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2019B Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2019B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2019B Bonds.

In general, interest paid on the Series 2019B Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2019B Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Series 2019B Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using

constant yield principles, based on the purchaser's yield to maturity. Investors of any Series 2019B Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Original Issue Discount. If the Series 2019B Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction. Owners of Series 2019B Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income (notwithstanding the general rule described above in this paragraph) and with respect to the state and local tax consequences of owning such Series 2019B Bonds.

Market Discount. An investor that acquires a Series 2019B Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Series 2019B Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Series 2019B Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2019B Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2018B Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2019B Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2019B Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2019B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain

is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Series 2019B Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Series 2019B Bonds and to gain on the sale of a Series 2019B Bond.

Sales or Other Dispositions. If an owner of a Series 2019B Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2019B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2019B Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Series 2019B Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Series 2019B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a Series 2019B Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2019B Bonds, if such owner, upon issuance of the Series 2019B Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Series 2019B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2019B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2019B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30 percent United States withholding tax will apply to interest paid and original issue discount accruing on Series 2019B Bonds owned by foreign investors. In those instances in which payments of interest

on the Series 2019B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2019B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2019B Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2019B Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2019B Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2019B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2019B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Authority or any dealer of the Series 2019B Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2019B Bonds are acquired by such plans or arrangements with respect to which the Authority or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2019B Bonds. The sale of the Series 2019B Bonds to a plan is in no respect a representation by the Authority, the Borrower, TEACH or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2019B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Recognition of Income Generally

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

APPROVAL OF LEGALITY

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by the Honorable Xavier Becerra, Attorney General of the State of California, the approval of certain matters for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's counsel, and the approval of certain matters by Young, Minney & Corr, LLP, as counsel to the Borrower. Bond Counsel, the Underwriter and its counsel will receive compensation contingent upon the sale and delivery of the Bonds. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix G hereto. Neither Bond Counsel nor the Attorney General undertakes any responsibility for the accuracy, completeness or fairness of this Limited Offering Memorandum. Young, Minney & Corr, LLP, will also render certain opinions pertaining to TEACH as described herein under "TAX MATTERS."

NO RATING

The Bonds are not rated. Neither the Borrower nor the Authority has made or contemplates making application to any rating agency for the assignment of a rating to the Bonds.

MUNICIPAL ADVISOR

Urban Futures Inc. (the "Municipal Advisor" and, as described below, the "Dissemination Agent") has acted as Municipal Advisor to the Borrower in conjunction with the issuance of the Bonds. The Municipal Advisor has assisted the Borrower in preparation of this Limited Offering Memorandum and in other matters related to the planning, structuring, and issuance of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Limited Offering Memorandum, or any other information related to the Bonds with respect to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Limited Offering Memorandum or any other matter related to this Limited Offering Memorandum.

LIMITED OFFERING OF BONDS

The Bonds are exempt from registration under federal securities law but are being offered only to a limited number of sophisticated investors and will be sold only to purchasers who are Qualified Institutional Buyers or Accredited Investors. By purchasing the Bonds, each investor is deemed to have made the acknowledgments, representations, warranties and agreements set forth under the heading "TRANSFER RESTRICTIONS" herein.

CONTINUING DISCLOSURE

The Borrower, TEACH and Urban Futures, Inc., as dissemination agent (the "Dissemination Agent"), will execute and deliver one or more Continuing Disclosure Agreements pursuant to which the Borrower and TEACH will, for the benefit of the Beneficial Owners of the Bonds, periodically compile and deliver to the Dissemination Agent certain financial information and operating data relating to the operations of the Borrower, TEACH, the members of the Obligated Group, and the Series 2019 Schools, and provide notices of the occurrence of certain enumerated events. These covenants have been made to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"). A form of the Continuing Disclosure Agreement is attached hereto as Appendix E.

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell Bonds and the Authority will not provide any such information. The Authority shall have no liability to the Holders of the Bonds or any other person with respect to the Rule.

Prior Undertakings. [TO COME]

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $_____ (being the principal amount of the Bonds, [plus/less] [aggregate/net] original issue [premium/discount] of $_____, less an Underwriter's discount of $_____). The Bond Purchase Agreement ("Bond Purchase Agreement") pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement. The Underwriter may offer and sell the Bonds to certain dealers, institutional investors, banks, and others at prices different from the prices stated on the inside cover page of this Limited Offering Memorandum. The offering prices may be changed from time to time by the Underwriter. The Underwriter is not obligated to create a secondary market

for the purchase or sale of the Bonds and there may, in fact, be no market for the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrower and TEACH.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Bonds and the Bond Indenture and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Limited Offering Memorandum. Copies, in reasonable quantity, of the Bond Indenture and Loan Agreement may be obtained during the offering period upon request directed to the Underwriter.

