OFFICIAL STATEMENT DATED MAY 10, 2007

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF VINSON & ELKINS L.L.P., BOND COUNSEL, TO THE EFFECT THAT INTEREST ON THE SERIES 2007A BONDS (described below) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT AN ITEM OF TAX PREFERENCE THAT IS INCLUDABLE IN ALTERNATIVE MINIMUM TAX IMPOSED ON INDIVIDUALS. ***INTEREST ON THE SERIES 2007B BONDS IS NOT EXEMPT FROM FEDERAL INCOME TAX.*** *SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION, INCLUDING A DESCRIPTION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS AND OTHER FEDERAL TAX CONSEQUENCES.*

NEW ISSUE - Book-Entry-Only RATING: Standard and Poor's Rating Group: "BB+"

(See "RATING" herein)

TEXAS PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL FINANCE CORPORATION
(Cosmos Foundation)
$28,860,000 Education Revenue Bonds, Series 2007A
and
$1,135,000 Taxable Education Revenue Bonds, Series 2007B

Interest Accrues From May 1, 2007 **Due: February 15 (as on the inside cover page)**

Interest on the $28,860,000 Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (Cosmos Foundation), Series 2007A (the *"Series 2007A Bonds")* and $1,135,000 Texas Public Finance Authority Charter School Finance Corporation Taxable Education Revenue Bonds (Cosmos Foundation), Series 2007B (the *"Series 2007B Bonds"*) (collectively , the Series 2007A Bonds and the Series 2007B Bonds, the "*Bonds*" and, together with any Additional Indebtedness, as defined in the Indenture, the "*Debt*") will accrue from May 1, 2007 (the "Dated Date") and is payable August 15, 2007, and each February 15 and August 15 thereafter until the earlier of maturity or redemption. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("*DTC*"), pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Trustee, initially, Amegy Bank National Association, Houston, Texas, as trustee (the "Trustee"), to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "Book-Entry Only System" herein.

The Bonds are subject to optional and mandatory redemption, as described herein.

The Bonds are being issued by, and are special and limited obligations of, the Texas Public Finance Authority Charter School Finance Corporation (the "*Issuer*"), and the proceeds thereof will be loaned to Cosmos Foundation, Inc. (the "Borrower"), which operates open enrollment charter schools under the laws of the State of Texas (the "State"), to finance the cost of land acquisition, constructing, equipping, and renovating certain "educational facilities" (as that term is defined within Chapter 53, Texas Education Code, as amended) and facilities incidental, subordinate, or related thereto or appropriate in connection therewith at the Borrower's campuses (see the "Project" herein), and to pay the costs of issuing the Bonds for the benefit of the Borrower.

The Bonds are limited obligations of the Issuer, payable solely from revenues to be derived by the Issuer under the Loan Agreement dated as of May 1, 2007 (the "Loan Agreement") between the Issuer and the Borrower, as amended from time to time, and taxable and tax-exempt promissory notes (the "Issuer Master Notes") to be issued under the Master Trust Indenture and Security Agreement, dated as of May 1, 2007, as supplemented by the Supplemental Master Trust Indenture No. 1, dated as of May 1, 2007 (together, the "Master Indenture"), each between the Borrower and Amegy Bank National Association, Houston, Texas, as master trustee (the "Master Trustee"), and delivered to the Issuer pursuant to the Loan Agreement, and, in certain circumstances, out of amounts secured by the exercise of remedies provided in the Trust Indenture and Security Agreement, dated as of May 1, 2007, (the "Indenture") between the Issuer and the Trustee, the Loan Agreement, and the Issuer Master Notes. The Borrower will issue a Deed of Trust and Security Agreement with Assignment of Rents and Leases covering its real property comprised of the campuses in favor of the Master Trustee for the benefit of the holders of the Issuer Master Notes. THE BONDS ARE NOT OBLIGATIONS OF THE STATE OR ANY ENTITY OTHER THAN THE ISSUER. NONE OF THE STATE OR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

THE BONDS ARE SPECULATIVE INVESTMENTS, THE PURCHASE AND OWNERSHIP OF WHICH ARE SUBJECT TO SPECIAL RISK FACTORS. ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

The Bonds are offered by the Underwriter, subject to prior sale, when, as, and if issued by the Issuer and accepted by the Underwriter, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Vinson & Elkins L.L.P., Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the Underwriter by Andrews Kurth LLP, Houston, Texas. Delivery of the Bonds is expected on or about June 1, 2007.

COASTAL SECURITIES, INC.

MATURITY SCHEDULE

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION EDUCATION REVENUE BONDS

Education Revenue Bonds, Series 2007A[(a)]
$4,795,000 5.000% Term Bonds due February 15, 2018, [(a) (b)] Yield 5.200%,[(d)]CUSIP 88276P AX4[(e)]
$24,065,000 5.375% Term Bonds due February 15, 2037, [(a) (b)] Yield 5.443%[(d)]CUSIP 88276P AY2[(e)]

Taxable Education Revenue Bonds, Series 2007B[(c)]
$1,135,000 6.750% Term Bond due February 15, 2010[(c)] Yield 6.750%[(d)] CUSIP 88276P AZ9[(e)]

(Interest to accrue from May 1, 2007)

(a) The Series 2007A Bonds maturing on or after February 15, 2016 are subject to optional redemption prior to scheduled maturity, in whole or in part, on February 15, 2015, and on any date thereafter at par plus accrued interest. (See “THE BONDS – Redemption Provisions”).

(b) The Series 2007A Term Bonds are subject to Mandatory Sinking Fund Redemption as described herein. (See THE BONDS - Mandatory Sinking Fund Redemption).

(c) The Series 2007B Bonds are not subject to optional redemption.

(d) The initial yields at which the Bonds are priced are established by and are the sole responsibility of the Underwriter and may be changed at any time at the discretion of the Underwriter.

(e) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Issuer or the Underwriter.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Financing documents, resolutions, contracts, and other related reports referenced or described in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Issuer or from Vinson & Elkins L.L.P., 1001 Fannin, Suite 2500, Houston, Texas 77002; Telephone: (713) 758-2222.

The information set forth herein has been obtained from sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Issuer or the Underwriter. In accordance with their responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement, but does not guarantee its accuracy or completeness. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. Except for any information provided by Amegy Bank National Association, Houston, Texas, concerning the Master Trustee and the Trustee, Amegy Bank National Association, Houston, Texas, has no responsibility for any information in this Official Statement. Amegy Bank National Association, Houston, Texas, in each of its capacities, including, without limitation, as the Trustee and the Master Trustee, assumes no responsibility for the accuracy or completeness of the information concerning the Issuer or the Borrower or their respective affiliates or any other party, contained in this document or the related documents or for any failure by the Issuer or the Borrower or any other party, to disclose events that may have occurred and may affect the significance or accuracy of such information. Neither the Issuer nor the Underwriter make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains forward-looking projections, which may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from the future results, performance, or achievements expressed or implied by such forward-looking statements. Any forecast is subject to such risks, uncertainties, and other factors. Some assumptions used to develop forecasts may not be realized and unanticipated events or circumstances may occur. **Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.**

ANY INFORMATION AND EXPRESSIONS OF OPINION HEREIN CONTAINED ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE BORROWER, OR OTHER MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF. THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTION IN WHICH THE BONDS HAVE BEEN QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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OFFICIAL STATEMENT

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION
Education Revenue Bonds
(Cosmos Foundation)

$28,860,000 Education Revenue Bonds, Series 2007A
and
$1,135,000 Taxable Education Revenue Bonds, Series 2007B

This Official Statement provides certain information in connection with the issuance by the TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION (the "*Issuer*") of its Education Revenue Bonds (Cosmos Foundation) consisting of $28,860,000 Education Revenue Bonds, Series 2007A (the "*Series 2007A Bonds*") and $1,135,000 Taxable Education Revenue Bonds, Series 2007B (the "*Series 2007B Bonds*") (the Series 2007A Bonds and the Series 2007B Bonds, collectively, the "*Bonds*" and, together with any Additional Indebtedness, as defined in the Indenture, the "*Debt*").

The Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of May 1, 2007 (the "*Indenture*"), by and between the Issuer and Amegy Bank National Association, Houston, Texas, as trustee (the "*Trustee*"), and a Resolution of the Issuer (the "*Resolution*"). The proceeds from the sale thereof will be loaned to Cosmos Foundation, Inc. (the "*Borrower*"), which operates an open enrollment charter school under the laws of the State of Texas, to finance the cost of land acquisition, constructing, equipping, and renovating certain "educational facilities" (as that term is defined within Chapter 53, Texas Education Code, as amended) and facilities incidental, subordinate, or related thereto or appropriate in connection therewith for the Borrower's campuses (the "Campuses") located within various cities in Texas (See "PLAN OF FINANCING-The Facilities and the Project"), and to pay the costs of issuing the Bonds.

The Bonds are limited obligations of the Issuer, payable solely out of the revenues derived from or in connection with the Loan Agreement dated as of May 1, 2007 (the "Loan Agreement"), by and between the Borrower and the Issuer as amended from time to time, and the Taxable and Tax-Exempt Promissory Notes (the "Issuer Master Notes") to be issued under the Master Trust Indenture and Security Agreement dated as of May 1, 2007, as supplemented by the Supplemental Master Trust Indenture, dated as of May 1, 2007 (together, the "Master Indenture"), between the Issuer and Amegy Bank National Association, Houston, Texas, as master trustee (the "Master Trustee"), including all money and investments held for the credit of the funds and accounts established by or under the Indenture (except the Rebate Fund), and in certain events out of amounts secured through the exercise of the remedies provided in the Indenture, the Loan Agreement, and the Issuer Master Notes upon occurrence of an Event of Default (as defined in the Indenture). The Borrower will issue a Deed of Trust and Security Agreement with Assignment of Rents and Leases (the "Deed of Trust"), covering its real property comprising the campuses in favor of the Master Trustee for the Benefit of the holders of the Issuer Master Notes. The Bonds shall never be payable out of any funds of the Issuer except such revenues and amounts.

This Official Statement includes descriptions of, among other items, the Indenture, the Master Indenture, the Resolution, the Bonds, the Loan Agreement, the Issuer Master Notes, the Deed of Trust, the Issuer, the Borrower, and the system of charter schools under Texas law. All descriptions of documents contained herein are only summaries, with the form of the documents attached hereto, and are qualified in their entirety by reference to each document. Copies of the final versions of the Indenture, the Master Indenture, the Loan Agreement, the Deed of Trust, the Resolution, and the Issuer Master Notes, as executed, are available from Vinson & Elkins L.L.P., 1001 Fannin, Suite 2500, Houston, Texas 77002, Telephone: (713) 758-2222.

Any capitalized term used herein and not otherwise defined will have the meaning set forth for such term in the Indenture or the Loan Agreement, as appropriate.

PLAN OF FINANCING

Purpose

The Borrower is a Texas nonprofit corporation created and operating under the Texas Nonprofit Corporation Act and operates open enrollment charter schools under Chapter 12, Texas Education Code, as amended. The Issuer is a nonprofit higher education finance corporation organized and operating under Section 53.351, Texas Education Code, as amended. The Issuer will issue the Bonds and loan the proceeds thereof to the Borrower for the purpose of financing the Project and paying the costs of issuance of the Bonds.

The Facilities and the Project

The Cosmos Foundation (the " Borrower") operates twelve open-enrollment charter schools in Texas (the "Schools"), providing education to Kindergarten through 12th grade students as authorized under Chapter 12, Subchapter D, Texas Education Code, as amended. The Project will finance improvements at eight of these campuses.

The proceeds of the Bonds will be used to acquire land, construct and renovate school facilities and pay the cost of issuance of the Bonds. Once complete, the Borrower will have the capacity to accommodate 6,500 students. Proceeds from the sale of the Bonds will be used as per the Summary of Project Expenses listed below.

Summary of Project and Expenses

The Borrower currently operates twelve charter schools in five cities. (See Appendix G for detailed information about the campuses.) The Project consists of the following improvements at the following eight campuses:

Acquisitions/Construction

Harmony Elementary - Houston – Houston, Texas (HE-Houston)
HE-Houston currently leases a facility located at 9421 W. Sam Houston Parkway, Houston, Texas, with an enrollment of approximately 362 students in grades K-6. The Borrower intends to finance the purchase of the existing school building for $8,500,000.

Harmony Science Academy – Dallas, Texas (HSA-Dallas)
HSA-Dallas currently leases a facility located at 11995 Forestgate Dr., Dallas, Texas with an enrollment of approximately 726 students in grades K-11. The Borrower intends to finance the purchase of the existing school building for $4,300,000.

Harmony Science Academy –College Station, Texas (HSA-College Station)
HSA-College Station is a new campus schedule to open in August 2007 and will be located at 2031 S. Texas Avenue, Bryan, Texas. The new facility will accommodate up to 900 students in grades K-12. The Borrower intends to finance the purchase of a new school site and construct a new building for $4,500,000.

Harmony Science Academy –San Antonio, Texas (HSA-San Antonio)
HSA-San Antonio is currently in a leased facility located at 555 SW Loop 410, San Antonio, Texas. The enrollment at HSA-San Antonio is approximately 291 in grades K-12. The Borrower intends to finance the purchase of a new school site and construct a new building for $6,500,000. The purchase of this property is expressly conditioned upon reconfiguring a designated open space on the property. The Borrower anticipates approval of this reconfiguration on or about the closing date.

Renovations to Leased Facilities:

The Borrower was recently awarded four new charters. The Project includes renovations of leased facilities for each of the four campuses in the amount of $600,000 each. These new campuses are as follows:

Address	Grade Levels	Maximum Enrollment
1900 North Valley Mills Drive Waco, Texas	PreK-12	900
1516 53rd Street Lubbock, Texas	PreK-12	900
13415 W. Belfort Sugar Land, Texas	PreK-12	800
4055 Calder Avenue Beaumont, Texas	PreK-12	900

Sources and Uses of Funds

Sale Proceeds of the Bonds are anticipated to be applied as follows:

Sources	
Bond Proceeds	$29,995,000.00
Accrued Interest	134,154.69
TCEP Surety Policy	1,000,000.00
Less: Net Original Issue Discount	(319,000.30)
TOTAL	$30,810,154.39

Uses	
Project Fund	$25,800,000.00
Debt Service Reserve Fund	2,023,337.51
Capitalized Interest	1,209,558.96
Costs of Issuance	450,000.00
Underwriter's Discount	1,191,136.00
Accrued Interest	134,154.69
Additional Proceeds	1,967.23
TOTAL	$30,810,154.39

THE BONDS

Description

The Bonds will be issued in the aggregate principal amounts, will mature on the dates and in the amounts, and will bear interest at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the Bonds will accrue from May 1, 2007 (the "Dated Date") and be calculated on the basis of a 360-day year of twelve 30-day months. Interest is payable on August 15, 2007, and on each February 15 and August 15 thereafter until the earlier of maturity or redemption.

The Bonds will be initially issued in book-entry only form, as discussed under "BOOK-ENTRY ONLY SYSTEM" herein, but may be subsequently issued in fully registered form only, without coupons, and in any case, will be issued in the denominations of $5,000.

The principal of, premium, if any, and interest on the Bonds are payable in lawful money of the United States of America. Amounts due on the Bonds will be paid by check mailed to the owner thereof at its address as it appears on the Bond Registration Books on the first business day of the calendar month of any Interest Payment Date, regardless of whether such day is a Business Day (the "*Record Date*"). Upon written request of a registered owner of at least $1,000,000 in principal amount of Bonds, all payments of principal, premium, if any, and interest on Bonds will be paid by wire transfer (at the risk and expense of such registered owner) in immediately available funds to an account designated by such registered owner. Notwithstanding the foregoing, while the Bonds are held in book-entry-only form, interest, principal, and redemption premium, if any, will be paid through The Depository Trust Company ("*DTC*") as described under "BOOK-ENTRY ONLY SYSTEM."

Mandatory Sinking Fund Redemption

Certain of the Series 2007A Bonds are subject to mandatory sinking fund redemption, and will be redeemed by the Issuer at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates, and in the principal amounts shown in the following schedule:

Series 2007A Bonds (maturing 2/15/2018):		
	2/15/2011	$500,000
	2/15/2012	525,000
	2/15/2013	555,000
	2/15/2014	580,000
	2/15/2015	610,000
	2/15/2016	640,000
	2/15/2017	675,000
	2/15/2018	710,000
Series 2007A Bonds (maturing 2/15/2037):		
	2/15/2019	$750,000
	2/15/2020	790,000
	2/15/2021	835,000
	2/15/2022	880,000
	2/15/2023	925,000
	2/15/2024	980,000
	2/15/2025	1,030,000
	2/15/2026	1,090,000
	2/15/2027	1,150,000
	2/15/2028	1,215,000
	2/15/2029	1,280,000
	2/15/2030	1,350,000
	2/15/2031	1,425,000
	2/15/2032	1,505,000
	2/15/2033	1,585,000
	2/15/2034	1,675,000
	2/15/2035	1,765,000
	2/15/2036	1,865,000
	2/15/2037	1,970,000
Series 2007B Bonds (Maturing 2/15/2010)		
	2/15/2008	$355,000
	2/15/2009	375,000
	2/15/2010	405,000

Redemption Provisions

Optional Redemption. The Series 2007A Bonds maturing on or after February 15, 2016 are subject to optional redemption prior to scheduled maturity, in whole or in part, on February 15, 2015, and on any date thereafter, at the option of the Borrower at a redemption price of par, plus accrued interest to the date of redemption. The Series 2007B Bonds are not subject to optional redemption.

Mandatory Redemption Upon Determination of Taxability. The Series 2007A Bonds will be redeemed in whole prior to maturity on a date selected by the Borrower which is not more than 120 days following the occurrence of a Determination of Taxability at a redemption price equal to 103% of the principal amount thereof plus interest to the redemption date.

Mandatory Redemption With Excess Proceeds. The Bonds will be redeemed in whole or in part prior to maturity as a result of a deposit of amounts transferred from the Construction Fund to the Debt Service Fund as excess proceeds upon completion of the Project. Bonds redeemed as described in this paragraph will be redeemed within 45 days of such deposit at a redemption price equal to the unpaid principal amount of the Bonds being redeemed, without premium, plus accrued interest to the redemption date (and if the redemption date is other than an Interest Payment Date, interest shall be calculated on the basis of a 360-day year).

