

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

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.

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 BONDS1

 AUTHORITY FOR ISSUANCE.....2

 USE OF PROCEEDS.....2

 SECURITY FOR THE BONDS2

 REDEMPTION.....5

 CERTAIN RISK FACTORS5

 MISCELLANEOUS.....5

THE AUTHORITY.....5

THE BONDS5

 GENERAL.....5

 BOOK-ENTRY ONLY SYSTEM.....6

 TRANSFER OF BONDS6

 EXCHANGE OF BONDS.....7

 REDEMPTION.....7

 DEFEASANCE.....11

TRANSFER RESTRICTIONS13

ESTIMATED SOURCES AND USES OF FUNDS13

THE PROJECT.....14

 TEACH PREP PROJECT15

 TEACH TECH PROJECT18

 RESOURCE CENTER PROJECT20

 OTHER PROJECT COSTS.....24

 APPRAISALS24

DEBT SERVICE AND BASE RENT SCHEDULE.....26

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS27

 LIMITED OBLIGATIONS OF THE AUTHORITY27

 BOND INDENTURE27

 THE LOAN AGREEMENT33

 THE MASTER INDENTURE34

 MORTGAGES40

 ADDITIONAL LEASES GOVERNED BY THE MASTER INDENTURE.....41

THE LEASES.....41

 GENERAL.....41

 PAYMENT OF RENT42

CHARTER SCHOOLS47

 GENERAL.....47

 CHARTERING AUTHORITY.....48

 ELEMENTS OF A CHARTER PETITION.....48

 APPROVAL OR DENIAL OF CHARTER PETITION.....50

 COUNTYWIDE BENEFIT CHARTER SCHOOLS51

 STATEWIDE BENEFIT CHARTER SCHOOLS51

 CHARTER MANAGEMENT ORGANIZATIONS52

 CHARTER REVOCATION52

 AMENDMENTS TO THE CHARTER SCHOOL LAW53

 GROWTH IN CHARTER SCHOOLS IN CALIFORNIA.....55

STATE FUNDING OF EDUCATION55

 GENERAL.....55

 ALLOCATION OF STATE FUNDING TO CHARTER SCHOOLS60

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS.....65

 LIMITATIONS ON REVENUES65

 PROPOSITION 3066

 PROPOSITION 2.....66

 KINDERGARTEN THROUGH COMMUNITY COLLEGE PUBLIC EDUCATION FACILITIES BOND ACT OF 201667

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
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

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.

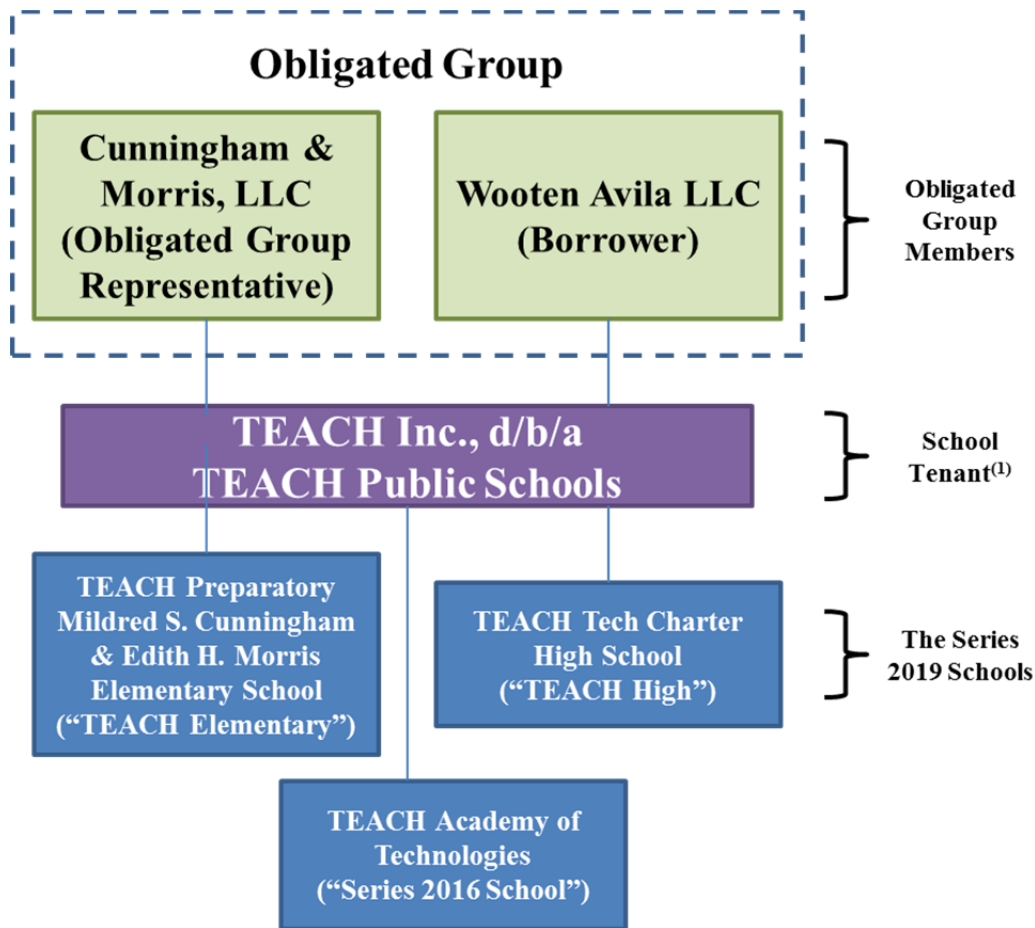
Parity Obligations; Prior Bonds. Obligation No. 2 is payable on parity with Obligation No. 1, dated as of October 1, 2016, in the aggregate principal amount of \$12,530,000, issued pursuant to the Master Indenture, as supplemented by the First Supplemental Master Indenture. Obligation No. 1 was issued 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.