NONE OF THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM HAS BEEN SUPPLIED OR VERIFIED BY THE AUTHORITY OTHER THAN THE INFORMATION UNDER THE CAPTIONS "THE AUTHORITY" AND "ABSENCE OF MATERIAL LITIGATION – THE AUTHORITY." THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AS TO THE ACCURACY (OTHER THAN IN THE SECTIONS IDENTIFIED ABOVE) OR COMPLETENESS OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM.

The distribution and use of this Limited Offering Memorandum has been approved by the Authority, the Borrower, and TEACH, as lessee under the Series 2019 Leases.

Wooten Avila LLC, as Borrower, by its Sole Member, TEACH Inc.

By:_____
Lori Butler
Chair of the Board of Directors

TEACH Inc., as Lessee

By:_____
Lori Butler
Chair of the Board of Directors

Powered by BoardOnTrack

APPENDIX A

CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP

Powered by BoardOnTrack

APPENDIX B

CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF TEACH AND AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Powered by BoardOnTrack

APPENDIX C

SUMMARY OF PRINCIPAL BOND DOCUMENTS

Powered by BoardOnTrack

APPENDIX D

SUMMARY OF THE LEASES

Powered by BoardOnTrack

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of December 1, 2019, is executed and delivered by and between Wooten Avila LLC, a California limited liability company (the "Borrower"), TEACH Inc., a California nonprofit public benefit corporation ("TEACH") and Urban Futures, Inc., as dissemination agent (the "Dissemination Agent") in connection with the issuance by the California School Finance Authority (the "Authority") of its (i) Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A (the "Series 2019A Bonds") and (ii) Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable) (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Bonds"). The Bonds are being issued pursuant to an Indenture dated as of December 1, 2019 (the "Bond Indenture") by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). The proceeds of the Bonds are being loaned by the Authority to the Borrower pursuant to a Loan Agreement dated as of December 1, 2019 (the "Loan Agreement"). Pursuant to the Loan Agreement, the Borrower has covenanted and agreed to provide the continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events.

Section 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower and TEACH for the benefit of the Registered Owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered Registered Owners of the Bonds) and to assist Stifel, Nicolaus & Company, Incorporated (the "Participating Underwriter"), in complying with the Rule.

Section 2. Defined Terms. In addition to the definitions set forth in the Bond Indenture, the Leases (as herein defined) or the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by TEACH pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Authority" means the California School Finance Authority, its successors and assigns.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bonds" means the Series 2019A Bonds and the Series 2019B Bonds.

"Borrower" means Wooten Avila LLC, a California limited liability company.

"Disclosure Representative" shall mean the chief executive officer of TEACH or such other officer, agent or employee as TEACH shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means Urban Futures, Inc., as dissemination agent under this Disclosure Agreement, its successors and assigns.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule.

"Events Notices" means the notices required to be given by TEACH pursuant to Section 5 of this Disclosure Agreement.

Powered by BoardOnTrack

"Bond Indenture" means the Indenture, dated as of December 1, 2019, between the Authority and the Trustee.

"*Financial Obligation*" means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

"Fiscal Year" means the twelve month accounting period used with respect to the operations of TEACH ending June 30 of each year; provided, however, TEACH, by resolution duly passed, may change such accounting period to end on another date if such change is found and determined to be necessary or appropriate for budgetary or other fiscal purposes.

"Leases" means those certain Lease Agreements, each dated as of December 1, 2019, by and between the Borrower and TEACH, as tenant.

"Limited Offering Memorandum" means the Limited Offering Memorandum dated as of _____ __, 2019, relating to the Bonds.

"Master Trust Indenture" means that certain Master Indenture of Trust, dated as of October 1, 2016, by and among Cunningham & Morris, LLC, the Borrower, and Wilmington Trust, National Association, as Master Trustee thereunder.

"Member" shall have the meaning ascribed thereto in the Master Trust Indenture.

"MSRB" means the Municipal Securities Rulemaking Board, located at 1300 I Street NW, Suite 1000, Washington, DC 20005, its successors and assigns.

"Operations Report" means the financial information and operating data required to be transferred by TEACH to the Dissemination Agent pursuant to the Section 3(a)(3) of this Disclosure Agreement.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds, its successors and assigns.

"Quarterly Report" means the financial information and operating data required to be transferred by TEACH to the Dissemination Agent pursuant to the Section 3(a)(2) of this Disclosure Agreement.

"Repository" means EMMA.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as amended or supplemented by the SEC from time to time.

"Schools" shall mean TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School and TEACH Tech Charter High School.

"SEC" means the Securities and Exchange Commission, its successors and assigns.

"Series 2019A Bonds" means the Authority's Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A.

"Series 2019B Bonds" means the Authority's Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable).

"Trustee" means Wilmington Trust, National Association, its successors and assigns.

Section 3. Provision of Annual Reports.

(a) TEACH shall provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than 180 days after the end of TEACH' Fiscal Year, commencing with the Fiscal Year ending June 30, 2019 (except as hereinafter provided), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of TEACH (and any information determined from the audited financial statement) may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If TEACH' Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Borrower hereby agrees to provide to TEACH any information required from the Borrower for the Annual Report. The Annual Report shall be submitted on a standard from in use by industry participants or other appropriate form and shall identify Bonds by name and CUSIP number, if available.