Extraordinary Optional Redemption. The Bonds are subject to extraordinary redemption, at the option of the Issuer upon the request of a Borrower Representative, at a redemption price of par plus interest accrued thereon to the redemption date, without premium, on any date, in the event the Project is damaged, destroyed, or condemned or threatened to be condemned, (i) in whole, if, in accordance with the terms of the Loan Agreement, the Project is not reconstructed, repaired, or replaced, with insurance proceeds transferred from the Construction Fund to the Debt Service Fund which, together with an amount required to be paid by the Borrower pursuant to the Loan Agreement, will be sufficient to pay the Bonds in full, or (ii) in part, after reconstruction, repair, or replacement of the Project in accordance with the terms of the Loan Agreement, with excess insurance proceeds transferred from the Construction Fund to the Debt Service Fund for such purpose.

Redemption in Part. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed will be selected by the Trustee at random by lot or other customary method within a maturity; provided, however, that portions of the Bonds will be redeemed in Authorized Denominations; and provided further, that no redemption will result in an outstanding Bond being less than an Authorized Denomination.

In case part, but not all, of a Bond is selected for redemption, the owner thereof or his attorney or legal representative must present and surrender the Bond to the Trustee for payment of the redemption price, and the Issuer will cause to be executed, authenticated, and delivered to or upon the order of such owner or his attorney or legal representative, without charge therefore, in exchange for the unredeemed portion of the principal amount of such Bond so surrendered, a Bond of the same Stated Maturity and bearing interest at the same rate.

Notice of Redemption. At least 30 days prior to the date fixed for any redemption of the Bonds, but not more than 60 days prior to any redemption date, the Trustee will cause a written notice of such redemption to be mailed by first-class mail, postage prepaid, to the Owners of the Bonds to be redeemed, at such Owner's address appearing on the Bond Registration Books on the date such notice is mailed by the Trustee. Any notice mailed as provided herein will be conclusively presumed to have been given, irrespective of whether or not received. By the date fixed for any such redemption, due provision will be made with the Trustee and the Paying Agent for the payment of the appropriate redemption price. If such written notice of redemption is made and if due provision for payment of the redemption price is made, all as provided above and in the Indenture, the Bonds which are to be redeemed thereby automatically will be deemed to have been redeemed prior to their scheduled maturity, and they will not bear interest after the date fixed for redemption, and they will not be regarded as being Outstanding except for the right of the Owner to receive the redemption price out of the funds provided for such payment. If any Bond is not paid upon the surrender thereof at the maturity or redemption date thereof, such Bond will continue to be Outstanding and will continue to bear interest until paid at the interest rate borne by such Bond.

SECURITY AND SOURCE OF PAYMENT

Security for the Bonds

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM REVENUES TO BE DERIVED UNDER THE LOAN AGREEMENT, THE ISSUER MASTER NOTES, AND, IN CERTAIN CIRCUMSTANCES, OUT OF AMOUNTS SECURED THROUGH THE EXERCISE OF REMEDIES PROVIDED IN THE INDENTURE, THE LOAN AGREEMENT, AND THE ISSUER MASTER NOTES. THE BONDS ARE NOT OBLIGATIONS OF THE STATE OR ANY ENTITY OTHER THAN THE ISSUER. NONE OF THE STATE OR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Loan Agreement

The Bonds are payable from and secured by (i) a pledge and assignment to the Trustee of the Issuer's rights under the Loan Agreement and the rights of the Issuer to receive loan payments thereunder (excluding certain fees and expenses and certain indemnity payments payable to the Issuer) and (ii) amounts payable by the Borrower under the Issuer Master Notes. Pursuant to the Loan Agreement, the Borrower agrees to make loan payments to the Issuer sufficient to provide funds to make required payments of principal, premium, if any, and interest on the Bonds in full, which loan shall be evidenced by the Issuer Master Notes. All such loan payments are required to be made to the Trustee by the Borrower.

The Issuer Master Notes

Pursuant to the Loan Agreement, the Borrower will execute and deliver to the Trustee, as the designee of the Issuer, the Issuer Master Notes in the principal amounts equal to the principal amounts of the Bonds. Payments under the Issuer Master Notes are scheduled to be made at the times and in the amounts required to pay debt service on the Bonds and will be credited against the loan payments required to be made by the Borrower under the Loan Agreement. (See APPENDIX F – Substantially Final Form of the Loan Agreement.)

The Master Indenture

The Issuer Master Notes issued by the Borrower to the Trustee evidencing the obligation of the Borrower to make the payments required under the Loan Agreement are duly authorized promissory notes of the Borrower issued pursuant to and secured by the Master Indenture. Under the Master Indenture, the Borrower unconditionally and irrevocably covenants that it will promptly pay the principal of, premium, if any, and interest and any other amount due on every note issued under the Master Indenture, subject to certain limitations relating to fraudulent conveyance, insolvency, and other considerations, and has granted a security interest in its Revenues to the Master Trustee, which Revenues are pledged to the payment of the Issuer Master Notes issued under the Master Indenture, including the Issuer Master Notes. The Borrower has also granted a lien on certain real and personal property for the benefit of the Master Trustee. (See APPENDIX D – Substantially Final Form of the Master Indenture.)

Revenue Fund

As security for the repayment of the Issuer Master Notes and the performance by the Borrower of its other obligations under the Financing Documents, the Borrower will covenant and agree in the Master Indenture that, if an Event of Default under the Master Indenture shall occur and continue for a period of ten days, it will deliver or cause to be delivered to the Master Trustee within five Business Days from the day of receipt all of the Adjusted Revenues for deposit into the Revenue Fund held by the Master Trustee. The Borrower authorizes and directs the Master Trustee to invest and disburse such amounts and proceeds in accordance with the Master Indenture.

The Master Trustee is required to immediately transfer funds on deposit in the Revenue Fund in accordance with the Master Indenture. To the extent funds in the Revenue Fund are transferred by the Master Trustee in accordance with the requirements of the Master Indenture and are sufficient for such purposes, the transfer and application of such funds for the purposes described in the Master Indenture shall be considered to satisfy the related Loan Payment obligations of the Borrower. To the extent funds in the Revenue Fund are ever insufficient to satisfy the transfer requirements of the Indenture, the Borrower may make the related Loan Payments from funds other than the Adjusted Revenues, if any.

The Master Indenture provides that the Master Trustee will immediately withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order of priority indicated:

(1) to the Master Trustee any fees or expenses which are then due and payable;

(2) equally and ratably to the Holder of each instrument evidencing an Issuer Master Note on which there has been a default in the payment of principal of or interest on the Issuer Master Notes an amount equal to all defaulted principal of (or premium, if any) and interest on such Issuer Master Note;

(3) a transfer to the Interest Account of an amount necessary to accumulate in equal amounts the interest on the Issuer Master Notes due and payable on the next Interest Payment Date; provided, however, that to the extent available, each transfer made on the fifth Business Day before the end of the month immediately preceding each Interest Payment Date shall be in an amount to provide, together with amounts then on deposit in the Interest Account, the balance of the interest due on the Issuer Master Notes on the next succeeding Interest Payment Date. There shall be paid from the Interest Account equally and ratably to the Holder of each instrument evidencing an Issuer Master Note the amount of interest on each Issuer Master Note as such interest becomes due;

(4) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Issuer Master Notes maturing or subject to mandatory sinking fund redemption on the next Interest Payment Date taking into account with respect to each such payment (i) any other money actually available in the Principal Account for such purpose and (ii) any credit against amounts due on each Interest Payment Date granted pursuant to other provisions of this Indenture; provided, however, that to the extent available, the transfer made on the fifth Business Day before the end of each month immediately preceding such Interest Payment Date shall be in an amount to provide, together with amounts then on deposit in the Principal Account, the balance of the principal maturing or subject to mandatory sinking fund redemption on such Interest Payment Date. There shall be paid from the Principal Account equally and ratably to the Holder of each instrument evidencing an Issuer Master Note the amount of principal payments due on each Issuer Master Note, whether at maturity or earlier mandatory redemption (other than by reason of acceleration of maturity or other demand for payment), as such principal becomes due;

(5) to the Holder of any Issuer Master Note entitled to maintain a reserve fund for the payment of such Issuer Master Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in 12 equal monthly installments; and

(6) to the Borrower, the amount specified in a Request as the amount of ordinary and necessary expenses of the Borrower for its operations for the following month.

Any balance remaining in the Revenue Fund on the later of the last day of any fiscal year or the day following the end of the month in which all Events of Default under the Master Indenture have been cured, will be paid to the Borrower at its depository bank upon request to be used for any lawful purpose.

The Indenture

Under the Indenture, the Issuer will grant to the Trustee for the equal and ratable benefits of the holders of the Bonds, all of the Issuer's right, title, and interest in and to, among other things, the following: (i) the Loan Agreement, including all amounts payable thereunder, including but not limited to the Loan Payments, the Issuer Master Notes, any and all security heretofore or hereafter granted or held for the payment thereof, and the present and continuing right to bring actions and proceedings under the Loan Agreement or for the enforcement thereof and to do any and all things which the Issuer is or may become entitled to do thereunder, but excluding the amounts agreed to be paid by the Borrower noted in such Loan Agreement, (ii) all money and investments held for the credit of the funds and accounts established by or under the Indenture (except the Purchase Fund and the Rebate Fund) as described in the Indenture, and (iii) any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Issuer or by anyone on its behalf, which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions that shall be set forth in a written instrument executed by the Issuer or the Person so acting on its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof. (See APPENDIX E – Substantially Final Form of the Indenture.)

Debt Service Fund

The Indenture establishes a Debt Service Fund. The money deposited into the Debt Service Fund, together with all investments thereof and investment income therefrom, will be held in trust and applied solely as provided in the Indenture. The Trustee, on the date of issuance of the Bonds, will deposit the amount specified in an Issuer Order into the Capitalized Interest Account of the Debt Service Fund for the purpose of paying a portion of the interest on the Bonds. Thereafter, the Trustee will deposit to the credit of the Debt Service Fund immediately upon receipt: (i) amounts due and payable by the Borrower pursuant to the terms of the Loan Agreement and the Issuer Master Notes, (ii) any other amounts required by the Indenture, and (iii) any other amounts delivered to the Trustee for deposit thereto. On each Interest Payment Date, the Trustee will withdraw money from the Debt Service Fund to pay the principal and interest due on the Bonds.

Debt Service Reserve Fund

The Indenture establishes a Debt Service Reserve Fund. There will initially be deposited in the Debt Service Reserve Fund from the proceeds of the Bonds an amount equal to the lesser of (i) the maximum annual principal and interest requirements of the Bonds, (ii) one hundred twenty-five percent (125%) of the average annual Debt Service on the Bonds, or (iii) ten percent (10%) of the sale proceeds of the Bonds (the "Debt Service Reserve Fund Requirement"). Except as otherwise provided in the Indenture, the Debt Service Reserve Fund at all times will be maintained at an amount equal to the Reserve Fund Requirement. If there are insufficient funds in the Debt Service Fund to pay the Debt Service on the Bonds by 12:00 noon (Central Time) two Business Days prior to the day on which payment of the Debt Service on the Bonds is due, the Trustee will transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund on the day on which payment of the Debt Service on the Bonds is due.

If the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement because the Trustee has applied funds in the Debt Service Reserve Fund to pay Debt Service on the Bonds, the Trustee will promptly notify the Borrower in writing that a deficiency in the Debt Service Reserve Fund exists, and the Borrower will (1) within 30 days of receipt of such notice, pay to the Trustee the full amount needed to restore the Debt Service Fund to the Reserve Fund Requirement or (2) in twelve (12) consecutive equal monthly installments, the first of which shall be made within thirty (30) days from the date of receipt of such notice, pay such deficiency to the Trustee for deposit into the Debt Service Reserve Fund to restore the amount in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund may be applied to pay Debt Service during the 12 months immediately preceding and including the final maturity of the Bonds without violating the foregoing requirement to maintain the Debt Services Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement.

Upon any redemption or defeasance of all Outstanding Bonds, the moneys on deposit in the Debt Service Reserve Fund will be transferred to the Debt Service Fund to be used for the purposes of such redemption or to an escrow fund for the purpose of defeasance, as the case may be. If the balance of the Debt Service Reserve Fund is equal to or in excess of the aggregate requirements on the then outstanding Bonds, the Trustee will transfer the balance on deposit in the Debt Service Reserve Fund to the Debt Service Fund.

So long as any Bonds are outstanding, the Borrower will have no right, title, or interest in or to the funds in the Debt Service Reserve Fund.

The Issuer may satisfy all or any part of the Reserve Fund Requirement by obtaining for the benefit of the Debt Service Reserve Fund one or more Reserve Fund Surety Policies or upon receipt of a guarantee from the Issuer. In the event the Issuer elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any Bond proceeds thereby released, including investment earnings on Bond proceeds, to any purposes for which the Bonds were issued and any other funds thereby released to any purposes for which such funds may lawfully be used. In the event the Debt Service Reserve Fund contains one or more Reserve Fund Surety Policies, the Issuer shall not draw on a Reserve Fund Surety Policy unless no other cash or investments are otherwise available in the Debt Service Reserve Fund. Whenever amounts have been drawn on one or more Reserve Fund Surety Policies, amounts subsequently transferred to the Debt Service Reserve Fund shall be used to reimburse the provider (or if more than one, to the providers on a proportionate basis) of such Reserve Fund Surety Policies in accordance with the terms thereof, for the amounts advanced, interest thereon and any associated fees. The issuer(s) of such Reserve Fund Surety Policy or Policies shall be secured with respect to such reimbursement obligations by a lien on the Net Revenues, subject and subordinate to the lien securing the Bonds and the required deposits to the Debt Service Fund, and shall further be secured by a lien on amounts from time to time on deposit in and required to be deposited to the Debt Service Reserve Fund.

Leasehold Deed of Trust

The Borrower will issue a Leasehold Deed of Trust covering all of its interest in its campuses in Sugarland, Lubbock, Beaumont, and Waco.

Deed of Trust

The Borrower will issue a Deed of Trust and Security Agreement (the "Deed of Trust"), covering all real property comprising the campuses located in Dallas, San Antonio, and College Station (the "Land and Improvements") in favor of the Master Trustee for the Benefit of the Holders of the Issuer Master Notes. Initially, the proceeds of the Bonds will only be used to finance or refinance facilities at these campuses and the leased campuses not included in the Deed of Trust. The Harmony Elementary – Houston campus will be added at a later date.

Capitalized Interest

The financing plan includes capitalized interest to provide for the payment of interest due on a portion of the Bonds through February 15, 2008.

RISK FACTORS

General

THE BONDS ARE SPECULATIVE SECURITIES SUBJECT TO SPECIAL RISK FACTORS.

Limited Obligations

The Bonds are special and limited obligations of the Issuer. They are secured by and payable solely from funds payable by the Borrower under the terms and conditions of the Loan Agreement and as otherwise described herein. The obligations of the Issuer under the Indenture are not general obligations of the Issuer and neither the Trustee nor the registered or beneficial owners of the Bonds will have any recourse to any property, funds, or assets of the Issuer (other than the property granted the Trustee as part of the Trust Estate) with respect to such obligations. See "SECURITY AND SOURCE OF PAYMENT."

Dependence on the Operations of the Borrower

<u>Dependence on Per Student Revenues</u>. The Borrower derived approximately 80.45% of its revenues during the 2005-2006 school year from payments by the State of Texas based on the school district that a student would otherwise attend for each student in average daily attendance. The timely payment of principal and interest on the Bonds therefore depends on operations of the Borrower attracting and retaining the number of students that are needed to provide sufficient revenues to make timely payment of Loan Payments securing payment of the Debt Service on the Bonds. See "FINANCIAL AND OPERATIONS INFORMATION–Projections by the Borrower; Required Increases in Attendance for Payment of Future Debt Service" and "APPENDIX B – PROFORMA FINANCIAL PLAN."

<u>Growth of Student Enrollment</u>. The Borrower expects to receive approximately $7,851 per student in average daily attendance for 2006-2007, but such amount may vary from year to year. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS–State Funding" and "–Local Funding". The student enrollment was 436 , for the 2002 – 2003 fiscal year, 525 for the 2003-2004 fiscal year, 811 for the 2004-2005 fiscal year, and 1,189 for the 2005-2006 fiscal year. As of January 1, 2007, enrollment was 3,380. The Borrower anticipates that it will be able to fulfill its enrollment projections based on past trends in enrollment. Failure to attract and retain students in amounts projected by the Borrower would adversely affect the Borrower's ability to provide sufficient revenues to make timely payment of Loan Payments securing payment of the Debt Service on the Bonds. See "FINANCIAL AND OPERATIONS INFORMATION–Projections by the Borrower; Required Increases in Attendance for Payment of Future Debt Service" and "APPENDIX B – PROFORMA FINANCIAL PLAN."

<u>Accuracy of Borrower Projections of Growth</u>. To pay projected operation costs and debt service on the Bonds, the Borrower has projected increases in its student population to 9,200 by fiscal year 2010. The bases for such projections are the applications for admissions for the Borrower's grades currently in operation (grades Pre-K-12). Currently, there are 5,955 applications on the waiting list for admission and the Borrower's historical ratio of acceptance of applications has been approximately 38.24%. See "APPENDIX B – PROFORMA FINANCIAL PLAN." These projections may involve known and unknown risks, uncertainties, and other factors, which may cause the actual results, performance, and achievements to be different from the future results, performance, or achievements expressed or implied by such forward-looking statements. <u>Potential investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.</u> **The projections are from the Borrower, and neither the Issuer nor the Underwriter has commissioned an independent feasibility analysis of any of the projected student attendance figures upon which the Borrower's projections are based. No independent confirmation of the Borrower's projections has been made, and while the Borrower believes its projections of growth of average daily attendance are reasonable, such growth may or may not occur and may be affected by a variety of factors, including completion of the Project in a timely manner, continued provision for funding of the Borrower by the State at adequate levels, operations and maintenance of the Borrower, and competition from other public or private schools in the areas where the Borrower operates its schools.** See "FINANCIAL AND OPERATIONS INFORMATION–Projections by the Borrower; Required Increases in Attendance for Payment of Future Debt Service" and "APPENDIX B – PROFORMA FINANCIAL PLAN."