Bond Maturing (June 1)	Unamortized Net Original Issue Premium as of Redemption Date, per \$100 of Principal Amount ⁽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__	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
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__

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
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__

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
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.*

	<i>Series 2019A</i>	<i>Series 2019B</i>	<i>Total</i>
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.

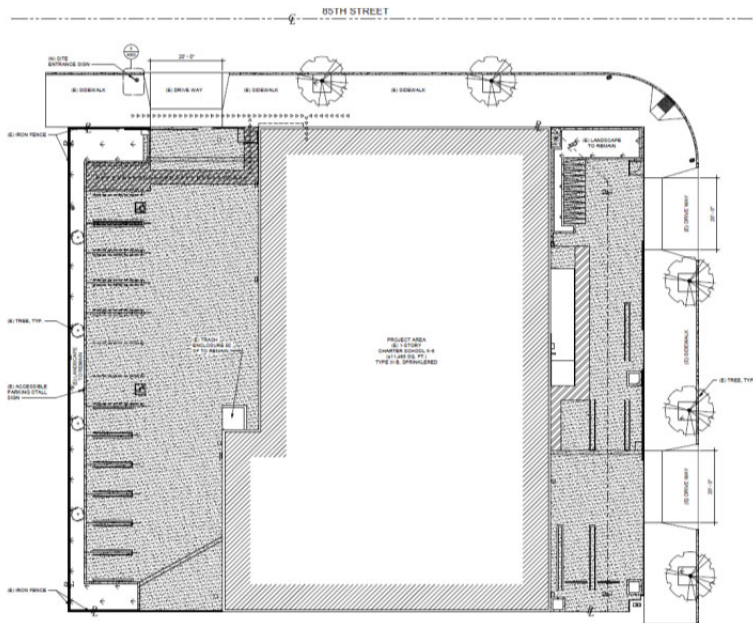
Each of the TEACH Prep Facility, TEACH Tech Facility and Resource Center Facility are also referred to herein as a “Series 2019 Facility” and, collectively, as the “Series 2019 Facilities.”

* Preliminary, subject to change.

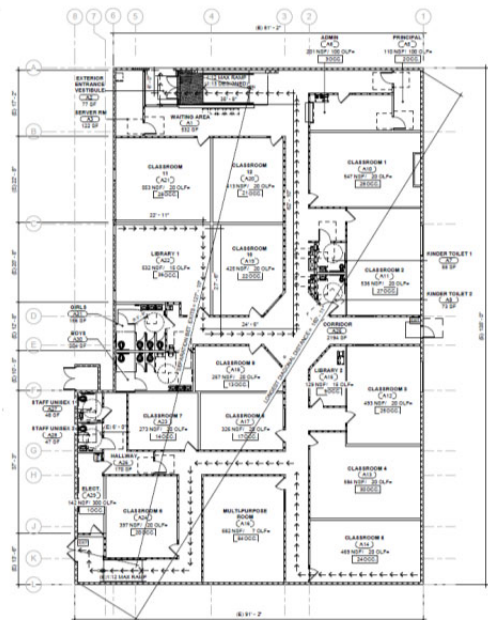
TEACH Prep Project

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]

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[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.