(b) TEACH shall be responsible for the preparation of the Annual Report. Not later than five (5) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, TEACH shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact TEACH to determine if TEACH is or expects to be in compliance with the first sentence of subsection (a) above.

(c) The Dissemination Agent shall transmit the Annual Report to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB.

Section 4. Content of Annual Reports.

(a) The Annual Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) The audited financial statements of TEACH, prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available.

(ii) For the Fiscal Years ended June 30, 2020 and thereafter, an Executed Certificate for Annual Filing of Certain Financial and Operating Covenants completed substantially in the form attached hereto as Exhibit A.

(iii) For the Fiscal Years ended June 30, 2020 and thereafter, the enrollment data with respect to the Schools provided to the State of California under the Charter School Law, and (B) a copy of all annual charter school reports with respect to the Schools required to be prepared by TEACH under California law.

(b) Any or all of the items listed above may be included by specific reference to other documents, including any official statement or prospectus of debt issues for the benefit of the Schools or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. TEACH shall clearly identify each such other document so included by reference. TEACH and the Borrower are solely responsible for the content and format of the Annual Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy or completeness of such Annual Report.

(c) Any or all of the Disclosure Reports may be incorporated by reference from other documents, including official statements, which have been submitted to the Repository. If the Disclosure Report information is changed or this Disclosure Agreement is amended in accordance with its terms, then TEACH is to include in the next Disclosure Report to be delivered thereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, TEACH shall give, or cause to be given, notice of the occurrence of any of the following events with respect to Bonds, if material:

(i) non-payment related defaults;

(ii) modifications to rights of Bond holders;

(iii) Bond calls;

(iv) unless described in Section 5(b)(vii) below, other material notices or determinations with respect to the tax exempt status of Series 2019A Bonds or other events affecting the tax exempt status of Series 2019A Bonds;

(v) release, substitution or sale of property securing repayment of Bonds;

(vi) the consummation of a merger, consolidation or acquisition involving any Member or TEACH or the sale of all or substantially all of the assets of any Member or TEACH (other than in the ordinary course of business) or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than in accordance with its terms;

(vii) appointment of a successor or additional trustee or change in name of a trustee; or

(viii) incurrence of a Financial Obligation of the Borrower, TEACH or any Member, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, TEACH or any Member, any of which affect security holders.

(b) Pursuant to the provisions of this Section 5, TEACH shall give, or cause to be given, notice of the occurrence of any of the following events with respect to Bonds:

(i) principal and interest payment delinquencies;

(ii) defeasances;

(iii) rating changes;

(iv) unscheduled draws on debt service reserves reflecting financial difficulties;

(v) unscheduled draws on any credit enhancements reflecting financial difficulties;

(vi) substitution of credit or liquidity providers, or their failure to perform;

(vii) adverse tax opinions affecting the tax exempt status of Series 2019A Bonds, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB);

(viii) tender offers;

(ix) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, TEACH or any Member, any of which reflect financial difficulties; and

(x) bankruptcy, insolvency, receivership or a similar proceeding by the Borrower or TEACH.

For purposes of the event identified in clause (ix) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for TEACH or the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of TEACH or the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of TEACH or the Borrower.

(c) Upon the occurrence of a Listed Event specified in Section 5(a), TEACH shall as soon as possible determine if such event would be material. The Dissemination Agent shall have no responsibility for such determination.

(d) If TEACH has determined that the occurrence of a Listed Event specified in Section 5(a) would be material, or upon the occurrence of a Listed Event specified in Section 5(b), TEACH shall notify the Dissemination Agent in writing within three business days of the occurrence of such event in a format suitable for filing with the MSRB, with instructions to the Dissemination Agent to file a notice of the occurrence of such Listed Event pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed in writing by TEACH to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file such notice with the MSRB with a copy to the Participating Underwriter in a timely manner not in excess of ten business days after the occurrence of the event.

(f) The Borrower hereby agrees to provide to TEACH notice of any events specified in this Section 5 of which it has actual notice within five (5) days of receipt of such notice by the Borrower.

Section 6. Provision of Quarterly Reports.

(a) TEACH agrees to provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than 60 days after the end of each of TEACH's fiscal quarters, commencing with the fiscal quarter ending March 31, 2020, a Quarterly Report which is consistent with the requirements of Section 7 of this Disclosure Agreement. The Quarterly Report may be submitted as a single document or as separate documents constituting a package, and may include by reference other information as provided in Section 7 of this Disclosure Agreement. The Borrower hereby agrees to provide to TEACH any information required from the Borrower for the Quarterly Reports.