<u>Risks of Non-Completion</u>. The facilities being financed are located in several Texas cities (see "PLAN OF FINANCING – Summary of Project and Expenses"). The projected completion dates are as follows:

> Leased Campuses – The renovations to the four leased campuses (Beaumont, Waco, Lubbock, and Sugar Land) will be complete on or before August 15, 2007.
>
> College Station – $2,100,000 will be utilized to purchase a building and site and make the necessary renovations. The Borrower anticipates completion on or before August 15, 2007. The remaining project funds will be used to construct a second building on the same site with an estimated completion date of August 15, 2008.
>
> San Antonio – $1,468,000 will be used to purchase the existing school site. A project fund will be established at closing to construct a new school building. The Borrower anticipates a completion date on or before August 15, 2008. The purchase of this property is expressly conditioned upon reconfiguring a designated Open Space on the property. The Borrower anticipates approval of this reconfiguration on or about the Closing Date.
>
> Dallas – The existing school buildings will be purchased.

Harmony Elementary Houston – The Borrower will acquire the existing school building.

Bond proceeds will be escrowed with the Trustee in a project fund until such time that a fixed-price construction contract is presented to complete the renovations within the amounts available in the project fund and other available funds of the Borrower as necessary. Failure to complete the Project could negatively affect the Borrower's ability to add additional students or to maintain sufficient students necessary to make timely payment of Loan Payments.

Risks of Construction Contract. The Borrower does not anticipate entering into a fixed-price construction contract for construction of the Project prior to closing. The Borrower has been advised by its architect that the proceeds of the Bonds will be sufficient for completion of the Project. If proceeds are not in fact sufficient, the restrictions on issuance of additional debt by the Borrower contained in the Loan Agreement could limit the ability of the Borrower to borrow funds necessary for Project completion, which could adversely affect payment of the Bonds. Completion of the Project may be at risk in the event of failures of the contractor or of any underlying bonding companies. Further, the purchase of the property for the San Antonio campus is expressly conditioned upon the reconfiguration of designated open space on the property. As noted, restrictions on issuance of additional debt by the Borrower contained in the Loan Agreement could limit the ability of the Borrower to borrow additional funds necessary for Project completion, which could adversely affect payment of the Bonds.

Risks Associated with a New Venture. The likelihood of success of the Borrower must be viewed in light of the problems, expenses, difficulties, delays, and complications often encountered in the operation of a relatively new enterprise. The Borrower has been operating Cosmos Foundation, Inc. since July 5, 1999. Construction of the new facilities is necessary to reach projected average daily attendance. The Borrower's revenues per student should equal the revenues per student of traditional public schools available for operations and maintenance, but do not include the revenues available for capital outlays, and are significantly less than revenues charged by many private schools in the general area of the schools. As a relatively new venture, a potential investor should anticipate that significant operational difficulties will exist for the Borrower which may not exist for traditional public schools or for established private schools.

The system of charter schools in Texas was only established in 1995. Potential purchasers should therefore be aware that in addition to the Borrower itself being a relatively new enterprise, the system under which the Borrower operates is also relatively new and future operations of the Borrower could be significantly affected by unforeseen problems arising from the statutory provisions governing charter schools in Texas or future changes therein. See "–Dependence on the State–Changes in the School Finance System" and "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS". In 1995, the Texas Legislature authorized the creation of 20 open-enrollment charter schools (Texas Education Code (TEC) 12.101-120), which are traditional public schools substantially released from state education regulations. Subsequent legislative modifications of the statutes require an annual evaluation of operation of Texas charter schools and is available from the Division of Charter Schools, Texas Education Agency, 1701 N. Congress Ave., Austin, TX 78701-1494; Telephone 512-463-9575. The evaluation for each of the years 1996-2006 can be reviewed at the Texas Education Agency's website:www.tea.state.tx.us/charter.

Competition. Unlike school districts, the Borrower must attract students from other schools, both public and private, within the general area of the schools. No students are required to attend the Borrower's charter schools, and students at the Borrower's charter schools may subsequently transfer to other public or private schools at will. There are numerous public and private schools in the immediate areas where the Borrower's schools are located, many of which may be closer to the homes of present or prospective students of the Borrower's charter schools. Failure by the Borrower to provide facilities or academics at a level acceptable to students and their parents would presumably cause the Borrower to fail to attract or maintain students, and would negatively affect the ability of the Borrower to make Loan Payments in an amount sufficient to pay the Bonds.

Risks Associated with Schools. There are a number of factors affecting schools in general that could have an adverse effect on the Borrower's financial position and ability to make Loan Payments. These factors include, but are not limited to, increasing costs of compliance with federal, State, or local regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety, and accommodating persons with disabilities; any unionization of the Borrower's work force with consequent impact on wage scales and operating costs of the Borrower; the ability to attract a sufficient number of students and to maintain faculty meeting appropriate standards; and changes in existing statutes pertaining to the powers and minimum funding levels for charter schools. School operations also present significant risks and operational and management issues not encountered in other enterprises. While Texas law provides that the Borrower is immune from liability to the same extent as a school district, and that its employees and volunteers are immune from liability to the same extent as employees and volunteers of a school district, a potential investor should anticipate that, because the Borrower provides services to children, any failure in the Borrower's operation and management could result in liability risks to the Borrower which would not be present for other enterprises not engaged in providing such services.

Limited Assets of the Borrower. If the Borrower does not generate sufficient revenues to pay all of the Borrower's loan obligations and operating expenses, the Borrower may have no other source of funds to make such payments. Further, while the payments of Debt Service are prior to payments of the Borrower's operating expenses, a failure to make such operating payments would presumably ultimately result in the inability of the Borrower to attract students or maintain sufficient revenues for payment of its Loan Payments.

No Taxing Power. Neither the Issuer nor the Borrower has taxing power.

Payment of State Funds to Trustee. The Indenture provides that all of the Revenues will be deposited into the Facility Revenue Fund held by the Trustee, and the Borrower covenants and agrees in the Loan Agreement that, without demand by the Trustee, it will deliver or cause to be delivered to the Trustee within five Business Days from the day of receipt the Revenues to be so deposited. The only remedy available to the Trustee and/or Bondholders would be a suit against the Borrower to enforce the provisions of the Loan Agreement

Assumptions Regarding Enrollment and State Funding

The Borrower's auditing firm, Gomez & Company, Certified Public Accountants, has prepared the prospective PROFORMA FINANCIAL PLAN (the "Projections"), a copy of which is reproduced as APPENDIX B hereto. The Projections contain information material to a decision to purchase the Bonds and should be read by potential investors in their entirety. The Projections contain (a) forecasts of gross revenues, net revenues, and cash flows of the project, (b) projection of future demand for the service of the Project, and (c) debt service requirements. The Projections set forth a number of assumptions on which the Projections are based, including but not limited to, the projected enrollment of the Borrower and the per student amounts to be paid from State and local sources. Such assumptions are based on present circumstances and information currently available, which has been furnished by the Borrower, as well as local sources. Such information may be incomplete and may not necessarily disclose all material facts that might affect the Project and the analysis contained in the Projections in light of the circumstances then prevailing. The Projections are based solely on the business plan of the Borrower. The accuracy of the Projections are dependent on the occurrence of specified assumptions and other future events which cannot be assured, and therefore, the actual results achieved during the period will vary from those forecasts and other differences may be material and adverse. See APPENDIX B – "PROFORMA FINANCIAL PLAN." Neither the Issuer nor the Underwriter has independently verified the statistical data included therein and neither of such parties makes any representations or gives any assurances that such data is complete or correct. Further, neither the Issuer nor the Underwriter makes any representations or gives any assurances that the assumptions incorporated in the Projections are valid. The ability of the Borrower to achieve and maintain financially sustaining levels of enrollment on a continuing basis is subject to a number of factors; including, but not limited to, the physical condition of the Project, the programs provided for students, accreditation of the Borrower, and the supply of other public, private, and charter schools elsewhere. In addition, the Projections are only for the 12-month periods ending August 31st for the years 2007 through 2012 and, consequently, do not cover the whole period during which the Bonds may be outstanding.

Tax-Exempt Status of the Series 2007A Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2007A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that issuers file an information report with the Internal Revenue Service (the "IRS"). The Borrower has agreed that it will comply with all such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings, and policies may result in the treatment of the interest on the Series 2007A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See also "TAX MATTERS."

In December 1999, as a part of a larger reorganization of the IRS, the IRS commenced operation of its Tax-Exempt and Government Entities Division (the "TE/GE Division") as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. The number of tax-exempt bond examinations has increased significantly under the TE/GE Division.

The Borrower has not sought to obtain a private letter ruling from the IRS with respect to the Series 2007A Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that any IRS examination of the Series 2007A Bonds will not adversely affect the market value of the Series 2007A Bonds. See "TAX MATTERS" below.

Tax-Exempt Status of the Borrower

The tax-exempt status of the Series 2007A Bonds presently depends upon maintenance by the Borrower of its status as an organization described in section 501(c)(3) of the Code. The maintenance of this status depends on compliance with general rules regarding the organization and operation of tax-exempt entities, including operation for charitable and educational purposes and avoidance of transactions that may cause earnings or assets to inure to the benefit of private individuals, such as the private benefit and inurement rules.

Tax-exempt organizations are subject to scrutiny from and face the potential for sanction and monetary penalties imposed by the IRS. One primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in inurement or unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of non-profit organizations, it could do so in the future. Loss of tax-exempt status by the Borrower could result in loss of tax exemption of the Series 2007A Bonds and defaults in covenants regarding the Series 2007A Bonds and other obligations would likely be triggered. Loss of tax-exempt status by the Borrower could also result in substantial tax liabilities on its income. For these reasons, loss of tax-exempt status of the Borrower could have material adverse consequences on the financial condition of the Borrower.

With increasing frequency, the IRS has imposed substantial monetary penalties and future charity or public benefit obligations on tax-exempt entities in lieu of revoking tax-exempt status, as well as requiring that certain transactions be altered, terminated, or avoided in the future and/or requiring governance or management changes. These penalties and obligations typically are imposed on the tax-exempt organization pursuant to a "closing agreement," a contractual agreement pursuant to which a taxpayer and the IRS agree to settle a disputed matter. Given the exemption risks involved in certain transactions, the Borrower may be at risk for incurring monetary and other liabilities imposed by the IRS. These liabilities could be materially adverse.

Less onerous sanctions, referred to generally as "intermediate sanctions," have been enacted, which sanctions focus enforcement on private persons who transact business with an exempt organization rather than the exempt organization itself, but these sanctions do not replace the other remedies available to the IRS, as mentioned above.

The Borrower may be audited by the IRS. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest, and penalties. An IRS audit ultimately could affect the tax-exempt status of the

Borrower, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2007A Bonds and any other tax-exempt debt issued for the Borrower.

State and Local Tax Exemption

The State has not been as active as the IRS in scrutinizing the tax-exempt status of non-profit organizations. It is possible that legislation may be proposed to strengthen the role of the Attorney General of the State in supervising non-profit organizations. It is likely that the loss by the Borrower of federal tax exemption also would trigger a challenge to the State or local tax exemption of the Borrower. Depending on the circumstances, such event could be adverse and material.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of non-profit corporations. There can also be no assurance that future change of circumstance or changes in the laws and regulations of federal, State, or local governments will not materially adversely affect the operations and financial conditions of the Borrower by requiring the Borrower to pay income or local property taxes.

Unrelated Business Income

The IRS and State, county, and local tax authorities may undertake audits and reviews of the operations of tax-exempt organizations with respect to the generation of unrelated business taxable income ("UBTI"). The Borrower may participate in activities that generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest, and penalties with respect to UBTI and, in some cases, ultimately could affect the tax-exempt status of the Borrower as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2007A Bonds.

Dependence on the State

State Payments Subject to Biennial Appropriation. Repayment of Debt Service on the Bonds depends principally on receipt by the Borrower of payments by the State based on the school district that the student would otherwise attend for each student in average daily attendance. The State Legislature meets each odd-numbered biennium, and failure of the State Legislature to appropriate sufficient amounts to pay its share of the per student cost to the Borrower could result in failure of the Issuer to make timely payments of Debt Service on the Bonds. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS."

Changes in the School Finance System. Because Texas charter schools are ultimately funded from the same sources as Texas public school districts, changes in the system of school finance could significantly affect how charter schools, including the Borrower, are funded. Neither the Issuer nor the Borrower can make any representation or prediction concerning how or if the State Legislature may change the current public school finance system, and how those changes may affect the funding or operations of charter schools. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS."

Revocation or Non-renewal of Charter. The Borrower's charters have been renewed and will expire as set forth under "THE BORROWER-Terms of Operation Under Charters." However, the Borrower's charters may be revoked if the persons operating the Borrower's schools commit a material violation of the charters, including failure to satisfy accountability provisions prescribed by the charters, failure to satisfy generally accepted accounting standards of fiscal management, failure to protect the health, safety, and welfare of the students, or failure to comply with the provisions of Chapter 12 of the Texas Education Code, as amended, or other applicable laws or rules. The State has closed three charter schools during oversight reviews, but the Borrower believes that there is no current condition which would cause revocation of its charters. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS."

Payment of State Revenues to Trustee. The Indenture provides that all of the Revenues (including State Revenues) required so to be deposited under the Loan Agreement will be deposited into the Facilities Revenue Fund held by the Trustee, and the Borrower will covenant and agree in the Loan Agreement that, without demand by the Trustee, it will deliver or cause to be delivered to the Trustee within five Business Days from the day of receipt the Revenues to be so deposited. The only remedy available to the Trustee or a Bondholder would be a suit against the Borrower to enforce the provisions of the Loan Agreement.

Risk of Catastrophic Loss

In the event a natural or man-made disaster, such as a hurricane, fire, earthquake, tornado, or war destroyed one or more of the Borrower's schools (or significant outlying improvements, once constructed), the revenues of the Borrower would be drastically reduced. Moreover, the market value of the property pledged under the Deed of Trust would also be drastically reduced.

While the Bonds are outstanding, the Borrower has agreed to insure or cause insurance to be carried for its buildings and contents, including the Project (during both the period of construction and the period subsequent to completion of the Project), against such losses and in such amounts as is customary for persons engaged in the same business as the Borrower and operating facilities similar to its buildings and other facilities, including the Project. The Borrower has additionally covenanted in the Loan Agreement to provide general liability, comprehensive professional liability, comprehensive automobile liability, workers compensation, and business interruption insurance. The business interruption insurance is required to cover actual losses in gross revenues from the Project resulting directly from necessary interruption of the operation of the Borrower caused by damage to or destruction (resulting from fire and lightning, accident to a fired-pressure vessel or machinery, and other perils as further set forth in the Loan Agreement) of real or personal property constituting part of the Project, less charges and expenses which do not necessarily continue during the interruption, for such length of time as may be required with the exercise of due diligence and dispatch to rebuild, repair, or replace such properties as have been damaged or destroyed (but in no event less than 12 months). In the event that insurance proceeds from damage, destruction, or condemnation with respect to the

Project are in an amount greater than $100,000, the Loan Agreement requires transfer of such amounts to the Trustee under the conditions set forth in the Loan Agreement. Nevertheless, there can be no assurance that a casualty loss will be covered by insurance (certain casualties are excepted), that the insurance company will fulfill its obligation to provide insurance proceeds, that insurance proceeds to rebuild the effected school will be sufficient, or that a sufficient number of students would wish to attend the school following rebuilding. Even if insurance proceeds are available and the Borrower has rebuilt the Project, there could be a lengthy period of time during which there would be little or no revenues produced by operation of the effected school.

Limited Remedies After Default

Remedies available to owners of Bonds in the event of a default by the Issuer in one or more of its obligations under the Bonds or the Indenture or the Borrower under the Loan Agreement or the Issuer Master Notes are limited to the terms of such instruments, and may prove to be expensive, time-consuming, and difficult to enforce. Further, as noted above, the Bonds are special limited obligations of the Issuer and existence of any remedy does not guarantee sufficient assets of the Borrower pledged to payment of the Bonds to secure such payment. See "– Limited Obligations."

Remedies with respect to foreclosure under the Deed of Trust for the benefit of the Beneficiaries thereunder may be further limited by State constitutional and statutory limitations on foreclosure, including the right of redemption of foreclosed property granted to debtors under the Texas Constitution.

The enforceability of the rights and remedies of the bondholders may further be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors such as the Issuer or the Borrower. See "– Risk of Bankruptcy".

Risk of Bankruptcy

As is true with many entities which issue debt, there is a risk that the Issuer may file for bankruptcy and afford itself the protection of the federal Bankruptcy Code. In that case, the Issuer would receive the benefit of the automatic stay and creditors, such as the owners of the Bonds, would not be able to pursue their remedies against it without the permission of the Bankruptcy Court. The Issuer would also have the right to reorganize and adjust its debts with the approval of the Bankruptcy Court. While the relevant law on this point is not clear, it may be possible for the Issuer to be forced into involuntary bankruptcy by one or more creditors. A bankruptcy filing by or against the Issuer could adversely affect the receipt of principal of and interest on the Bonds.

Similarly, there is a risk that the Borrower may file for bankruptcy and afford itself the protection of the federal Bankruptcy Code. In that case, the Borrower would receive the benefit of the automatic stay and creditors, such as the owners of the Bonds, would not be able to pursue their remedies against it without the permission of the Bankruptcy Court. The Borrower would also have the right to reorganize and adjust its debts with the approval of the Bankruptcy Court. While the Borrower is a nonprofit corporation, the Borrower is a part of the public school system. Consequently, it is not clear whether the Borrower would properly file as a corporate debtor or under Chapter Nine of the United States Bankruptcy Code governing government subdivisions. If the Borrower is properly a corporate debtor, it may be possible for the Borrower to be forced into involuntary bankruptcy by one or more creditors. A bankruptcy filing by or against the Borrower could adversely affect the receipt of principal of and interest on the Bonds.

Value of Land and Improvements

Under the Deed of Trust, the Borrower will grant to the Master Trustee a first lien on and security interest in the Land and Improvements. The Land and Improvements are located within various cities in Texas (see the "Project").