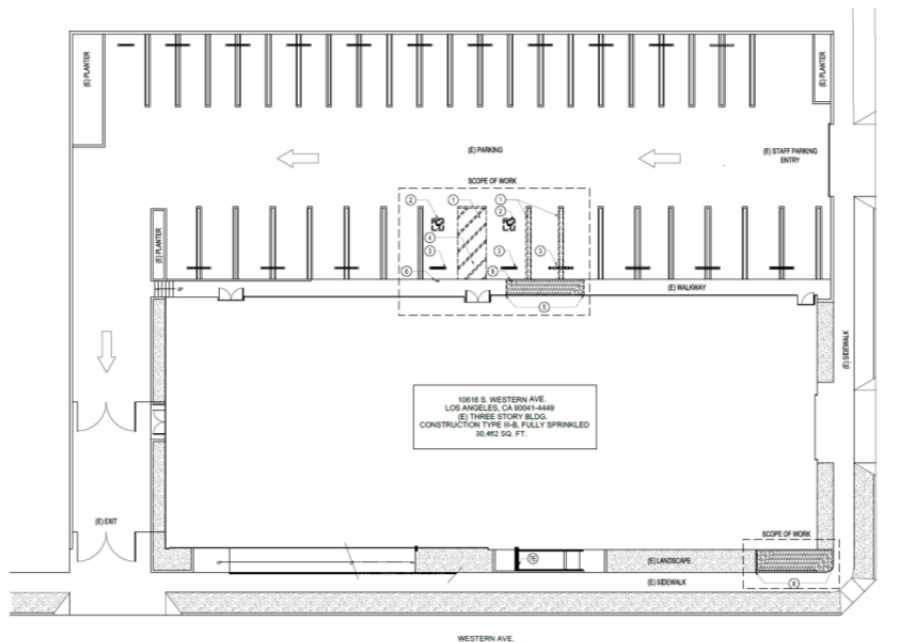
The TEACH Prep Environmental Reports each speak only as of their respective dates, and Citadel has not been asked to perform any additional assessments since the time of the assessments described in the TEACH Prep Environmental Reports. Further, the TEACH Prep Environmental Reports are each subject to 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 be 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”).



[DETAILS ON CONSTRUCTION TO COME]

[PHOTO OF FACILITY TO COME]

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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 be 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**

<i>Facility</i>	<i>Appraised Value</i>	<i>Date of Value</i>
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.

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* 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.*

<i>Period Ending June 1</i>	<i>Series 2019A Bonds⁽¹⁾</i>		<i>Series 2019B Bonds⁽¹⁾</i>		<i>Total Bonds Debt Service</i>	<i>Series 2016 Bonds Debt Service</i>	<i>Total Obligated Group Bonds Debt Service</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>			
2020							
2021							
2022							
2023							
2024							
2025							
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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 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

<u>Fiscal Year</u>	<u>Number of Charter Schools</u>
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

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
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			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,083	\$7,189	\$7,403	\$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery ⁽²⁾	<u>162</u>	<u>162</u>	<u>162</u>	<u>162</u>
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			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,083	\$7,189	\$7,403	\$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery ⁽²⁾	<u>189</u>	<u>189</u>	<u>189</u>	<u>189</u>
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			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,193	\$7,301	\$7,518	\$8,712
CTE/CSR Add-ons	748	--	--	227
Lottery ⁽²⁾	<u>194</u>	<u>194</u>	<u>194</u>	<u>194</u>
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			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,459	\$7,571	\$7,796	\$9,034
CTE/CSR Add-ons	776	--	--	235
Lottery ⁽²⁾	<u>204</u>	<u>204</u>	<u>204</u>	<u>204</u>
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			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,702	7,818	8,050	9,329
CTE/CSR Add-ons	801	--	--	243
Lottery ⁽²⁾	<u>207</u>	<u>207</u>	<u>207</u>	<u>207</u>
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 XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A.

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 XIII A. 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 XIII B 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)**

<u>K-12 Public School Facilities</u>	
New construction	\$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	\$7,000
 <u>Community College Facilities</u>	
Total	\$9,000

Future Initiatives

Articles XIII A, 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.

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

APPENDIX A

**CERTAIN INFORMATION REGARDING TEACH PUBLIC SCHOOLS,
THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP**

APPENDIX B

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF TEACH AND
AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

APPENDIX C

SUMMARY OF PRINCIPAL BOND DOCUMENTS

APPENDIX D

SUMMARY OF THE LEASES

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.

“*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 form 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 accompanied 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.

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

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]

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: _____

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

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.

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.

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

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.”

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: _____

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: _____