(b) TEACH shall be responsible for the preparation of the Quarterly Report. Not later than five (5) business days prior to the date specified in subsection (a) for providing the Quarterly Report to the MSRB,

TEACH agrees to provide the Quarterly Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Quarterly Report, the Dissemination Agent shall contact TEACH to determine if TEACH is or expects to be in compliance with the first sentence of subsection (a) above.

(c) The Dissemination Agent shall transmit the Quarterly Report to the MSRB in electronic format accompanies by identifying information as prescribed by the MSRB.

Section 7. Content of Quarterly Reports.

(a) TEACH's Quarterly Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) A construction progress report with respect to any Facility being constructed, until such construction is substantially complete.

(ii) For the Obligated Group, the Officer Certificate executed in connection with any addition or withdrawal of a Member pursuant to Sections 3.11 and 3.12, respectively, of the Master Trust Indenture, if applicable.

(iii) The unaudited financial statements and operating data for the previous fiscal quarter of the type and in the format provided in audited financial statements of TEACH for the prior Fiscal Year.

(iv) For the Schools, enrollment data and waitlist data by grade for the previous fiscal quarter.

(v) For the final fiscal quarter of each Fiscal Year, a copy of TEACH's budget for the subsequent Fiscal Year.

(vi) A year-to-date comparison of the revenues and expenditures in the unaudited financial statements to the annual budget.

(vii) Recommendations of any consultant received in accordance with the Master Trust Indenture during such fiscal quarter.

(viii) Notice of any threatened termination of any license, charter or other official approval or accreditation which is material to the activities of TEACH or any School, or of the commencement of any litigation or other governmental or judicial proceeding in which an outcome adverse to TEACH could result in a judgment in excess of available insurance coverage or otherwise have a material adverse effect on the operations or financial condition of TEACH, and any other event which reasonably could be expected to have a material adverse effect on the operations or financial condition of TEACH.

(ix) Management discussion of any significant variance between budgeted and actual revenues and expenditures during the previous fiscal quarter.

(x) Any change in Key Management Personnel for TEACH's Executive Team as shown on page A-[__] of Appendix A to the Limited Offering Memorandum.

(xi) The amount and repayment terms of any Additional Indebtedness (as defined in the Master Trust Indenture) of the Borrower or any debt or capital leases of TEACH entered into after the date of this Disclosure Agreement.

(b) Any or all of the items listed in subsection (a) above may be included by specific reference to other documents, including any official statement or prospectus of debt issues for the benefit of TEACH or related public entities, which have been submitted to each of the MSRB. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. TEACH shall clearly identify each such other document so included by reference. TEACH is solely responsible for the content and format of the Quarterly Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy or completeness of such Quarterly Report.

Section 8. Use of EMMA. Any filings required to be made with or notices to be given to the MSRB under this Disclosure Agreement shall be effected by sending the filing or notice to EMMA at www.emma.msrb.org in an electronic format accompanied by identifying information as prescribed by the MSRB, or to such other entity and in such other format as may be designated under the Rule. The Dissemination Agent agrees to comply with the provisions of EMMA in making such filings and giving such notices under this Disclosure Agreement.

Section 9. Termination of Reporting Obligation. The obligations of TEACH, the Borrower and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, prepayment or payment in full of all of Bonds. If such termination occurs prior to the final maturity of Bonds, TEACH shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) hereof.

Section 10. Semi-Annual Conference Calls. TEACH shall schedule semi-annual conference calls (following the end of the 2019-20 School Year) for Beneficial Owners to be held during normal business hours (for both prevailing Eastern Time and prevailing Pacific Time), and shall provide the Dissemination Agent and the Participating Underwriter with a notice of date and time for such call and contact telephone information.

Section 11. Failure to File. If TEACH does not provide to the Dissemination Agent a copy of an Annual Report or a Quarterly Report by the applicable dates required in Section 3(a) or Section 6(a) above, the Dissemination Agent in a timely manner shall send a notice to the Borrower, TEACH and the Participating Underwriter in substantially the form attached as Exhibit B. If the Borrower or TEACH files any report directly with MSRB, the Borrower or TEACH shall promptly provide the Dissemination Agent with a confirmation or documentation reasonably required by the Dissemination Agent confirming that the filing of such report was made in a timely manner on or before the date required herein (or if not as of such date, specifying the date of filing) and that such filing contained the information required by this Disclosure Agreement.

Section 12. Dissemination Agent. TEACH may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by TEACH pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, TEACH shall be the Dissemination Agent. The initial Dissemination Agent shall be Urban Futures, Inc. Any person succeeding to all or substantially all of the Trustee's corporate trust business shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties under this Disclosure Agreement upon 60 days prior written notice to TEACH.

Section 13. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, TEACH, the Borrower and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by the Holders of Bonds in the same manner as provided in the Bond Indenture for amendments to the Bond Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel or another party unaffiliated with TEACH, materially impair the interests of the Holders or Beneficial Owners of Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, TEACH shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by TEACH. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 5(d).