No independent appraisal on the property has been performed at the request of the Issuer or the Underwriter, and there is no guarantee that the foreclosure value of the Land and/or Improvements will be adequate in the event of any foreclosure to pay defaulted and accelerated Debt Service. Additionally, the value of the Land and Improvements may be less than comparable commercial properties in the area, especially in light of the special nature of the Improvements and their limited use. Failure to complete the Project could negatively affect any sale of the Project pursuant to the Deed of Trust.

Inability to Liquidate or Delay in Liquidating the Project

An event of default gives the Mortgage Trustee (as defined in the Deed of Trust) the right to sell the Project pursuant to a sale under the Deed of Trust. The Project is intended to be used solely for educational purposes of the Borrower. Because of such use, a potential purchaser of the Bonds should not anticipate that a sale of the Project could be accomplished rapidly or at all. Any sale of the Project may require compliance with the laws of the State applicable thereto. Such compliance may be difficult, time-consuming, and/or expensive. Any delays in the ability of the mortgage trustee to sell the Project will result in delays in the payment of the Bonds.

Since the Project is specifically constructed for use as a school facility it may not be readily adaptable to other uses. As a result, in the event of a sale of the Project, the number of uses which could be made of the property, and the number of entities which would be interested in purchasing the Project, could be limited, and the sale price could thus be affected. The location of the Project may also limit the number of potential purchasers. The ability of the Mortgage Trustee to sell the Project to third parties, thereby liquidating the investment, would be limited as a result of the nature of the Project. For these reasons, no assurance can be made that the amount realized upon any sale of the Project will be fully sufficient to pay and discharge the Bonds. In particular, there can be no representation that the cost of the property included in the Project constitutes a realizable amount upon any forced sale thereof. Failure to complete the Project could negatively affect any sale of the Project pursuant to the Deed of Trust.

Risk of Increased Debt

Subject to certain conditions provided in the Indenture, the Issuer has reserved the right to issue Additional Indebtedness which is secured under the Indenture on an equal basis with the Bonds. The issuance of Additional Indebtedness may adversely affect the investment security of the Bonds. For a description of the circumstances under which Additional Indebtedness may be issued, see "APPENDIX E – Substantially Final Form of the Indenture."

Risk of Failure to Comply with Certain Covenants

Failure of the Issuer to comply with certain covenants contained in the Indenture or of the Borrower with certain covenants in the Loan Agreement on a continuing basis prior to the maturity of the Series 2007A Bonds could result in interest on the Series 2007A Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

Limited Marketability of the Bonds

The Issuer has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold, or traded in the secondary market.

THE BORROWER

Organization

The Borrower is a non-profit corporation established under the laws of the State of Texas in 1999.

Management

The Borrower is governed by a Board of Directors. The Board of Directors is selected pursuant to the bylaws of the Borrower and has the authority to make decisions, appoint the President of the Borrower, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Borrower. The Board of Directors is comprised of the following members:

Board of Directors

Board Member	Title	Occupation	Commencement of Service on Board	Term Expires
Oner U. Celepcikay	President	University of Houston, Technology Assistant	May 12, 2002	N/A
Gokturk Tunc	Vice President	Schlumberger, Senior Engineer	August 13, 2002	N/A
Fatih Yigit	Secretary	The Karadag Law Firm, Case Manager	September 11, 2004	N/A
Levent Bulut	Treasury	University of Houston, Teaching Fellow in Economics	July 14, 2004	N/A
Mustafa Atik	Member	Baylor College of Medicine, Sr. Research Assistant	August 6, 2005	N/A
Lynn Mitchell	Member	University of Houston, Professor	March 20, 2007	N/A

Biographies of Members of the Administration

Superintendents

Soner Tarim, Ph.D. Dr. Tarim is the superintendent of schools at the Harmony School System. Harmony Charter Schools are college preparatory charter schools. A strong emphasis is placed on mathematics, science, and computer applications on all Harmony campuses. Over 80 percent of the population of each campus is comprised of minority students. Nearly 60 percent of each campus is also comprised of economically disadvantaged and at-risk students. The first charter, Harmony Science Academy-Houston, was established in August of 2000 and was rated exemplary (the highest accountability rating in Texas) in 2004, 2005, and 2006.

Dr. Tarim received his Ph.D. from Texas A&M University College Station, Texas. He is a trained biologist and ecologist. He taught many courses in the field of biology, ecology, management, general science, and physical education over the years at the high school, college, and graduate school levels. He has exceptional leadership and organizational talent. He organized symposiums and science projects for college professionals and high school students. He developed and directed successful after school programs at a private high school where he was awarded teacher of the year.

Dr. Tarim is qualified to provide services for charter schools in all areas of education (Vision, Structure, Accountability, Advocacy, and Unity) specifically school law, school finance, and safety issues because he established or helped to establish several non-profit organizations that are sponsoring entities for successful charter schools in several states including Texas, Oklahoma, Missouri, Louisiana, and Arkansas. Dr. Tarim wrote and was awarded over a dozen charter school applications and start up grants for many non-profit organizations in several states. Moreover, he has held positions at every level in a school setting. Due to his vast experience in charter school establishment, he understands all federal and state charter school laws and he is familiar with accountability requirements, open meeting acts, and requirements relating to charter and public schools operations. Dr. Tarim published various peer reviewed articles, policies, procedures, and guidelines for charter schools in the areas of admission, ESL, governance, and human resource.

Dr. Tarim is a certified school board member and school administrator trainer. Currently he also serves as a board member representing over fifty (50) charter schools at the Region 4 Education Service Center in Houston, Texas.

Ibrahim Sel, Ph.d. Ibrahim Sel received his B.Sc., M.Sc. and Ph.D. degrees at Middle East Technical University in Ankara Turkey. He worked as a research assistant at the same university for 5 years. He migrated to Australia and received Dip. Ed. at Sydney University, Sydney Australia. He worked as founding principal of a private school called Sule College which serves K-12. He moved to the United States and worked as founding principal of two charter schools in Oklahoma City and Austin. Currently he is one of the superintendents employed by Cosmos Foundation at the central office which currently operates 12 charter schools in State of Texas.

Terms of Operation Under Charters

The Borrower was granted its initial open-enrollment charters from the Texas Education Agency to operate its initial three schools as open enrollment charter schools on May 19, 2000. The Borrower currently holds thirteen charters from the Texas Education Agency for a total enrollment of 9,200 students.

The Borrower currently operates the following campuses:

Charter Name	Original Charter	Expiration Date	Renewed Y/N	Expiration Date
Harmony Elementary Houston	5/3/2005	7/31/2009		
Harmony Elementary Austin	2/1/2006	7/31/2010		
Harmony School of Excellence	2/1/2006	7/31/2010		
Harmony Science Academy - El Paso	2/1/2006	7/31/2010		
Harmony Science Academy - Ft. Worth	2/1/2006	7/31/2010		
Harmony Science Academy - San Antonio	2/1/2006	7/31/2010		
Harmony Science Academy - Houston	5/19/2000	7/31/2005	Yes	7/31/2011
Harmony Science Academy - Austin	5/19/2000	7/31/2005	Yes	7/31/2011
Harmony Science Academy - Dallas*	5/19/2000	7/31/2005	Yes	7/31/2011
Harmony Science Academy - Sugar Land	5/19/2000	7/31/2005	Yes	7/31/2011
Harmony Science Academy - College Station	2/26/2007	7/31/2011		
Harmony Science Academy - Waco	2/26/2007	7/31/2011		
Harmony Science Academy - Lubbock	2/26/2007	7/31/2011		
Harmony Science Academy - Beaumont	2/26/2007	7/31/2011		

* The Dallas and Sugar Land Campuses are included in the Harmony Science Academy Houston Charter

See Appendix G for detailed information about the campuses.

FINANCIAL AND OPERATIONS INFORMATION

Statement of Financial Position for the Years Ended August 31, 2006, 2005, and 2004

The following is derived from the Borrower's audited financial statements for fiscal years 2006, 2005, and 2004. The Borrower has not sought or obtained the consent of its auditors for inclusion of the audited financial information.

	FYE 2006 TOTAL	FYE 2005 TOTAL	FYE 2004 TOTAL
Assets:			
Assets			
Cash	$216,075	$146,255	$68,569
Grants Receivable	315,239	512,071	156,010
Other receivable	-	10,300	122
Lease property improvements	-	-	136,177
Building and improvements	816,387	510,101	-
Equipment and furniture	225,736	163,679	76,605
Accumulated depreciation	(147,404)	(114,725)	(58,393)
Other assets	129,438	32,485	18,385
Total Assets	$1,555,471	$1,260,166	$397,475
Liabilities:			
Liabilities			
Accounts payable	$184,502	$354,503	$197,610
Payroll and related liabilities	2,932	1,589	2,231
Other liabilities	-	-	162,607
Accrued payroll and benefits	111,053	360,762	-
Notes payable	458,155	365,919	245,236
Total Liabilities	$756,642	$1,082,773	$607,684
Net Assets			
Unrestricted	798,829	177,393	(210,209)
Restricted	-	-	-
TOTAL NET ASSETS	$798,829	$177,393	$(210,209)
TOTAL LIABILITIES AND NET ASSETS	$1,555,471	$1,260,166	$397,475

Statements of Activities for the Years Ended August 31, 2006, 2005, and 2004

The following is derived from the Borrower's audited financial statements for fiscal years 2006, 2005, and 2004. The Borrower has not sought or obtained the consent of its auditors for inclusion of the audited financial information.

	FYE 2006 Total	FYE 2005 Total	FYE 2004 Total
REVENUES AND OTHER SUPPORT			
Local Support			
5720 Service Rendered - Schools	$ 1,365	$ -	$ -
5740 Other Revenues from Local Sources	194,837	138,456	279,409
Other Revenues	-	54,561	31,550
5750 Food Services Sales	42,756	-	718
Total Local Support	238,958	193,017	311,677
State Program Revenues			
5810 Foundation School Program Act Revenue	6,740,660	4,990,023	2,492,919
5820 State Program Revenues Distributed by Texas Education Agency	29,866	26,695	11,800
5830 State Revenues from State of Texas Government Agencies (Other than TEA)	90,263	70,270	52,469
Total State Program Support	6,860,789	5,086,988	2,557,188
Federal Program Revenues			
5920 Federal Revenues Distributed by TEA	1,711,960	636,266	552,487
Net assets released from restriction			
Restrictions statisfied by payments	-	-	-
TOTAL REVENUES	$ 8,811,707	$ 5,916,271	$ 3,421,352
EXPENSES			
Instruction	4,032,395	2,914,930	1,830,133
Instructional Resources and Media Services	27,284	34,485	29,606
Curriculum Development and Instructional Staff Development	136,529	32,377	15,694
School Leadership	383,900	149,937	77,618
Instructional Leadership	-	3,128	233
Guidance, Counseling and Evaluation Services	3,870	1,485	-
Health Services	78,026	49,989	2,636
Student (Pupil Services)	15,036	-	-
Student (Pupil) Transportation	-	347	264
Food Services	266,717	200,720	135,897
Cocurricular/Extracurricular Activities	50,241	62,108	10,595
General Administration	904,844	838,223	670,081
Plant Maintenance and Operations	2,064,499	1,207,427	672,883
Security and Monitoring Services	40,033	9,560	6,661
Data Processing Services	57,649	23,954	2,360
Fund Raising	121,731	-	
Community Services	-	-	955
TOTAL EXPENSES	$ 8,182,754	$ 5,528,670	$ 3,455,616
CHANGE IN NET ASSETS	628,953	387,601	(34,264)
NET ASSETS – BEGINNING OF YEAR AS RESTATED	169,875	(210,207)	(175,943)
NET ASSETS – END OF YEAR	$ 798,828	$ 177,394	$ (210,207)

Statements of Functional Expenses for the Years Ended August 31, 2006, 2005, 2004

The following is derived from the Borrower's audited financial statements for fiscal years 2006, 2005, and 2004. The Borrower has not sought or obtained the consent of its auditors for inclusion of the audited financial information. For a breakdown of program services and support services, see APPENDIX A**.**

		FYE 2006		FYE 2005		FYE 2004
Services	$	488,615	$	320,193	$	178,115
Fundraising		121,731		-		-
Administrative		7,572,408		5,208,477		3,277,501
Total Expenses	$	8,182,754	$	5,528,670	$	3,455,616

Audited Financial Information

Audited financial statements for the Borrower for the fiscal years 2005 and 2006 are included herein as APPENDIX A. The Borrower has not sought or obtained the consent of its auditors for inclusion of the audited financial statements.

Projections by the Borrower; Required Increases in Attendance for Payment of Future Debt Service

The Borrower has projected revenues for the fiscal years from 2006-2007 through 2011-2012 which include substantial increases in revenues. Such projections are attached hereto as APPENDIX B. See "RISK FACTORS–Dependence on the Operations of the Borrower–Growth of Student Population" and "–Accuracy of Borrower Projections of Growth". The increase in revenues contained in the Borrower's projections are based on both stability in the system of charter schools in Texas, continued state funding at current levels, and growth in student populations. See "RISK FACTORS–Dependence on the Operations of the Borrower" and "–Dependence on the State" and "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS".

The maximum annual combined debt service for the Bonds is $2,023,337.51 (2019). See Schedule 1 – Projected Debt Service. Based on the analysis provided by the Borrower, a copy of which is reproduced as APPENDIX B – PROFORMA FINANCIAL PLAN and, assuming the Borrower's projected operating expenditures (less any contingencies and surplus included in projections of expenses by the Borrower), student attendance of approximately 258 or greater will support such projected maximum combined annual debt service and operating expenses.

Based on the projections of the Borrower, the debt service coverage is at least 1.25 times the annual principal and interest requirements of the Bonds, less projected interest earnings on the debt service reserve fund. The projections by the Borrower assume State and local funding of approximately $7,851 per average daily attendance.

THE SYSTEM OF CHARTER SCHOOLS IN TEXAS

General

The Texas legislature adopted the Texas charter school system in 1995 to offer publicly funded choices to parents within the public school system. Texas law provides for three types of charters: home-rule school district charters, campus or campus program charters, and open-enrollment charters. The Borrower's charter school operates under an open-enrollment charter. Under current statutes, the charter system effectively provides the same per student public funding for education(but not necessarily for capital needs) as is available to other public schools.

The State Board of Education may grant a charter on the application of an eligible entity for an open-enrollment charter school to operate in a facility of a commercial or nonprofit entity or a school district, including a home-rule school district. "Eligible entity" includes certain institutions of higher education, certain private or independent institutions of higher education, an organization (such as the Borrower) that is exempt from taxation under section 501(c)(3), Internal Revenue Code of 1986, as amended, or a governmental entity.

For a discussion of potential changes in the system of charter school finance in Texas, see "RISK FACTORS – Dependence on the State."

Limitation on Number of Charters Granted

The State Board of Education may, at this time, grant a total of not more than 215 charters for open-enrollment charter schools. Applicants are required to meet financial, governing, and operating standards adopted by the Texas Commissioner of Education.

Authority Under Charter

An open-enrollment charter school will provide instruction to students at one or more elementary or secondary grade levels as provided by the charter; will be governed under the governing structure described by the charter; will retain authority to operate under the charter contingent on satisfactory student performance as provided by statute; and does not have authority to impose taxes.

An open-enrollment charter school is subject to federal and State laws and rules governing public schools, but is subject to the Texas Education Code and rules adopted under the Texas Education Code only to the extent the applicability of a provision of the Texas Education Code or a rule adopted under the Code to an open-enrollment charter school is specifically provided.

An open-enrollment charter school has the powers granted to schools under Title 2, Texas Education Code ("*Title 2*"), as amended, which generally governs public primary and secondary education in Texas. An open-enrollment charter school is subject to any provisions of Title 2 establishing a criminal offense; prohibitions, restrictions, or requirements, as applicable, imposed by such title or a rule adopted under Title 2 relating to specific provisions governing the Public Education Information Management System ("*PEIMS*"), criminal history records; certain reading programs, assessment instruments, and accelerated instruction; high school graduation; special education programs; bilingual education; pre-kindergarten programs; extracurricular activities; discipline management practices; health and safety; public school accountability (including testing requirements, and requirements to report an educator's misconduct).

An open-enrollment charter school is part of the public school system of the State. The board members of the governing body of the school are considered a governmental body for purposes of Chapters 551 and 552, Texas Government Code, as amended, governing open meetings and open records. In matters relating to operation of the school, the school is immune from liability to the same extent as a school district, and its employees and volunteers are immune from liability to the same extent as school district employees and volunteers. Members of the governing body of a charter school are immune from liability to the same extent as a school district trustee. An employee of an open-enrollment charter school who qualifies for membership in the Teacher Retirement System of Texas will be covered under the system to the same extent a qualified employee of a school district is covered. For each employee of the school covered under the system, the school is responsible for making any contribution that otherwise would be the legal responsibility of the school district, and the State is responsible for making contributions to the same extent it would be legally responsible if the employee were a school district employee.

An open-enrollment charter school must provide transportation to each student attending the school to the same extent a school district is required by law to provide transportation to district students.

State Funding

Prior to August 31, 2001, an open-enrollment charter school was entitled to the distribution from the available school fund for a student attending the open-enrollment charter school to which the district in which the student resides would be entitled. A student attending an open-enrollment charter school who is eligible under Section 42.003, Texas Education Code, is entitled to the benefits of the Foundation School Program. The Commissioner of Education will distribute from the foundation school fund to each charter school an amount equal to the cost of a Foundation School Program provided by the program for which the charter is granted, including the transportation allotment, for the student that the district in which the student resides would be entitled to, less an amount equal to the sum of the school's tuition receipts from the local district plus the school's distribution from the available school fund. This prior law provides the basis for a portion of the State Funding available to charter schools and more fully described below.

Commencing August 31, 2001, a charter holder is entitled to receive for the open-enrollment charter school funding as if the school were a school district without a tier one local share for purposes of Tier One and without any local revenue ("LR") for purposes of Tier Two. In determining funding for an open-enrollment charter school, adjustments under State law and the district enrichment tax rate ("DTR") are based on the average adjustment and average district enrichment tax rate for the State. An open-enrollment charter school is entitled to funds that are available to school districts from the Texas Education Agency or the Commissioner in the form of grants or other discretionary funding unless the statute authorizing the funding explicitly provides that open-enrollment charter schools are not entitled to the funding. The commissioner may adopt rules to provide and account for state funding of open-enrollment charter schools.