Section 14. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent TEACH from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If TEACH chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, TEACH shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 15. Default. In the event of a failure of TEACH, the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent (at the written direction of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding and upon being indemnified to its satisfaction therefor, shall, or the Participating Underwriter or any Holder of Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause TEACH or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under Bonds, the Bond Indenture, or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of TEACH or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. The Dissemination Agent shall not be required to take any action whatsoever to cause TEACH to comply with its obligations under this Dissemination Agreement other than those specifically set forth in Section 3 hereof.

Section 16. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants or obligations of the Dissemination Agent shall arise in this Disclosure Agreement. TEACH and the Borrower agree jointly and severally to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, fees, expenses and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, as the case may be. The obligations of TEACH under this Section

shall survive resignation or removal of the Dissemination Agent, termination of this Disclosure Agreement and payment of Bonds. The Dissemination Agent shall have no liability for TEACH's failure to report any event or any financial information or operating data as to which TEACH has not provided an information report in format suitable for filing with the MSRB. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in a fiduciary capacity. The obligations of TEACH under this Section shall survive resignation of the Dissemination Agent or the termination of this Dissemination Agreement. In the absence of bad faith on its part, the Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent by the Disclosure Representative and conforming to the requirements of this Disclosure Agreement. In the case of any Annual Reports or description of any Listed Events, or any opinions which by any provision hereof are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Disclosure Agreement, but shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. No provision of this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the Disclosure Representative. The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to TEACH. TEACH shall not be liable for the fees and expenses of any such counsel consulted by the Dissemination Agent without the prior consent of TEACH. The Dissemination Agent shall not be bound to make any investigation into the facts or matters stated in and Annual Report or description of a Listed Event. To the extent not otherwise provided in this Disclosure Agreement, the Dissemination Agent shall be entitled to discharge its obligation hereunder in like manner as specified in the Bond Indenture for the discharge of the obligations of the Trustee thereunder.

Section 17. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To TEACH or the Borrower:
TEACH Inc.
Attn: Superintendent
10000 S. Western Avenue
Los Angeles, CA 90047

To Dissemination Agent:
Urban Futures, Inc.
3111 North Tustin, Suite 230
Orange, CA 92865

A copy of each notice shall be sent to the Participating Underwriter as follows:

Stifel, Nicolaus & Company, Incorporated
Attn: John Kim
515 S. Figueroa Street, Suite 1800
Los Angeles, CA 90071

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 18. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of TEACH, the Dissemination Agent, the Participating Underwriter, the Trustee and Holders and Beneficial Owners from time to time of Bonds, and shall create no rights in any other person or entity.

Section 19. Fees and Expenses. Except to the extent limited by Section 15 hereof, the Dissemination Agent shall be entitled to payment and reimbursement from TEACH for its services rendered hereunder and all rightful advances and other expenses reasonably made or incurred by the Dissemination Agent.

Section 20. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 21. Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 22. Severability. If any portion of this Disclosure Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Agreement shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 23. Other Instruments. TEACH and the Dissemination Agent covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Disclosure Agreement.

Section 24. Captions, Titles, and Headings. The captions, titles, and headings used in this Disclosure Agreement are for convenience only and shall not be construed in interpreting this Disclosure Agreement.

Section 25. Entire Agreement. This Disclosure Agreement contains the entire understanding among the parties and supersedes any prior understandings or written or oral agreements between them respecting the subject matter of this Disclosure Agreement.

Powered by BoardOnTrack

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Continuing Disclosure Agreement as of the date first written above.

URBAN FUTURES, INC., as Trustee and Dissemination Agent

By: _____
Its: Authorized Officer

WOOTEN AVILA LLC, a California limited liability company

By: _____
Its: Authorized Officer

TEACH INC., a California nonprofit public benefit corporation

By: _____
Its: Authorized Officer

4842-2701-4569v1/200356-0344

EXHIBIT A

FORM OF CERTIFICATE FOR ANNUAL FILING OF CERTAIN FINANCIAL AND OPERATING COVENANTS

Name of Issuer:	California School Finance Authority
Name of Bond Issue:	California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A and Series 2019B (Taxable)
Dissemination Agent:	Urban Futures Inc.
Name of Borrower:	Wooten Avila LLC
Date of Issuance:	December __, 2019

The undersigned authorized representative of TEACH Inc. ("TEACH"), is providing to the Dissemination Agent the following operational information as required under Section 4 of the Continuing Disclosure Agreement, dated as of December 1, 2019 (the "Disclosure Agreement"), between the Dissemination Agent, the Borrower and TEACH. The Disclosure Agreement requires that this information be provided to the Dissemination Agent within 180 days of the end of each fiscal year. Defined terms used in this certificate and not defined herein shall have the meaning granted to such terms in the Disclosure Agreement or, if not defined therein, in the Master Trust Indenture. The information contained below is unaudited.