Funds received from the State by a charter holder are considered to be public funds for all purposes under State law and are held in trust by the charter holder for the benefit of the students of the open-enrollment charter school.

An open-enrollment charter school operating on September 1, 2001, including the Borrower's schools, receives:

for the 2006-2007 school year, 60 percent of its funding according to the law in effect on August 31, 2001, and 40 percent of its funding according to the change;

for the 2007-2008 school year, 50 percent of its funding according to the law in effect on August 31, 2001, and 50 percent of its funding according to the change;

for the 2008-2009 school year, 40 percent of its funding according to the law in effect on August 31, 2001, and 60 percent of its funding according to the change;

for the 2009-2010 school year, 30 percent of its funding according to the law in effect on August 31, 2001, and 70 percent of its funding according to the change;

for the 2010-2011 school year, 20 percent of its funding according to the law in effect on August 31, 2001, and 80 percent of its funding according to the change;

for the 2011-2012 school year, 10 percent of its funding according to the law in effect on August 31, 2001, and 90 percent of its funding according to the change;

and for the 2012-2013 school year and subsequent school years, 100 percent of its funding according to the change.

The following discussion of school district funding relates to the Borrower through the charter school funding formulas described above. As the above timeline indicates the funding formula for the Borrower is in transition from being based on each student's resident district's characteristics to being based on State averages for all districts.

Generally, a student is entitled to the benefits of the Foundation School Program if the student is 5 years of age or older and under 21 years of age on September 1 of the school year and has not graduated from high school. A student is also entitled to the benefits of the Foundation School Program if the student is enrolled in certain pre-kindergarten classes.

The Foundation School Program provides for (1) State guaranteed basic funding allotments per student ("Tier One") and (2) State guaranteed revenues per student per penny of local tax effort to provide operational funding for an "enriched" educational program ("Tier Two").State funding allotments may be altered and adjusted in certain circumstances to account for shortages in State appropriations or to allocate available funds in accordance with wealth equalization goals. Tier One allotments are intended to provide a basic program of education rated academically acceptable and meeting other applicable legal standards. If needed, the State will subsidize local tax receipts to produce a basic allotment. The basic allotment is currently $2,537 per student in average daily attendance. To receive the State subsidy, a local school district must levy an effective property tax of at least $0.86 per $100 of assessed valuation.

Tier Two allotments are intended to guarantee each school district an opportunity to provide a basic program and to supplement that program at a level of its own choice. Each school district is guaranteed a specified amount per weighted student in State and local funds. The guaranteed specified amount per weighted student in State and local funds for each cent of tax effort (the Tier Two allotment) is $31.95, in part to fund the costs of the school district health care system described below. The State's share of the school district's health care system is funded, in general terms, by a dedication of 75% of the additional funds to which a school district is entitled due to the increase in the equalized wealth level or the Tier Two allotment.

The Borrower's total per student funding budgeted for the 2006-2007 fiscal year is approximately $7,851 per average daily attendance. The Borrower's historical total per student funding for those campuses included in the Project is provided below:

	2006-07[(a)]	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
Enrollment	1,779	1,196	811	361	321	288
ADA[(b)]	1,743	1,172	795	349	312	275
% Attendance	97.98	97.98	98.03	96.68	97.20	95.49
Total State Funding	$13,684,817	$10,033,326	$5,337,191	$2,151,209	$1,811,038	$1,887,671
Funding per ADA	$7,851	$8,561	$6,713	$6,164	$5,805	$6,864

(a) Projected
(b) Average Daily Attendance

Local Funding

Except as specifically provided, an open-enrollment charter school is entitled to receive payments (referred to as tuition) from the school district in which a student attending the charter school resides, in an amount equal to the quotient of the tax revenue collected by the school district for maintenance and operations for the school year for which tuition is being paid divided by the sum of the number of students enrolled in the district as reported in the Public Education Information Management System (PEIMS), including the number of students for whom the district is required to pay tuition. The tuition to be paid by a school district with a wealth per student that exceeds the equalized wealth level under Chapter 41, Texas Education Code, as amended, will be based on the district's tax revenue after the district has acted to achieve the equalized wealth level under Chapter 41.

An open-enrollment charter school may not charge tuition to its students.

Because the amount received by the charter school from the local district is based on the local district's per student tax revenue, per student revenue for the charter school will vary depending on the taxes levied by the student's home district.

Provisions of Open-Enrollment Charters

Under State statute, the State Board of Education has the authority to select applicants to establish open-enrollment charter schools. The Board has adopted an application form and procedures for applications to operate an open-enrollment charter school. The Board has also adopted criteria to use in selecting a charter recipient.

Each charter granted must describe the educational program to be offered, which must include the required curriculum as provided by statute, specify the period for which the charter or any charter renewal is valid; provide that continuation or renewal of the charter is contingent on acceptable student performance on assessment instruments and on compliance with any accountability provision specified by the charter, by a deadline or at intervals specified by the charter; establish the level of student performance that is considered acceptable; specify any basis, in addition to a basis specified by statute, on which the charter may be placed on probation or revoked or on which renewal of the charter may be denied; prohibit discrimination in admission policy on the basis of sex, national origin, ethnicity, religion, disability, academic or athletic ability, or the district the child would otherwise attend in accordance with the Texas Education Code; specify the grade levels to be offered; describe the governing structure of the program; specify the powers and duties of the governing body of the school; specify the manner in which the school will distribute certain information to parents; describe the process by which the person providing the program will adopt an annual budget; describe the manner in which an annual audit of the financial and programmatic operations of the program is to be conducted, including the manner in which the person providing the program will provide information necessary for the school district in which the program is located to participate, as required by this code or by State Board of Education rule, in PEIMS; describe the facilities to be used; describe the geographical area served by the program; and specify any type of enrollment criteria to be used.

The grant of a charter school does not create an entitlement to renewal of the charter. A revision of a charter of an open-enrollment charter school may be made only with the approval of the State Board of Education.

Not more than once a year, an open-enrollment charter school may request approval to revise the maximum student enrollment.

Basis for Modification, Placement on Probation, Revocation, or Denial of Renewal

The Commissioner of Education may modify, place on probation, revoke, or deny renewal of the charter of an open-enrollment charter school if the Commissioner determines that the charter holder committed a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter; failure to satisfy generally accepted accounting standards of fiscal management; failure to protect the health, safety, or welfare of students; or failure to comply with any applicable law or rule. The action by the Commissioner with respect to modification, probation, revocation, or denial of renewal of a charter must be based on the best interest of the school's students, the severity of the violation, and any previous violation the school has committed. The Commissioner will adopt a procedure to be used for modifying, placing on probation, revoking, or denying renewal of the charter of an open-enrollment charter school.

If the Commissioner revokes or denies the renewal of a charter of an open-enrollment charter school, or if an open-enrollment charter school surrenders its charter, the school may not continue to operate or receive State funds except that an open-enrollment charter school may continue to operate and receive State funds for the remainder of a school year if the Commissioner denies renewal of the school's charter before the completion of that school year.

The Commissioner may take certain disciplinary actions available for public schools generally to the extent the Commissioner determines necessary, if an open-enrollment charter school commits a material violation of the school's charter, fails to satisfy generally accepted accounting standards of fiscal management, or fails to comply with the requirements of the Texas Education Code, Chapter 12, Subchapter D, as amended, or other applicable state and/or federal law or rule, as determined by the Commissioner under Section 100.1022 and Section 100.1021, Chapter 100, Subchapter AA of Commissioner's Rules Concerning Open-Enrollment Charter Schools, 26 Tex Reg 8823 adopted effective November 6, 2001, amended to be effective Aril 6, 2005, 30 Tex Reg 1911, adopted April 6, 2005. The Commissioner may temporarily withhold funding, suspend the authority of an open-enrollment charter school to operate, or take any other reasonable action the Commissioner determines necessary to protect the health, safety, or welfare of students enrolled at the school based on evidence that conditions at the school present a danger to the health, safety, or welfare of the students. After the Commissioner so acts, the open-enrollment charter school may not receive funding and may not resume operating until a determination is made that, despite initial evidence, the conditions at the school do no present a danger of material harm to the health, safety, or welfare of students; or the conditions at the school that presented a danger of material harm to the health, safety, or welfare of the students have been corrected.

Annual Evaluation

The Commissioner must designate an impartial organization with experience in evaluating school choice programs to conduct an annual evaluation of open-enrollment charter schools. The evaluation must include consideration of students' scores on assessment instruments, student attendance, students' grades, incidents involving student discipline, socioeconomic data on students' families, parents' satisfaction with their children's school, and students' satisfaction with their school. The evaluation of open-enrollment charter schools must also include an evaluation of: the costs of instruction, administration, and transportation incurred by open-enrollment charter schools; the effect of open-enrollment charter schools on school districts and on teachers, students, and parents in those districts; and other areas determined by the Commissioner.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Funding Changes in Response to West Orange-Cove II

In response to the Texas Supreme Court decision in West Orange-Cove Consolidated Independent School District, et. al. v. Neeley, et. al. (West Orange-Cove II), the Governor called a third special session of the 79th Legislature to address the deficiencies in the Texas Public School Finance System (the "Finance System") that were identified in West Orange-Cove II. The special called session began on May 17, 2006 and ended on May 15, 2006 (the "Third Called Session"). In the Third Called Session, the Legislature enacted House Bill 1 ("HB 1"), which makes substantive changes in the way the Finance System is funded, as well as House Bill 2 ("HB 2"), which establishes a special fund in the Texas state treasury to be used to collect new tax revenues that are dedicated under certain conditions for appropriation by the Legislature to reduce the operation and maintenance tax rates of Texas School Districts (the "O&M Tax Rates"). Through enactment of House Bills 3, 4 and 5 the Legislature has, respectively, broadened the State business franchise tax, modified the procedures for assessing the State motor vehicle sales and use tax and increased the State tax on tobacco products (House Bills 1 through 5 are collectively referred to as the "Reform Legislation"). The Reform Legislation generally became effective at the beginning of the 2006-07 fiscal year of each public school.

Possible Effects of Litigation and Changes in Law on Public School Obligations

In the future, the Legislature could enact additional changes to the Finance System which could benefit or be a detriment to public schools depending upon a variety of factors, including the financial strategies that the Borrower has implemented in light of past funding structures. Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses of the U.S. and Texas Constitutions, the Borrower can make no representations or predictions concerning the effect of future legislation or litigation, or how such legislation or future court orders may affect the Borrower's financial condition, revenues or operations. The disposition of any possible future litigation or the enactment of future legislation to address school funding in Texas could substantially adversely affect the financial condition, revenues or operations of the Borrower, as noted herein.

On June 14, 2006, an entity called Citizens Lowering Our Unfair Taxes PAC ("CLOUT") filed a lawsuit (case number GN602156) in the 345th District Court (the "District Court") in Travis County, Texas against the Texas Lieutenant Governor, the Speaker of the Texas House of Representatives, the Texas Comptroller of Public Accounts, the State of Texas and the Legislative Budget Board ("LBB") in a case styled *Edd Hendee, individually and as Executive Director of C.L.O.U.T. v. Dewhurst, et al.* (the "CLOUT Lawsuit"). The plaintiffs allege that various violations of Article VIII, Section 22(a) of the Texas Constitution and Chapter 316 of the Texas Government Code have occurred and have resulted in unconstitutional and illegal spending by the Texas State government, including the appropriations made for the Texas public school Finance System under HB 1. (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – General" for a discussion regarding HB 1). Among other things, the plaintiffs challenge the methodology used to establish the maximum amount of non-dedicated revenues that may be spent in the 2006-2007 State biennium under Article VIII, Section 22(a) and the delegation of the determination of such amount to the LBB. The plaintiffs have requested, among other things, a declaratory judgment that the appropriation for the Finance System in HB 1 is unconstitutional on the basis that it exceeds the maximum amount of appropriations authorized by Article VIII, Section 22(a). The State Attorney General, on behalf of the Texas Lieutenant Governor, the Speaker of the Texas House of Representative, the State of Texas and the LBB (collectively, the "State Defendants") filed an answer to the suit which included a general denial of the allegations of the plaintiffs and, in addition, asserted certain affirmative defenses to the suit. The Texas Comptroller of Public Accounts filed a separate answer and statement of realignment with the plaintiffs. On August 7, 2006, the District Court granted a motion filed by the State Defendants to dismiss the suit on the grounds that the issues raised by the suit are strictly within the province of the Legislature and the LBB. The plaintiffs appealed the District Court's dismissal of the suit. On April 17, 2007, the State's Third Court of Appeals affirmed in part the District Court's dismissal of the CLOUT Lawsuit, confirming the holding of the District Court that the plaintiff's assertion of unlawful delegation was without merit. However, the Third Court of Appeals reversed the District Court on other grounds and remanded the case to the District Court for additional review of allegations made by the plaintiffs that question whether the amount appropriated by the Legislature in HB 1 for the 2006-07 fiscal year violated the Spending Limit Provision. The Borrower can make no representation or prediction concerning the outcome of the CLOUT Lawsuit or its effects on HB 1 and, consequently, its impact on the financial condition of the Borrower.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

General

The following description of the Finance System includes the provisions of the Reform Legislation. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 41 through 46, Texas Education Code, as amended.

The Reform Legislation, which generally became effective at the beginning of the 2006-07 fiscal year, made substantive changes to the manner in which the Finance System is funded, but did not modify the basic structure of the Finance System. While the goal of these changes to the Finance System are intended to reduce local school taxes by one third over two years, these changes have had a positive effect upon charter school funding.

Under the Finance System, State funds to public schools are increased in a manner intended to offset the reduction in school tax rates. The additional State funding needed to offset local tax rate reductions must be generated by the modified State franchise, motor vehicle and tobacco taxes or any other revenue source appropriated by the Legislature. The LBB has projected that the Reform Legislation will be underfunded from the Reform Legislation revenue sources by a cumulative amount of $25 billion over fiscal years 2006-07 through 2010-11, although current State surpluses are expected to offset the revenue shortfall in fiscal years 2006-07 and 2007-08, and the shortfall could be further reduced if the Reform Legislation, particularly the ad valorem tax compression measures of HB 1 should prove to be an economic stimulus for the State.

In addition, school districts and charter schools are guaranteed to receive a $2,000 across-the-board salary increase for teachers and certain other employees funded by the State, a $500 stipend for public school employee health insurance and a high school student allotment of $275 per student in average daily attendance for dropout prevention and college readiness programs.

In addition to making changes to the Finance System that are generally described above, HB 1 modifies other laws. Among other reform measures included in HB 1 are provisions mandating that all public schools in the State start the school year on a uniform date; establishing a statewide electronic student records system; requiring the Commissioner and the Texas Higher Education Coordinating Board to align high school and college curriculums; and establishing approximately $300 million in incentive pay programs for campus and teacher incentive programs.

State Funding for Local Public Schools

The Finance System provides for (1) State guaranteed basic funding allotments per student ("Tier One") and (2) State guaranteed revenues per student for each cent of local tax effort to provide operational funding for an "enriched" educational program ("Tier Two").Tier One and Tier Two allotments represent the State funding share of the cost of maintenance and operations of public schools in Texas and supplement local ad valorem O&M Taxes levied, by public schools, for that purpose. Tier One and Tier Two allotments are generally required to be funded each biennium by the Legislature.

Tier One allotments are intended to provide a basic program of education rated academically acceptable and meeting other applicable legal standards. Tier Two allotments are intended to guarantee each public school an opportunity to provide a basic program and to supplement that program at a level of its own choice, however Tier Two allotments may not be used for the payment of debt service or capital outlay.

The Borrower may also qualify for an allotment for operational expenses associated with opening new instructional facilities. This funding source may not exceed $25,000,000 in one school year on a State-wide basis. For the first school year in which students attend a new instructional facility, a school is entitled to an allotment of $250 for each student in average daily attendance at the facility. For the second school year in which students attend that facility, a public school is entitled to an allotment of $250 for each additional student in average daily attendance at the facility. The new facility operational expense allotment will be deducted from wealth per student for purposes of calculating a public school's Tier Two State funding.

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (herein, the "Securities"). The Securities will be issued as fully-registered securities 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 certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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 and Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Trustee on the 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 nor its nominee, the Trustee, or the Issuer, 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 Issuer or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement 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 Securities at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

RATING

Standard and Poor's Ratings Group ("S&P") has assigned its municipal rating of "BB+" to the Bonds. An explanation of the rating may be obtained from S&P. The rating reflects only the view of S&P and the Borrower makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

THE ISSUER

Creation and Authority

Texas Public Finance Authority Charter School Finance Corporation is a public non-profit corporation created by the Texas Public Finance Authority (the "Authority") and existing as an instrumentality of the Authority pursuant to Section 53.351 of the Texas Education Code, as amended (the "Act"). Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to any accredited institutions of higher education, secondary schools, and primary schools, and to authorized charter schools for the purpose of aiding such schools in financing or refinancing "educational facilities" and "housing facilities" (as such terms are defined in the Act) and facilities which are incidental, subordinate, or related thereto or appropriate in connection therewith.

All of the Issuer's property and affairs are controlled by and all of its power is exercised by a board of directors (the "Board") consisting of three members, each of whom has been appointed by the Board of Directors of the Authority. Board members serve two-year terms, and each Board member may serve an unlimited number of two-year terms.

The officers of the Issuer consist of a president, a vice president, and a secretary, each selected by the Board from among its members, whose terms of office may not exceed two years and whose duties are described in the Issuer's bylaws. All officers are subject to removal from office, with or without cause, at any time by a vote of a majority of the entire Board, while vacancies may be filled by a vote of a majority of the Board.

Neither Board members nor officers receive compensation for serving as such, but they are entitled to reimbursement for expenses incurred in performing such service.

The Issuer has no assets, property, or employees. The staff of the Authority provides administrative and legal support to the Issuer pursuant to a contract. THE ISSUER HAS NO TAXING POWER.

The Issuer is receiving a fee of approximately $5,000 in connection with the issuance of the Bonds, which amount shall be paid to the Authority and may be used by the Authority for any lawful purpose.

Except for the issuance of the Bonds, the Issuer is not in any manner related to or affiliated with the Borrower. The Issuer has issued the Bonds and loaned the proceeds to the Borrower pursuant to the Loan Agreement solely to carry out the Issuer's statutory purposes as a higher education authority, and the Issuer makes no representations or warranties as to the Borrower, including specifically the operation by the Borrower of its schools as open enrollment charter schools or the Borrower's ability to make any payments under the Loan Agreement. The Borrower has agreed to indemnify the Issuer for certain matters under the Loan Agreement.