1. The undersigned is familiar with the provisions of the Leases, and based on such review and familiarity, TEACH has fulfilled all of its obligations thereunder throughout Fiscal Year preceding the date hereof, and there have been no Defaults or Events of Default under the Leases (or, if there has been a Default or Event of Default in the fulfillment of any such obligation in such Fiscal Year, attached hereto as Appendix I is additional information specifying each such Default or Event of Default known to the undersigned and the nature and status thereof and the actions taken or being taken to correct such Default or Event of Default).

2. All insurance required by the Lease is in full force and effect as of the date hereof.

3. Obligated Group – Financial Covenants As of June 30, 20__:

   (a) The Debt Service Coverage Ratio pursuant to Section 3.__ of the Master Indenture for the Fiscal Year ended June 30, 20__ was ___x.

4. Individual School Tenants – Financial Covenants (To be completed for each School Tenant) As of June 30, 20__:

   (a) The Consolidated Days Cash on Hand for the Obligated Group for the Fiscal Year ended June 30, 20__ was ___ days, which [does/does not] comply with the liquidity covenant in the Lease. (This financial covenant calculation only needs to be calculated once among the Obligated Group Financed Schools.)

   (b) The Payment Coverage Ratio was ___x which [does/does not] comply with the Payment Coverage Ratio covenant in the Lease.

5. The following information with respect to the Schools:

   [TO COME]

Powered by BoardOnTrack

This certificate is being provided by TEACH to the Dissemination Agent on a date which is [within][outside] of 180 days from the end of its prior fiscal year.

Dated: _____

TEACH INC.

_____

By: _____

Its: _____

4842-2701-4569v1/200356-0344

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL OR QUARTERLY REPORT

Name of Issuer:	California School Finance Authority
Name of Bond Issue:	California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A and Series 2019B (Taxable)
Dissemination Agent:	Urban Futures, Inc.
Name of Borrower:	Wooten Avila LLC
Date of Issuance:	December __, 2019

NOTICE IS HEREBY GIVEN that the Borrower has not provided an [Annual Report][Quarterly Report] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2019, between the undersigned Dissemination Agent, the Borrower and TEACH Inc. The Borrower anticipates that the [Annual Report] [Quarterly Report] will be filed by _____.

Dated: _____

URBAN FUTURES, INC.
as Dissemination Agent

By_____
Authorized Signatory

cc: Stifel, Nicolaus & Company, Incorporated

Powered by BoardOnTrack

APPENDIX F

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of that maturity of Bonds, and will be deposited with DTC. If, however, the aggregate principal amount of any series and maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series and maturity.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Powered by BoardOnTrack

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but neither the Authority nor the Borrower take responsibility for the accuracy thereof.

Powered by BoardOnTrack

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

Powered by BoardOnTrack

APPENDIX H

FORMS OF INVESTOR LETTER

FORM OF INVESTOR LETTER

The Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

California School Finance Authority
304 South Broadway
Los Angeles, California 90013

Wilmington Trust, National Association
650 Town Center Drive, Suite 600
Costa Mesa, California 92626

Stifel, Nicolaus & Company, Incorporated
515 S. Figueroa Street, Suite 1800
Los Angeles, California 90071

Re: $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A and $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable)

Ladies and Gentlemen:

The undersigned (the "Investor") hereby acknowledges that it is purchasing $_____ aggregate principal amount of California School Finance Authority (the "Authority") Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019 (the "Bonds"), issued pursuant to an indenture, dated as of December 1, 2019 (the "Indenture"), between the Authority and Wilmington Trust, National Association (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

This letter is being provided pursuant to a Bond Purchase Agreement, dated [DATE] (the "Purchase Agreement"), among the Authority, the Treasurer of the State of California, as agent for sale on behalf of the Authority, Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), and approved by Wooten Avila LLC (the "Borrower") and TEACH Inc. ("TEACH" or the "Lessee").

The undersigned acknowledges that the Bonds are being delivered for the purpose of financing the acquisition, expansion, remodeling, renovation, and/or equipping of certain charter school facilities located in Los Angeles, California (the "Project") on behalf of the Borrower, as more particularly described in the Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower. The undersigned further acknowledges that the Borrower will lease the charter school facilities to the Lessee pursuant to those certain leases (the "Leases") between the Lessor and the Lessee.

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 2 relating to the Bonds ("Obligation No. 2") issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016, and a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, as representative and initial Member of the Obligated Group, the Borrower, and Wilmington Trust, National Association, as master trustee (the "Master Trustee"). The Indenture, the Loan Agreement, the Leases, the Master Trust Indenture, and the Second Supplemental Master Indenture are referred to herein as the "Bond Documents."

Powered by BoardOnTrack

In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority and is duly authorized to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is either (a) a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933, as amended (the "Act"), or (b) an "accredited investor," as defined under Regulation D promulgated under the Act, and therefore has sufficient knowledge and experience in financial and business matters, including in the purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Bonds are being acquired by the Investor for investment and not with a current view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate, subject to the transfer restrictions set forth in the Bonds and in the Indenture. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since a sale of the Bonds, or any portion thereof, prior to maturity may not be possible.