THE TRUSTEE

Amegy Bank National Association, Houston, Texas, will act as initial Trustee under the Indenture and initial Master Trustee under the Master Indenture. The Borrower maintains banking relationships in the ordinary course of business with Amegy Bank National Association, Houston, Texas, and its affiliates.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding limited obligations of the Issuer under the Constitution and laws of the State of Texas payable from and secured by a lien on and pledge of the payments designated as Loan Payments to be paid, or caused to be paid, to the Trustee, pursuant to the Indenture and the Loan Agreement, as evidenced by the Issuer Master Notes, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, and the approving legal opinion of Vinson & Elkins L.L.P., Houston, Texas, Bond Counsel, in substantially the form attached hereto as APPENDIX C.

Bond Counsel was not requested to participate and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under the captions "SECURITY AND SOURCE OF PAYMENT," "THE BONDS," "LEGAL MATTERS," "TAX MATTERS," "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION," "APPENDIX D – SUBSTANTIALLY FINAL FORM OF THE MASTER INDENTURE," "APPENDIX E – SUBSTANTIALLY FINAL FORM OF THE INDENTURE," and "APPENDIX F – SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT" solely to determine whether such information fairly summarizes the documents referred to therein and is correct as to matters of law.

No-Litigation Certificates

The Issuer will furnish the Underwriter a certificate, executed by both the President and Secretary of the Issuer, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the collection of Loan Payments for the payment thereof, or the organization of the Issuer, or the title of the officers thereof to their respective offices.

The Borrower will furnish the Underwriter a certificate, executed by both the President and Secretary of the Borrower, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the payment of Loan Payments for the payment thereof, or the organization of the Borrower, the granting of the Charter, the validity of the Loan Agreement, the Issuer Master Notes, the Deed of Trust, or the title of the officers thereof to their respective offices.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, assuming compliance with certain covenants and based on certain representations, (i) interest on the Series 2007A Bonds (the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes under existing law, (ii) the Tax-Exempt Bonds are "qualified 501(c)(3) bonds" under the Code, and (iii) interest on the Tax-Exempt Bonds is not an item of tax preference that is includable in the alternative minimum taxable income for purposes of determining the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Tax-Exempt Bonds, to be excludable from gross income for federal income tax purposes. These requirements include a requirement that the Borrower be a tax-exempt organization described in section 501(c)(3) of the Code, limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the Issuer file an information report with the IRS. The Borrower and the Issuer have covenanted in the Indenture and the Loan Agreement that they will comply with these requirements.

For purposes of their opinion that the Tax-Exempt Bonds are "qualified 501(c)(3) bonds," Bond Counsel will rely upon representations of the Issuer, the Borrower, and the Underwriter in the No-Arbitrage Certificate and the Certificate Regarding Section 501(c)(3) Status and Use of Proceeds (the "Tax Certificates"), the Indenture, and the Loan Agreement and will assume continuing compliance with the covenants of the Tax Certificates, the Indenture, and the Loan Agreement pertaining to those sections of the Code that affect the status of the Borrower as an organization described in section 501(c)(3) of the Code and the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes. In addition, Bond Counsel will rely on representations by the Issuer, the Borrower, and the Underwriter with respect to matters solely within the knowledge of the Issuer, the Borrower, and the Underwriter, respectively, which Bond Counsel has not independently verified.

If the Borrower or the Issuer should fail to comply with the covenants in the Tax Certificates, the Indenture, and/or the Loan Agreement or the foregoing representations should be determined to be incorrect, inaccurate, or incomplete, interest on the Tax-Exempt Bonds could become includable in gross income for federal income tax purposes from the date of delivery of the Tax-Exempt Bonds, regardless of the date on which the event causing such includability occurs.

The Code also imposes a 20% alternative minimum tax on the alternative minimum taxable income of a corporation (other than an S corporation, regulated investment company, REIT, REMIC, or FASIT) if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, a corporation's alternative minimum taxable income includes 75% of the amount by which a corporation's adjusted current earnings exceeds the corporation's alternative minimum taxable income. Because interest on tax-exempt obligations, such as the Tax-Exempt Bonds, is included in a corporation's adjusted current earnings, ownership of the Tax-Exempt Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Tax-Exempt Bonds, received or accrued during the year.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Tax-Exempt Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the IRS. Rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing statutes, regulations, published rulings, and court decisions as of the date of the opinion and the representations and covenants of the Issuer and the Borrower that it deems relevant to such opinions. The IRS has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations, is includable in gross income for federal income tax purposes. No assurances can be given whether or not the IRS will commence an audit of the Tax-Exempt Bonds. If an audit is commenced, in accordance with its current published procedures, the IRS is likely to treat the Issuer as the taxpayer and the Beneficial Owners of the Tax-Exempt Bonds may not have a right to participate in such audit. Bond Counsel observes that the Borrower has covenanted in the Loan Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in treatment of interest on the Tax-Exempt Bonds as includable in gross income for federal income tax purposes.

Collateral Tax Consequences

Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, individuals owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the branch profits tax on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Tax-Exempt Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Tax Accounting Treatment of Tax-Exempt Original Issue Discount Bonds

The initial offering price to be paid for certain Tax-Exempt Bonds (the "Tax-Exempt Original Issue Discount Bonds") may be less than the principal amount thereof. In such case, the difference between (i) the amount payable at the maturity of each Tax-Exempt Original Issue Discount Bond, and (ii) the initial offering price to the public of such Tax-Exempt Original Issue Discount Bond constitutes original issue discount with respect to such Tax-Exempt Original Issue Discount Bond in the hands of any owner who has purchased such Tax-Exempt Original Issue Discount Bond at the initial offering price in the initial public offering of the Tax-Exempt Original Issue Discount Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Tax-Exempt Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Tax-Exempt Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Collateral Tax Consequences" generally applies, except as otherwise provided below, to original issue discount on a Tax-Exempt Original

Issue Discount Bond held by an owner who purchased such Tax-Exempt Original Issue Discount Bond at the initial offering price in the initial public offering of the Tax-Exempt Original Issue Discount Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale, or other taxable disposition of such Tax-Exempt Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Tax-Exempt Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Tax-Exempt Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion is based on the assumptions that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Tax-Exempt Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof. Neither the Borrower nor Bond Counsel has made any investigation or offers any comfort that the Tax-Exempt Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original discount on each Tax-Exempt Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for a six-month period ending on the date before the semi-annual anniversary dates of the date of such Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for the Tax-Exempt Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale, or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale, or other disposition of the Tax-Exempt Original Issue Discount Bonds which are not purchased in the initial offering may be determined according to rules which differ from those described above. All owners of the Tax-Exempt Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale, or other disposition of the Tax-Exempt Original Issue Discount Bonds and with respect to the federal, state, local, and foreign tax consequences of purchase, ownership, redemption, sale, or other disposition of the Tax-Exempt Original Issue Discount Bonds.

Tax Accounting Treatment of Tax-Exempt Original Issue Premium

The initial offering price for certain of the Tax-Exempt Bonds may exceed the stated redemption price payable at maturity of the Tax-Exempt Bonds. Such Tax-Exempt Bonds (the "Tax-Exempt Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Tax-Exempt Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Tax-Exempt Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Tax-Exempt Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes, however, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Tax-Exempt Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Tax-Exempt Premium Bond) is determined using the yield to maturity on the Tax-Exempt Premium Bond based on the initial offering price of such Tax-Exempt Premium Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale, or other disposition of Tax-Exempt Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Tax-Exempt Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale, or other disposition of a Tax-Exempt Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption, or other disposition of such Tax-Exempt Premium Bonds.

Taxable Bonds

The following discussion describes certain U.S. federal income tax considerations of U.S. persons that are beneficial owners ("Owners") of the Series 2007B Bonds (the "Taxable Bonds"). This discussion is based upon the provisions of the Code, applicable Treasury Regulations promulgated and proposed thereunder, judicial authority, and administrative interpretations, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Owners cannot be assured that the IRS will not challenge one or more of the tax consequences described herein, and neither the Borrower nor Bond Counsel has obtained, nor does the Borrower or Bond Counsel intend to obtain, a ruling from the IRS with respect to the U.S. federal tax consequences of acquiring, holding, or disposing of the Taxable Bonds. This summary is limited to initial holders who purchase the Taxable Bonds for cash at their "issue price" (which will equal the first price at which a substantial portion of the Taxable Bonds is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and who hold the Taxable Bonds as capital assets (generally property held for investment).

This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax on personal holding company provisions of the Code, dealers in securities or foreign currencies, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Taxable Bonds. Investors who are subject to special provisions of the Code should consult their own tax advisors regarding the tax consequences to them of purchasing, holding, owning, and disposing of the Taxable Bonds, including the advisability of making any of the elections described below, before determining whether to purchase the Taxable Bonds.

For purposes of this discussion, a "U.S. person" means (i) an individual who, for U.S. federal income tax purposes, is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, and any state thereof or the District of Columbia or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds Taxable Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Any Owner of a Taxable Bond that is a partner of a partnership that will hold Taxable Bonds should consult its tax advisor.

This discussion does not address any tax considerations arising under the laws of any foreign, state, local, or other jurisdiction.

In General. Interest on a Taxable Bond generally will be includible in an Owner's income as ordinary income at the time the interest is received or accrued, in accordance with such Owner's regular method of accounting for U.S. federal income tax purposes.

Payments of Interest. Stated interest paid (and other original issue discount) on each Taxable Bond will generally be taxable in each tax year held by an Owner as ordinary interest income without regard to the time it otherwise accrues or is received in accordance with the Owner's method of accounting for federal income tax purposes. Special rules governing the treatment of original issue discount are described below.

Original Issue Discount. Certain Taxable Bonds may be sold at a discount below their principal amount. As provided in the Code and the Treasury Regulations, the excess of the "stated redemption price at maturity" (as defined below) of each such Taxable Bond over its issue price will be original issue discount if such excess equals or exceeds a de minimis amount (i.e., one quarter of one percent of the Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity). A Taxable Bond having original issue discount equal to or greater than a de minimis amount will be referred to as "Taxable Original Issue Discount Bond." Owners of Taxable Bonds that are not Taxable Original Issue Discount Bonds ("OID Bonds") will include any de minimis original issue discount in income, as capital gain, on a pro rata basis as principal payments are made on the Taxable Bond. The stated redemption price at maturity of a Taxable Bond includes all payments on the Taxable Bonds other than the stated interest amounts, which are based on a fixed rate and payable unconditionally at the end of each six-month accrual period.

Except as described below, Owners of OID Bonds will have to include in gross income (irrespective of their method of accounting) a portion of the original issue discount of OID Bonds for each year during which OID Bonds are held, even though the cash to which such income is attributable would not be received until maturity of OID Bonds. The amount of original issue discount included in income for each year will be calculated under a constant yield to maturity formula that results in the allocation of less original issue discount to earlier years of the term of OID Bonds and more original issue discount to the later years.

The foregoing summary is based on the assumptions that (i) the Underwriter has purchased the Taxable Bonds for contemporaneous sale to the general public and not for investment purposes, (ii) all of the Taxable Bonds have been offered, and a substantial amount of each maturity thereof has been sold to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (iii) the respective initial offering prices of the Taxable Bonds to the general public are equal to the fair market value thereof. Neither the Borrower nor Bond Counsel has made any investigation or offers any assurance that the Taxable Bonds will be offered and sold in accordance with such assumptions.

Accrual Method Election. Under the OID Regulations, an Owner that uses an accrual method of accounting would be permitted to elect to include in gross income its entire return on a Taxable Bond (i.e., the excess of all remaining payments to be received on the Taxable Bond over the amount paid for the Taxable Bond by such Owner), based on the compounding of interest at a constant rate. Such an election for a Taxable Bond with amortizable bond premium (or market discount) would result in a deemed election for all of the Owner's debt instruments, with amortizable bond premium (or market discount) and could be revoked only with the permission of the IRS with respect to debt instruments acquired after revocation.

Disposition or Retirement. Upon the sale, exchange, or certain other dispositions of a Taxable Bond, or upon the retirement of a Taxable Bond (including by redemption), an Owner will generally recognize capital gain or loss. This gain or loss will equal the difference between the Owner's adjusted tax basis in the Taxable Bond and the proceeds the Owner receives, excluding any proceeds attributable to accrued interest, which will be recognized as ordinary interest income to the extent the Owner has not previously included the accrued interest in income. The proceeds an Owner receives will include the amount of any cash and the fair market value of any other property received for the Taxable Bond. An Owner's tax basis in the Taxable Bond will generally equal the amount the Owner paid for the Taxable Bond. The gain or loss will be long-term capital gain or loss if the Owner held the Taxable Bond for more than one year. Long-term capital gains of individuals, estates, and trusts currently are subject to a reduced tax rate. The deductibility of capital losses may be subject to limitation.

Information Reporting and Backup Withholding. Information reporting will apply to payments of interest on, or the proceeds of the sale or other disposition of, Taxable Bonds held by an Owner, and backup withholding may apply unless such Owner provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the Owner's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the Owner's actual U.S. federal income tax liability and such Owner provides the required information or appropriate claim form to the IRS.

Treasury Circular 230 Disclosure. THE TAX DISCUSSION SET FORTH ABOVE WAS WRITTEN TO SUPPORT THE MARKETING OF THE TAXABLE BONDS AND IS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER BY THE IRS IN RESPECT OF FEDERAL INCOME TAXES. NO LIMITATION HAS BEEN IMPOSED BY BOND COUNSEL ON DISCLOSURE OF THE TAX TREATMENT OR TAX STRUCTURE OF THE TAXABLE BONDS. BOND COUNSEL WILL RECEIVE A NON-REFUNDABLE FEE CONTINGENT UPON THE SUCCESSFUL MARKETING OF THE TAXABLE BONDS, BUT NOT CONTINGENT ON ANY TAXPAYER'S REALIZATION OF TAX BENEFITS FROM THE TAXABLE BONDS. ALL TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. THIS DISCLOSURE IS PROVIDED TO COMPLY WITH TREASURY CIRCULAR 230.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by the Underwriter, pursuant to a bond purchase agreement with the Issuer, as approved by the Borrower, at a price of $28,484,863.70, which reflects the par amount of the Bonds less an underwriting discount of $1,191,136.00 less a net original issue discount of $319,000.30 plus accrued interest to the date of delivery. The Underwriter's obligation to purchase the Bonds is subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Issuer has no control over the price at which the Bonds are subsequently sold and the initial yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Underwriter.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the Issuer of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the Issuer has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Issuer has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. If there is such a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The Bonds have not been assigned a rating by a national rating agency. See "RATING" herein. However, political subdivisions otherwise subject to the Public Funds Investment Act may have additional statutory authority to invest in the Bonds independent of the Public Funds Investment Act. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of combined capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will in fact be used as investments or security by any entity.

CONTINUING DISCLOSURE OF INFORMATION

The Borrower in the Loan Agreement has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Borrower is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Borrower will be obligated to provide certain updated financial information and operating data upon request to any person or, at the option of the Borrower, at least annually to the appropriate state information depository ("SID") and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The Borrower will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in APPENDIX A and APPENDIX G. The Borrower will update and provide this information within six months after the end of each fiscal year. The Borrower will provide updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information repository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC"), and may provide such information through a central post office facility.

The Borrower may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the Borrower commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the Borrower will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the Borrower may be required to employ from time to time pursuant to State law or regulation.

The Borrower's current fiscal year-end is the last day of August. Accordingly, the Borrower must provide updated information by the last day of February in each year, unless the Borrower changes its fiscal year. If the Borrower changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The Borrower also will provide timely notices of certain events to certain information vendors. Specifically, the Borrower will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Agreement make any provision for liquidity enhancement. In addition, the Borrower will provide timely notice of any failure by the Borrower to provide annual financial information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Borrower will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board (the "MSRB").

Availability of Information from NRMSIRs and SID

The Borrower has agreed to provide the foregoing information only to the SID and with respect to Material Event Notices to either each NRMSIR or the MSRB. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Information agreed to be provided by the Borrower on request may be obtained by contacting the Borrower at 9421 West Sam Houston Parkway S., Houston, Texas 77099 or by telephone at (713) 343-3333.

The Municipal Advisory Council of Texas has been designated by the State as a SID and the SEC has determined that it is a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is (512) 476-6947.

Limitations and Amendments

The Borrower has agreed to update information and to provide notices of material events only as described above. The Borrower has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The Borrower makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Borrower disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Borrower to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive, or limit the Borrower's duties under federal or state securities laws.

The continuing disclosure agreement may be amended by the Borrower from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Borrower, but only if (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule

15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Indenture) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Borrower (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds. The Borrower may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriters from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Borrower amends its agreements, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

The Borrower is subject to periodic reporting and audit requirements under the statutes and rules governing charter schools, including participation in the Texas PEIMS system. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" Such records are open records under the Texas Public Information Act, Chapter 552, Texas Government Code, as amended, and, subject to exemptions contained therein, would be available to any person from the Borrower or the Texas Education Agency upon payment of costs.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the Borrower and sources other than the Issuer. All of these sources are believed to be reliable, but no representation or guarantee is made by the Issuer as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation or guarantee on the part of the Issuer to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, documents, and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

MISCELLANEOUS

All estimates, statements, and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of the Issuer, as of the date shown on the cover page.