4. The Investor understands that the Bonds are not registered under the Act and that such registration is not legally required as of the date hereof and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable due to restrictions on transfer.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, which it has requested from the Borrower and which the Investor believes to be significant in making investment decisions, which information is included in the Preliminary Limited Offering Memorandum, dated [DATE] (the "Preliminary Limited Offering Memorandum"), and the Limited Offering Memorandum, dated [DATE] (the "Limited Offering Memorandum"), and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project, the Lessee, the Bond Documents and the Bonds and the security therefor so that the Investor has been able to make a decision to purchase the Bonds.

6. The Investor has received a copy of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum. The Investor acknowledges that it has not relied upon any advice, counsel, representation or information of the Authority in connection with the Investor's purchase of the Bonds.

7. The Investor acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from amounts paid to the Authority or the Trustee from the Borrower pursuant to the Loan Agreement and Obligation No. 2 and the Authority shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of the Authority to pay any portion of the costs of the Project, the Costs of Issuance, or any other costs or expense in connection with the Project, the Costs of Issuance, the Bonds or the Bond Documents. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the Authority (which has no taxing power), the State of California or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal of or interest on the Bonds and that

the liability of the Authority and the State of California with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Investor is aware that the business of the Borrower, the Member and the Lessee involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Investor has reviewed the documents executed in conjunction with the issuance of the Bonds, or summaries thereof, including, without limitation, the Indenture, the Master Indenture, the First Supplemental Master Indenture, the Leases and the Loan Agreement.

9. The Investor acknowledges and agrees that the Authority takes no responsibility for, and makes no representation to the Investor, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bonds in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The Investor also acknowledges that, with respect to the Authority's obligations and liabilities, the Investor is solely responsible for compliance with the sales restrictions on the Bonds in connection with any subsequent transfer of the Bonds made by the Investor.

10. The Investor agrees that it is bound by and will abide by the provisions of the Indenture relating to transfer, the restrictions noted on the face of the Bonds and this Investor Letter. The Investor also covenants to comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Bonds by the Investor.

11. The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

12. The Investor hereby waives any and all claims, actions, or causes of action which the Investor may have from and after the date hereof against the Authority, counsel to the Authority, and their respective members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Authority took or could have taken in connection with the authorization, execution, delivery, and sale of the Bonds or the purchase of the Bonds by the undersigned or in connection with any statements or representations which induced the undersigned to purchase the Bonds. This waiver does not go to the Borrower, the Underwriter, Bond Counsel, the Lessee, or their counsel, their respective members, officers, agents, or employees.

The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

Date: _____, 2019

Very truly yours,

_____
NAME OF INVESTOR
By: _____
Name: _____
Title: _____

Powered by BoardOnTrack

FORM OF BONDHOLDER REPRESENTATIVE LETTER

The Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

California School Finance Authority
304 South Broadway
Los Angeles, California 90013

Wilmington Trust, National Association
650 Town Center Drive, Suite 600
Costa Mesa, California 92626

Stifel, Nicolaus & Company, Incorporated
515 S. Figueroa Street, Suite 1800
Los Angeles, California 90071

Re: $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019A and $_____ California School Finance Authority Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019B (Taxable)

Ladies and Gentlemen:

In connection with the sale of $____ aggregate principal amount (the "Purchased Bonds") of California School Finance Authority (the "Authority") Charter School Revenue Bonds (TEACH Public Schools – Obligated Group) Series 2019 (the "Bonds"), issued pursuant to an indenture, dated as of December 1, 2019 (the "Indenture"), between the Authority and Wilmington Trust, National Association (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

This letter is being provided pursuant to a Bond Purchase Agreement, dated [DATE] (the "Purchase Agreement"), among the Authority, the Treasurer of the State of California, as agent for sale on behalf of the Authority, Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), and approved by Wooten Avila LLC (the "Borrower") and TEACH Inc. ("TEACH" or the "Lessee").

The undersigned acknowledges that the Bonds are being delivered for the purpose of financing the acquisition, expansion, remodeling, renovation, furnishing and/or equipping of certain charter school facilities located in Los Angeles, California (the "Projects") on behalf of the Borrower, as more particularly described in the Loan Agreement, dated as of December 1, 2019 (the "Loan Agreement"), by and between the Authority and the Borrower. The undersigned further acknowledges that the Lessor will lease the charter school facilities to the Lessee pursuant to those certain leases (the "Leases") between the Lessor and the Lessee.

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 2 relating to the Bonds ("Obligation No. 2") issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2016, and a Supplemental Master Indenture for Obligation No. 2, dated as of December 1, 2019 (the "Second Supplemental Master Indenture"), by and between Cunningham & Morris, LLC, as representative and initial Member of the Obligated Group, the Borrower and Wilmington Trust, National Association, as master trustee (the "Master Trustee"). The Indenture, the Loan Agreement, the Leases, the Master Trust Indenture, and the Second Supplemental Master Indenture are referred to herein as the "Bond Documents."

In connection with the sale of the Purchased Bonds, the undersigned (the "Bondholder Representative") hereby makes the following representations upon which you may rely:

1. The Bondholder Representative is a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933, as amended (the "Act") or a registered investment adviser as defined in the Investment Advisers Act of 1940, responsible for managing at least $1 billion in assets.

2. The Bondholder Representative has discretionary authority over the investments of its clients who will be the owners of the Purchased Bonds (the "Owners"), is the duly appointed representative of the Owners of all of the Purchased Bonds and is authorized to act on behalf of the Owners.

3. Each Owner is an "accredited investor" as defined in Regulation D of the Act, or a "qualified institutional buyer" as defined in Rule 144A of the Act, and therefore has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the Purchased Bonds.

4. The Bondholder Representative, on behalf of itself and each Owner, understands that the Bonds are not registered under the Act and that such registration is not legally required as of the date hereof and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) may not be readily marketable due to restrictions on transfer.

5. Each Owner is acquiring its Bonds for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and each Owner intends to hold its Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of its Bonds. However, each Owner, or the Bondholder Representative on behalf of such Owner, may sell such Owner's Bonds at any time such Owner, or the Bondholder Representative on behalf of such Owner, deems appropriate, subject to the transfer restrictions set forth in the Bonds and in the Indenture. Each Owner understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

6. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, which it has requested from the Borrower and to which a reasonable investor would attach significance in making investment decisions, which information is included in the Preliminary Limited Offering Memorandum, dated [DATE] (the "Preliminary Limited Offering Memorandum"), and the Limited Offering Memorandum, dated [DATE] (the "Limited Offering Memorandum"), and the Bondholder Representative, on behalf of itself and each Owner, has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project, the Lessee, the Bond Documents and the Bonds and the security therefor so that, as a reasonable investor, the Bondholder Representative, on behalf of itself and each Owner, has been able to make a decision to purchase the Bonds.

7. The Bondholder Representative, on behalf of itself and each Owner, has received a copy of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that it has not relied upon any advice, counsel, representation or information of the Authority in connection with the Investor's purchase of the Bonds.

8. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from amounts paid to the Authority or the Trustee from the Borrower pursuant to the Loan Agreement and Obligation No. 2 and the Authority shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of the Authority to pay any portion of the costs of the Project, the Costs of Issuance, or any other costs or expense in connection with the Project, the Costs of Issuance, the Bonds or the Bond Documents. The Bondholder Representative, on behalf of itself and each Owner, understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the Authority (which has no taxing power), the State of California or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of

California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal of or interest on the Bonds and that the liability of the Authority and the State of California with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

9. The Bondholder Representative, on behalf of itself and each Owner, has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Bondholder Representative and each Owner are aware that the business of the Borrower, the Member and the Lessee involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Bondholder Representative, on behalf of itself and each Owner, has also reviewed the documents executed in conjunction with the issuance of the Bonds, or summaries thereof, including, without limitation, the Indenture, the Master Indenture, the First Supplemental Master Indenture, the Leases and the Loan Agreement.

10. The Bondholder Representative, on behalf of itself and each Owner, acknowledges and agrees that the Authority takes no responsibility for, and makes no representation to the Bondholder Representative or such Owner, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bonds in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The Bondholder Representative, on behalf of itself and each Owner, also acknowledges that, with respect to the Authority's obligations and liabilities, the Bondholder Representative and such Owner are solely responsible for compliance with the sales restrictions on the Bonds in connection with any subsequent transfer of the Bonds made by such Owner or by the Bondholder Representative on behalf of such Owner.

11. The Bondholder Representative, on behalf of itself and each Owner, agrees that it is bound by and will abide by the provisions of the Indenture relating to transfer, the restrictions noted on the face of the Bonds and this Investor Letter. The Bondholder Representative and each Owner will comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Purchased Bonds by such Owner, or by the Bondholder Representative on behalf of such Owner.

12. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that the sale of the Bonds to such Owner is made in reliance upon the certifications, representations and warranties herein by such Owner and by the Bondholder Representative on behalf of itself and on behalf of such Owner.

13. The Bondholder Representative, on behalf of itself and each Owner, hereby waives any and all claims, actions, or causes of action which such Owner or the Bondholder Representative on behalf of such Owner may have from and after the date hereof against the State Treasurer, the Authority, counsel to the Authority, counsel to the State Treasurer and their respective members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Authority or the State Treasurer took or could have taken in connection with the authorization, execution, delivery, and sale of the Bonds or the purchase of the Bonds by the undersigned or in connection with any statements or representations which induced the undersigned to purchase the Bonds.

Powered by BoardOnTrack

14. The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

Date: _____, 2019

Very truly yours,

_____
NAME OF BONDHOLDER REPRESENTATIVE

By: _____
Name: _____
Title: _____

Powered by BoardOnTrack