SCHEDULE 1

FYE 31-Aug	Outstanding Debt Service	THE BONDS Series 2007A Principal	Series 2007A Interest	Series 2007A Total	Series 2007B Principal	Series 2007B Interest	Series 2007B Total	Total Debt Service	CAPI/Accured Interest	Net Debt Service
2007	$ -	$-	$442,937	$ 442,937	$ -	$22,133	$22,133	$465,070	$ 442,937	$ 22,133
2008	-	-	1,533,244	1,533,244	355,000	64,631	419,631	1,952,875	766,622	1,186,253
2009	-	-	1,533,244	1,533,244	375,000	39,994	414,994	1,948,238	-	1,948,238
2010	-	-	1,533,244	1,533,244	405,000	13,669	418,669	1,951,913	-	1,951,913
2011	-	500,000	1,520,744	2,020,744	-	-	-	2,020,744	-	2,020,744
2012	-	525,000	1,495,119	2,020,119	-	-	-	2,020,119	-	2,020,119
2013	-	555,000	1,468,119	2,023,119	-	-	-	2,023,119	-	2,023,119
2014	-	580,000	1,439,744	2,019,744	-	-	-	2,019,744	-	2,019,744
2015	-	610,000	1,409,994	2,019,994	-	-	-	2,019,994	-	2,019,994
2016	-	640,000	1,378,744	2,018,744	-	-	-	2,018,744	-	2,018,744
2017	-	675,000	1,345,869	2,020,869	-	-	-	2,020,869	-	2,020,869
2018	-	710,000	1,311,244	2,021,244	-	-	-	2,021,244	-	2,021,244
2019	-	750,000	1,273,338	2,023,338	-	-	-	2,023,338	-	2,023,338
2020	-	790,000	1,231,950	2,021,950	-	-	-	2,021,950	-	2,021,950
2021	-	835,000	1,188,278	2,023,278	-	-	-	2,023,278	-	2,023,278
2022	-	880,000	1,142,188	2,022,188	-	-	-	2,022,188	-	2,022,188
2023	-	925,000	1,093,678	2,018,678	-	-	-	2,018,678	-	2,018,678
2024	-	980,000	1,042,481	2,022,481	-	-	-	2,022,481	-	2,022,481
2025	-	1,030,000	988,463	2,018,463	-	-	-	2,018,463	-	2,018,463
2026	-	1,090,000	931,488	2,021,488	-	-	-	2,021,488	-	2,021,488
2027	-	1,150,000	871,288	2,021,288	-	-	-	2,021,288	-	2,021,288
2028	-	1,215,000	807,728	2,022,728	-	-	-	2,022,728	-	2,022,728
2029	-	1,280,000	740,675	2,020,675	-	-	-	2,020,675	-	2,020,675
2030	-	1,350,000	669,994	2,019,994	-	-	-	2,019,994	-	2,019,994
2031	-	1,425,000	595,416	2,020,416	-	-	-	2,020,416	-	2,020,416
2032	-	1,505,000	516,672	2,021,672	-	-	-	2,021,672	-	2,021,672
2033	-	1,585,000	433,628	2,018,628	-	-	-	2,018,628	-	2,018,628
2034	-	1,675,000	346,016	2,021,016	-	-	-	2,021,016	-	2,021,016
2035	-	1,765,000	253,566	2,018,566	-	-	-	2,018,566	-	2,018,566
2036	-	1,865,000	156,009	2,021,009	-	-	-	2,021,009	-	2,021,009
2037		1,970,000	52,944	2,022,944	-	-		2,022,944	-	2,022,944
	$ -	$ 28,860,000	$ 30,748,040	$59,608,040	$ 1,135,000	$140,426	$ 1,275,426	$ 60,883,467	$ 1,209,559	$ 59,673,908

Average Annual Debt Service Requirements (2007-2037):	$1,963,983
Maximum Annual Debt Service Requirements (2019):	$2,023,338

DAL:665623.3

APPENDIX A

AUDITED FINANCIALS OF BORROWER FOR
YEARS ENDED AUGUST 31, 2005, AND AUGUST 31, 2006

APPENDIX B
PROFORMA FINANCIAL PLAN

COSMOS FOUNDATION, INC.

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
AUGUST 31, 2007 THROUGH AUGUST 31, 2011

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GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
6750 W. LOOP SOUTH, SUITE 520
HOUSTON, TEXAS 77401
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FAX: (713) 666-1049
http://www.gomezandco.com

INDEPENDENT ACCOUNTANT'S REPORT

To The Board of Directors of
Cosmos Foundation, Inc.
Houston, Texas

We have compiled the accompanying forecasted statements of financial position, statements of activities, statements of functional expenses, and statements of cash flows of Cosmos Foundation, Inc. as of August 31, 2007, 2008, 2009, 2010, 2011 for the years then ended, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The accompanying forecasts and this report were prepared to assist management in obtaining financing and should not be used for any other purposes.

A compilation of forecasted statements is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying forecasted statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Gomez & Company

April 23, 2007

COSMOS FOUNDATION, INC.
FORECASTED STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED
AUGUST 31, 2007 - AUGUST 31, 2011

	08/31/2006**	08/31/2007**	08/31/2008*	08/31/2009*	08/31/2010*	08/31/2011*
ASSETS						
	109,407	8,413,661	5,851,046	8,376,091	13,148,343	22,185,693
bles	1,273,170	1,060,975	884,146	736,788	613,990	511,658
vice reserve fund-restricted		2,133,675	2,133,675	2,133,675	2,133,675	2,133,675
ction in progress		2,500,000	8,000,000			
d improvements		3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
s and improvements	992,183	18,800,000	19,300,000	29,222,000	30,628,400	32,516,080
nt and furniture	188,262	325,000	390,000	468,000	561,600	673,920
ated depreciation	(264,327)	(444,417)	(660,525)	(919,855)	(1,231,050)	(1,604,485)
;	99,017	120,000	144,000	172,800	207,360	248,832
Total Assets	2,397,712	35,908,894	39,042,342	43,189,500	49,062,318	59,665,374
ABILITIES AND NET ASSETS						
:						
s payable	301,597	500,000	600,000	720,000	864,000	1,036,800
liabilities	732,158	926,000	972,300	1,020,915	1,071,961	1,125,559
payable		1,797,863	1,771,800	1,743,675	1,716,600	1,690,950
ayable	450,861	541,033	649,240	779,088	934,905	1,121,886
ayable		28,915,000	28,580,000	28,220,000	27,830,000	27,415,000
Total Liabilities	1,484,616	32,679,896	32,573,340	32,483,678	32,417,466	32,390,195
ets:						
cted	913,096	3,228,998	6,469,002	10,705,822	16,644,852	27,275,179
Total Net Assets	913,096	3,228,998	6,469,002	10,705,822	16,644,852	27,275,179
otal Liabilities and Net Assets	2,397,712	35,908,894	39,042,342	43,189,500	49,062,318	59,665,374

ricts;HSA-Houston(Houston&Dallas), HE - Houston and HSA - San Antonio.

cts; HSA-Waco,HSA-Beaumont,HSA-Lubbock,HSA-College Station, Houston Elementary, HSA-Houston (Houston-Dallas-Katy) and HSA-San Antonio.

accompanying summary of significant forecast assumptions and accounting policies and independent accountant's report.

COSMOS FOUNDATION, INC.
FORECASTED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED
AUGUST 31, 2007 - AUGUST 31, 2011

	08/31/2007**	08/31/2008*	08/31/2009*	08/31/2010*	08/31/2011*
SUPPORT AND REVENUE					
Support:					
Local support	$550,000	$1,780,000	$1,285,500	$1,345,650	$1,345,650
State and local grants	12,295,180	24,062,500	30,080,000	36,025,000	43,215,000
Federal grants	1,389,637	1,851,850	2,260,700	2,645,500	3,102,450
Total Support	14,234,817	27,694,350	33,626,200	40,016,150	47,663,100
EXPENSES					
Program services	11,918,915	24,454,346	29,389,380	34,077,120	37,032,773
Total Expenses	11,918,915	24,454,346	29,389,380	34,077,120	37,032,773
Excess of support and revenue over expenses	2,315,902	3,240,004	4,236,820	5,939,030	10,630,327
Net Assets:					
Beginning of year	913,096	3,228,998	6,469,002	10,705,822	16,644,852
End of Year	$3,228,998	$6,469,002	$10,705,822	$16,644,852	$27,275,179

** 3 Districts;HSA-Houston(Houston&Dallas), HE - Houston and HSA - San Antonio.

* 7 Districts; HSA-Waco,HSA-Beaumont,HSA-Lubbock,HSA-College Station, Houston Elementary, HSA-Houston (Houston-Dallas-Katy) and HSA-San Antonio.

COSMOS FOUNDATION, INC.
FORECASTED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED
AUGUST 31, 2007 - AUGUST 31, 2011

	08/31/2007**	08/31/2008*	08/31/2009*	08/31/2010*	08/31/2011*
Expenses:					
Payroll Costs	6,248,571	11,648,571	14,690,000	17,875,000	21,837,000
Occupancy	1,584,000	1,450,000	1,750,000	1,750,000	1,750,000
Supplies & Materials	608,371	1,251,429	1,527,718	1,787,755	1,510,000
Other operating costs	2,855,335	7,755,375	9,030,532	10,219,494	9,630,738
Interest expense	442,548	1,797,863	1,771,800	1,743,675	1,716,600
Debt service		335,000	360,000	390,000	415,000
Depreciation and amortization	180,090	216,108	259,330	311,196	373,435
Total Expenses	11,918,915	24,454,346	29,389,380	34,077,120	37,032,773

** 3 Districts;HSA-Houston(Houston&Dallas), HE - Houston and HSA - San Antonio.

* 7 Districts: HSA-Waco,HSA-Beaumont,HSA-Lubbock,HSA-College Station, Houston Elementary, HSA-Houston (Houston-Dallas-Katy) and HSA-San Antonio.

See the accompanying summary of significant forecast assumptions and accounting policies and independent accountant's report.

COSMOS FOUNDATION, INC.
FORECASTED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED
AUGUST 31, 2007 - AUGUST 31, 2011

	08/31/2007**	08/31/2008*	08/31/2009*	08/31/2010*	08/31/2011*
Cash Flows from Operating Activities:					
Change in net assets	2,315,902	3,240,004	4,236,820	5,939,030	10,630,327
Adjustments to reconcile change in net assets to net Cash provided (used) by operating activities:					
Depreciation	180,090	216,108	259,330	311,196	373,435
(Increase) Decrease in Accounts Receivable	212,195	176,829	147,358	122,798	102,332
(Increase) Decrease in Deposits	(20,983)	(24,000)	(28,800)	(34,560)	(41,472)
Increase (Decrease) in Accounts Payable	198,403	100,000	120,000	144,000	172,800
Increase (Decrease) in Accrued Liabilities	193,842	46,300	48,615	51,046	53,598
Increase (Decrease) in Interest Payable	1,797,863	(26,063)	(28,125)	(27,075)	(25,650)
Net Cash Provided (Used) by Operating Activities	4,877,312	3,729,178	4,755,197	6,506,434	11,265,369
Cash Flows from Investing Activities:					
Purchase of property and equipment	(23,444,555)	(6,065,000)	(2,000,000)	(1,500,000)	(2,000,000)
Net Cash Used in Investing Activities	(23,444,555)	(6,065,000)	(2,000,000)	(1,500,000)	(2,000,000)
Cash Flows from Financing Activities:					
Proceeds from issuance of bonds	28,915,000				
Proceeds from long-term debt	90,172	108,207	129,848	155,817	186,981
Payment of debt service fund	(2,133,675)	0	0	0	0
Payment of bond principle		(335,000)	(360,000)	(390,000)	(415,000)
Net Cash Provided (Used) by Financing Activities	26,871,497	(226,793)	(230,152)	(234,183)	(228,019)
Net Increase (Decrease) in Cash and Cash Equivalents	8,304,254	(2,562,615)	2,525,045	4,772,251	9,037,350
Cash and Cash Equvalents:					
Beginning of year	109,407	8,413,661	5,851,046	8,376,091	13,148,343
End of year	8,413,661	5,851,046	8,376,091	13,148,342	22,185,693

** 3 Districts;HSA-Houston(Houston&Dallas), HE - Houston and HSA - San Antonio.

* 7 Districts: HSA-Waco,HSA-Beaumont,HSA-Lubbock,HSA-College Station, Houston Elementary, HSA-Houston (Houston-Dallas-Katy) and HSA-San Antonio.

See the accompanying summary of significant forecast assumptions and accounting policies and independent accountant's report.

COSMOS FOUNDATION, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS
AND ACCOUNTING POLICIES

A. Nature of Presentation:

The financial forecast presents to the best of management's knowledge and belief the expected financial results of Cosmos Foundation, Inc. for the forecast periods. Accordingly, the forecast reflects its judgment as of April 23, 2007, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those the management believes are significant to the forecast. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

B. Organization:

Cosmos Foundation, Inc. is a nonprofit corporation organized under the laws of the State of Texas. Cosmos Foundation, Inc. was established in 1999 and operates as a part of the state public school system and is subject to all federal and state laws and rules governing public schools. The Organization is also subject to all laws and rules pertaining to open-enrollment charter schools in Section 12 of the Texas Education Code.

C. Education Revenue Bonds

Cosmos Foundation, Inc. has entered into preliminary negotiations with a lender to secure bond financing pursuant to Chapter 53 Texas Education code $28,915,000 of Qualified Tax-Exempt Education Revenue Bonds dated May 1, 2007. The proceeds of from the sale of the Bonds will be used as follows:

Construction of buildings	$ 26,200,000
Debt service reserve fund	2,133,675
Bond issuance costs	375,000
Accrued interest	80,463
Other fees	125,862
Total proceeds from issuance of bonds	$28,915,000

The bond obligation will be secured by pledging the money received from the State of Texas for the average daily attendance of the school which is approximately $7,000 per student. In addition, security on the bond obligation will also be provided from grants and donations from public and private companies and foundations, if any, and first security lien on the property and improvements.

Serial and/or term maturities. Level debt service structure maturing February 15, 2010 through 2037. Interest on the Bonds will be paid semiannually each February 15 and August 15 until maturity, commencing August 15, 2007. The bonds are to be issued in fully registered form in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof of principal amount.

D. SUPPORT AND REVENUE

State Tuition Funding:

The School's revenue assumptions are based on current levels of state funding and management's projections of future enrollments. The School's current enrollment is approximately 1,779 students in grade levels Kindergarten through 12. Management intends to increase enrollment by approximately 2,071 students for the 2007- 2008 school year, and upon completion of its new facility in 2008, Cosmos Foundation, Inc. intends to increase student enrollment to 4,700 students. The amount of state tuition funding has been forecasted by using a current average per student funding allocation of $7,000 and by maintaining an average daily attendance of 4,367 students through the forecasted period. The average daily attendance has been forecasted at 98% of enrollment based on historical experience.

Donation, grants, and other revenue:

Cosmos Foundation, Inc.'s assumptions for grants is based on management's prior experience in obtaining grants from various sources and expected availability of funding in the future. It is further assumed that while grants received in the forecast periods may have restrictions imposed by the grantor, those restrictions will be satisfied within the fiscal year that contribution is recognized and therefore, no temporarily or permanently restricted net assets related to grants recognized in the forecast periods have been reflected in the accompanying forecasted statements of financial position.

Cosmos Foundation, Inc.'s assumptions for donations, fund raising, and other revenue are based on management's prior experience in fund-raising activities and solicitation of donations.

Interest Income-Restricted:

Interest income is based on an estimated 4% interest earned on the Debt Service Reserve Fund. It is designated as restricted because all interest earned is to be used to offset the debt service payment on the outstanding bond obligation.

E. Expenses:

Cosmos Foundation, Inc.'s assumptions for salaries and related expenses are primarily based on the forecasted increases in student enrollment and the corresponding increase in personnel requirements necessary to meet state guidelines. The direct costs and expenses of operations as well as overhead have been forecasted to increase approximately 10% to 15% over the forecasted period in relation to the increase in the school's operations. Interest expense is calculated on outstanding notes payable and bond payable obligations.

F. Property and Equipment:

Cosmos Foundation, Inc. will be using the proceeds from the loan to construct a new, larger facility and to pay off existing debt on the land upon which the new facility will be built.

Cosmos Foundation, Inc. does anticipate making purchases of furniture or equipment that will require capitalization in the next five years.

In accordance with the Texas Education Agency's Financial Accountability System Resource Guide, Cosmos Foundation, Inc. capitalizes purchases of property and equipment in excess of $1,000. Property and equipment is carried at cost or estimated fair value at the date of donation. Depreciation is provided on the straight-line method based upon estimated useful lives of 5 years for equipment and 39 years for the buildings. Leasehold improvements are depreciated over the remaining life of the lease, which is five years.

G. Debt Service Reserve Fund:

An amount of approximately $2,133,675 will be withheld from the bond issuance proceeds to establish a debt service reserve fund as required by the lender. The fund is established so that funds are available in the event Cosmos Foundation, Inc. is unable to meet the debt service payments when they become due. This fund and its earnings are restricted to the payment of debt service only. They fund will earn approximately 4% interest according to the lender.

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

Vinson&Elkins

[CLOSING DATE]

Texas Public Finance Authority
Charter School Finance Corporation
300 W. 15th Street, Suite 411
Austin, Texas 78701

Amegy Bank National Association, as Trustee
1221 McKinney Street Level P-1
Houston, Texas 77010

Re: Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (Cosmos Foundation) Series 2007A

Texas Public Finance Authority Charter School Finance Corporation Taxable Education Revenue Bonds (Cosmos Foundation) Series 2007B

Ladies and Gentlemen:

We have been engaged by Cosmos Foundation (the "Company") to serve as bond counsel in connection with the issuance by the Texas Public Finance Authority Charter School Finance Corporation (the "Issuer") of its Education Revenue Bonds (Cosmos Foundation), Series 2007A (the "Series 2007A Bonds") and its Taxable Education Revenue Bonds (Cosmos Foundation), Series 2007B (the "Series 2007B Bonds") (collectively, the "Bonds"). The Bonds are issued pursuant to a Trust Indenture, dated as of May 1, 2007 (the "Bond Indenture"), between the Issuer and Amegy Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be loaned by the Issuer to the Company, pursuant to a Loan Agreement (the "Loan Agreement"), dated as of May 1, 2007, between the Issuer and the Company, which loan will be evidenced by two promissory notes (the "Series 2007 Notes"), issued pursuant to the Master Trust Indenture and Security Agreement, dated as of May 1, 2007 (as amended and supplemented as set forth herein, the "Master Indenture"), between the Company and Amegy Bank National Association, as master trustee (the "Master Trustee"), as amended and supplemented by the Supplemental Master Trust Indenture No. 1, dated as of May 1, 2007, between the Company and the Master Trustee. Under the Loan Agreement, the Company has agreed to make payments to or for the account of the Issuer in amounts necessary to pay when due the principal of, premium, if any, and interest on the Bonds. Such payments and the rights of the Issuer under the Loan Agreement (except certain rights to indemnification, rebate payments and administrative fees) and the Series 2007 Notes are pledged and assigned by the Issuer under the Bond Indenture to the Trustee as security for the Bonds. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Bond Indenture, the Loan Agreement and the Master Indenture. The Bonds are payable solely from the Trust Estate.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Company contained in the Loan Agreement, the Bond Indenture and the Master Indenture and upon certain, certified proceedings furnished to us by or on behalf of the Company, the Issuer, and certain public officials, without undertaking to verify the same by independent investigation. We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer is duly created and validly existing as a nonprofit corporation created pursuant to Chapter 53, Texas Education Code, particularly Sections 53.351 thereof, and has the corporate power to enter into and perform the obligations under the Bond Indenture and the Loan Agreement and issue the Bonds.

2. Each of the Bond Indenture and the Loan Agreement has been duly authorized, executed and delivered by the Issuer, each is a valid and binding obligation of the Issuer, and, subject to the qualifications stated below, each is enforceable against the Issuer in accordance with its terms. By the terms of the Bond Indenture, (i) all of the Issuer's right, title and interest in and to the Loan Agreement (except for the right of the Issuer to certain rebate payments, indemnification and the payment of fees, costs and expenses), the Series 2007 Notes, and all Adjusted Revenues derived by the Issuer from the Loan Agreement and the Series 2007 Notes (including the Loan Payments), and (ii) amounts on deposit or held for the credit of the funds and accounts held by the Trustee pursuant to the terms of the Bond Indenture (other than the Rebate Fund), have been assigned to the Trustee.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the Trust Estate, and, subject to the qualifications stated below, are enforceable against the Issuer in accordance with their terms.

4. Interest on the Series 2007A Bonds is excludable from gross income of the holders of the Series 2007A Bonds for federal income tax purposes under existing law.

5. The Series 2007A Bonds are "qualified 501(c)(3) bonds" within the meaning of section 145 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2007A Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Series 2007A Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax.

In rendering the opinions expressed in paragraphs 4 and 5 above, we have relied on, among other things, certificates signed by officers of the Company, the Issuer and the Underwriter with respect to certain material facts, estimates and expectations which are solely within the knowledge of the Company and which we have not independently verified. In addition, in rendering the opinions set forth in paragraphs 4 and 5, we have assumed continuing compliance with the covenants in the Loan Agreement and the Bond Indenture pertaining to those sections of the Code that affect the status of the Company as an organization described in section 501(c)(3) of the Code and the exclusion from gross income of interest on the Series 2007A Bonds for federal income tax purposes. If the certificates upon which we have relied are determined to be inaccurate or incomplete or the Company or the Issuer fail to comply with such covenants, interest on the Series 2007A Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs. Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Owners of the Series 2007A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Series 2007A Bonds).

Our opinions are limited to the laws of the State of Texas and the federal laws of the United States, in each case as in effect on the date hereof. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Series 2007A Bonds. If an audit is commenced in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer.

Vinson and Elkins LLP Attorneys at Law Austin Beijing Dallas Dubai Houston London Moscow New York Shanghai Tokyo Washington

First City Tower, 1001 Fannin Street, Suite 2300, Houston, TX 77002-6760
Tel 713.758.2222 **Fax** 713.758.2346 **www.velaw.com**

We observe that the Issuer has covenanted in the Bond Indenture and the Company has covenanted in the Loan Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Series 2007A Bonds as includable in gross income for federal income tax purposes.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Bond Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Vinson and Elkins LLP Attorneys at Law Austin Beijing Dallas Dubai Houston London Moscow New York Shanghai Tokyo Washington

First City Tower, 1001 Fannin Street, Suite 2300, Houston, TX 77002-6760
Tel 713.758.2222 **Fax** 713.758.2346 **www.velaw.com**

APPENDIX D
SUBSTANTIALLY FINAL FORM OF THE MASTER INDENTURE

APPENDIX E
SUBSTANTIALLY FINAL FORM OF THE IDENTURE

APPENDIX F
SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT

APPENDIX G
CAMPUS DATA

The following campuses are included in the financing:

Harmony Elementary – Houston
HSA – Dallas
HSA – San Antonio
HSA – Houston

The following campuses are not included in the financing; however, data is provided for informational purposes only:

HSA – Austin
HE – Austin
HSE
HSA – El Paso
HSA – Fort Worth:

HARMONY SCIENCE ACADEMY – HOUSTON

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007, Harmony Science Academy-Houston had 374 students. The students reside in the following school districts:

District Name	
Aldine ISD	Klein ISD
Alief ISD	Pasadena ISD
Cypress Fairbanks ISD	Pearland ISD
Fort Bend ISD	Spring Branch ISD
Houston ISD	Spring ISD
	Stafford ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
6	269
7	64
8	65
9	81
10	35
11	32
12	13
Total	559

TABLE 3 – AREA CHARTER SCHOOLS

Other Houston Area Charter Schools	
Academy of Accelerated Learning, Inc.	Accelerated Intermediate Academy
Alief Montessori Community School	Alphonso Crutch's-Life Support Center
American Academy of Excellence Charter School	Amigos Por Vida-Friends for Life Public Charter School
Beatrice Mayes Institute Charter School	Benji's Special Educational Academy Charter School
Brazos School for Inquiry & Creativity	Calvin Nelms Charter School
Children First Academy of Houston	Crossroads Community Ed Center Charter School
Draw Academy	George I. Sanchez Charter
Girls & Boys Prep Academy	Gulf Shores Academy
Houston Alternative Preparatory Charter School	Harmony School of Excellence
Houston Gateway Academy, Inc.	Harris County Juvenile Justice Charter School
Houston Heights Learning Academy, Inc.	Houston Can Academy Charter School
Jesse Jackson Academy	Houston Heights High School
KIPP Academy	Jamie's House Charter School
La Amistad Love & Learning Academy	Juan B. Galaviz Charter School
Meyerpark Elementary	Medical Center Charter School
Northwest Mathematics Science & Language Academy	North Houston H.S. for Business
Raul Yzaguirre School for Success	Northwest Preparatory
Ripley House Charter School	Richard Milburn Academy (Suburban Houston)
Southwest School	Ser-Ninos Charter School
Two Dimensions Preparatory Academy	Texas Serenity Academy
University of Texas Charter School	University of Houston Charter School
Yes College Preparatory School	Varnett Charter School
	Zoe Learning Academy

TABLE 4 –FACULTY

The Borrower currently employs 34 teachers at Harmony Science Academy-Houston. The faculty's experience is as follows:

FACULTY	2006-2007	2005-2006	2004-2005
Beginning Teachers	55.88%	36.40%	36.00%
1-5 Years Experience	38.12%	56.20%	54.00%
6-10 Years Experience	3.00%	4.00%	9.90%
Greater than 10 Years Experience	3.00%	3.50%	0.00%

TABLE 5 –ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007	2005-2006	2004-2005	2004-2003	2003-2002
Grade 6	80	84	92	112	81
Grade 7	72	76	89	87	86
Grade 8	55	83	71	72	86
Grade 9	56	47	47	40	55
Grade 10	46	44	29	41	23
Grade 11	35	28	37	19	0
Grade 12	27	34	16	0	0
	371	396	381	371	331

TABLE 6 –STUDENT DEMOGRAPHICS

	2006-2007	2005-2006	2004-2005
ETHNICITY (%)			
African American	31.00%	38.90%	46.70%
Hispanic	37.00%	35.10%	37.00%
White	22.00%	17.70%	11.30%
Native American	0.00%	0.00%	0.00%
Asian/Pacific Islander	10.00%	0.00%	0.00%
% Rate Attendance	97.80%		
% Economically Disadvantaged	59.00%	58.60%	57.20%
DROPOUTS			
% Dropouts	0.00%	0.00%	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Following are the summaries of student results for TAAS testing:

6th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	92%	99%	86%	95%	79%	95%
Mathematics	81%	99%	73%	90%	68%	95%

7th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	80%	96%	81%	96%	76%	92%
Mathematics	71%	94%	65%	91%	61%	91%
Writing	91%	98%	89%	99%	89%	95%

8th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	84%	96%	84%	97%	84%	95%
Mathematics	68%	92%	62%	89%	58%	53%
Science	72%	87%	NA	NA	NA	NA
Social Studies	84%	98%	85%	98%	82%	95%

9th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	88%	99%	83%	99%	77%	99%
Mathematics	58%	96%	58%	95%	52%	74%

10th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Lang. Arts	86%	94%	68%	78%	73%	83%
Mathematics	62%	85%	59%	88%	53%	77%
Science	61%	88%	55%	88%	52%	88%
Social Studies	84%	99%	85%	96%	81%	91%

11th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Lang. Arts	89%	96%	88%	89%	86%	77%
Mathematics	78%	96%	81%	96%	77%	99%
Science	76%	99%	81%	99%	77%	99%
Social Studies	94%	99%	95%	99%	95%	99%

No Child Left Behind – Annual Yearly Progress (AYP)

Harmony Science Academy-Houston was rated "Exemplary" for the 2005-2006 school year.

HARMONY ELEMENTARY SCHOOL-HOUSTON

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007 Harmony Elementary School - Houston had 362 students. The students reside in the following school districts:

District Name	
Aldine ISD	Klein ISD
Alief ISD	Pasadena ISD
Cypress Fairbanks ISD	Pearland ISD
Fort Bend ISD	Spring Branch ISD
Houston ISD	Spring ISD
	Stafford ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
K	74
1	88
2	82
3	70
4	73
5	84
Total	471

TABLE 3 – AREA CHARTER SCHOOLS

Other Houston Area Charter Schools	
Academy of Accelerated Learning, Inc.	Accelerated Intermediate Academy
Alief Montessori Community School	Alphonso Crutch's-Life Support Center
American Academy of Excellence Charter School	Amigos Por Vida-Friends for Life Public Charter School
Beatrice Mayes Institute Charter School	Benji's Special Educational Academy Charter School
Brazos School for Inquiry & Creativity	Calvin Nelms Charter School
Children First Academy of Houston	Crossroads Community Ed Center Charter School
Draw Academy	George I. Sanchez Charter
Girls & Boys Prep Academy	Gulf Shores Academy
Houston Alternative Preparatory Charter School	Harmony School of Excellence
Houston Gateway Academy, Inc.	Harris County Juvenile Justice Charter School
Houston Heights Learning Academy, Inc.	Houston Can Academy Charter School
Jesse Jackson Academy	Houston Heights High School
KIPP Academy	Jamie's House Charter School
La Amistad Love & Learning Academy	Juan B. Galaviz Charter School
Meyerpark Elementary	Medical Center Charter School
Northwest Mathematics Science & Language Academy	North Houston H.S. for Business
Raul Yzaguirre School for Success	Northwest Preparatory
Ripley House Charter School	Richard Milburn Academy (Suburban Houston)
Southwest School	Ser-Ninos Charter School
Two Dimensions Preparatory Academy	Texas Serenity Academy
University of Texas Charter School	University of Houston Charter School
Yes College Preparatory School	Varnett Charter School
	Zoe Learning Academy

TABLE 4 –FACULTY

The Borrower currently employs 32 teachers at Harmony Elementary-Houston. The faculty's experience is as follows:

FACULTY	2006-2007	2005-2006
Beginning Teachers	50.00%	0%
1-5 Years Experience	46.88%	100%
6-10 Years Experience	0.00%	0%
Greater than 10 Years Experience	3.13%	0%

TABLE 5 –ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007	2005-2006
Pre-K	0	0
K	40	24
Grade 1	50	35
Grade 2	57	22
Grade 3	71	46
Grade 4	69	26
Grade 5	62	45
	349	198

TABLE 6 –STUDENT DEMOGRAPHICS

	2006-2007	2005-2006
ETHNICITY (%)		
African American	18.00%	19.20%
Hispanic	37.00%	40.90%
White	22.00%	25.80%
Native American	0.00%	0.00%
Asian/Pacific Islander	23.00%	14.10%
% Rate Attendance	97.90%	
% Economically Disadvantaged	62.00%	62.60%
DROPOUTS		
% Dropouts	0.00%	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Following are the summaries of student results for TAAS testing:

3rd Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	90%	99%	89%	NA		NA
Mathematics	83%	95%	73%	NA		NA

4th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	83%	92%	81%	NA	76%	NA
Mathematics	84%	92%	65%	NA	61%	NA
Writing	92%	67%	89%	NA	89%	NA

5th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	81%	99%	84%	NA	84%	NA
Mathematics	82%	97%	62%	NA	58%	NA
Science	76%	97%	85%	NA	82%	NA

No Child Left Behind – Annual Yearly Progress (AYP)

Harmony Elementary – Houston was rated “Academically Acceptable” for the 2005-2006 school year.

HARMONY SCHOOL OF EXCELLENCE – HOUSTON

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007, Harmony School of Excellence had 309 students. The students reside in the following school districts:

District Name	
Aldine ISD	Klein ISD
Alief ISD	Pasadena ISD
Cypress Fairbanks ISD	Pearland ISD
Fort Bend ISD	Spring Branch ISD
Houston ISD	Spring ISD
	Stafford ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
K	59
1	88
2	57
3	59
4	53
5	46
6	77
7	59
8	49
Total	547

TABLE 3 – AREA CHARTER SCHOOLS

Other Houston Area Charter Schools

Academy of Accelerated Learning, Inc.	Accelerated Intermediate Academy
Alief Montessori Community School	Alphonso Crutch's-Life Support Center
American Academy of Excellence Charter School	Amigos Por Vida-Friends for Life Public Charter School
Beatrice Mayes Institute Charter School	Benji's Special Educational Academy Charter School
Brazos School for Inquiry & Creativity	Calvin Nelms Charter School
Children First Academy of Houston	Crossroads Community Ed Center Charter School
Draw Academy	George I. Sanchez Charter
Girls & Boys Prep Academy	Gulf Shores Academy
Houston Alternative Preparatory Charter School	Harmony School of Excellence
Houston Gateway Academy, Inc.	Harris County Juvenile Justice Charter School
Houston Heights Learning Academy, Inc.	Houston Can Academy Charter School
Jesse Jackson Academy	Houston Heights High School
KIPP Academy	Jamie's House Charter School
La Amistad Love & Learning Academy	Juan B. Galaviz Charter School
Meyerpark Elementary	Medical Center Charter School
Northwest Mathematics Science & Language Academy	North Houston H.S. for Business
Raul Yzaguirre School for Success	Northwest Preparatory
Ripley House Charter School	Richard Milburn Academy (Suburban Houston)
Southwest School	Ser-Ninos Charter School
Two Dimensions Preparatory Academy	Texas Serenity Academy
University of Texas Charter School	University of Houston Charter School
Yes College Preparatory School	Varnett Charter School
	Zoe Learning Academy

TABLE 4 –FACULTY

The Borrower currently employs 25 teachers at Harmony School of Excellence. The faculty's experience is as follows:

FACULTY	2006-2007
Beginning Teachers	40.00%
1-5 Years Experience	52.00%
6-10 Years Experience	8.00%
Greater than 10 Years Experience	0.00%

TABLE 5 –ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007
Pre-K	0
K	23
Grade 1	25
Grade 2	40
Grade 3	44
Grade 4	38
Grade 5	45
Grade 6	59
Grade 7	17
Grade 8	12
	303

TABLE 6 – STUDENT DEMOGRAPHICS

	2006-2007
ETHNICITY (%)	
African American	8.00%
Hispanic	25.00%
White	43.00%
Native American	1.00%
Asian/Pacific Islander	23.00%
% Rate Attendance	98.30%
% Economically Disadvantaged	24.00%
DROPOUTS	
% Dropouts	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Harmony School of Excellence is in its first year of operation; therefore, students have not previously tested and no scores are available.

HARMONY ELEMENTARY SCHOOL - AUSTIN

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007, Harmony Elementary School - Austin had 246 students. The students reside in the following school districts:

District Name	
Austin ISD	Del Valle ISD
Pflugerville ISD	Lago Vista ISD
Manor ISD	Lake Travis ISD
Eanes ISD	Leander ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
Pre-K	0
K	75
1	78
2	71
3	59
4	61
5	48
Total	392

TABLE 3 – AREA CHARTER SCHOOLS

Other Austin Charter Schools

American Youth Works Charter School
NYOS Charter School
Texas Academy of Excellence
Texas Empowerment Academy
University Charter School
McCullough Academy of Excellence
Fruit of Excellence
Star Charter School
Cedars International Academy
Austin Can Academy Charter School
University of Texas Elementary Charter School
KIPP Austin College Prep School Inc.

TABLE 4 –FACULTY

The Borrower currently employs 26 teachers at Harmony Elementary-Austin. The faculty's experience is as follows:

FACULTY	2006-2007	2005-2006	2004-2005
Beginning Teachers	73.08%	59.00%	32.40%
1-5 Years Experience	26.92%	41.00%	67.60%
6-10 Years Experience	0.00%	0.00%	0.00%
Greater than 10 Years Experience	0.00%	0.00%	0.00%

TABLE 5 – ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007
Pre-K	42
K	43
Grade 1	44
Grade 2	37
Grade 3	40
Grade 4	37

TABLE 6 – STUDENT DEMOGRAPHICS

	2006-2007
ETHNICITY (%)	
African American	17.00%
Hispanic	36.00%
White	26.00%
Native American	0.00%
Asian/Pacific Islander	21.00%
% Rate Attendance	97.20%
% Economically Disadvantaged	38.00%
DROPOUTS	
% Dropouts	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Harmony Elementary School – Austin is in its first year of operation; therefore, students have not previously tested and no scores are available.

HARMONY SCIENCE ACADEMY - AUSTIN

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007, Harmony Science Academy - Austin has 261 students. The students reside in the following school districts:

District Name	
Austin ISD	Del Valle ISD
Pflugerville ISD	Lago Vista ISD
Manor ISD	Lake Travis ISD
Eanes ISD	Leander ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
6	205
7	81
8	54
9	41
10	19
Total	400

TABLE 3 – AREA CHARTER SCHOOLS

Other Austin Charter Schools

American Youth Works Charter School
NYOS Charter School
Texas Academy of Excellence
Texas Empowerment Academy
University Charter School
McCullough Academy of Excellence
Friut of Excellence
Star Charter School
Cedars International Academy
Austin Can Academy Charter School
University of Texas Elementary Charter School
KIPP Austin College Prep School Inc.

TABLE 4 –FACULTY

The Borrower currently employs 28 teachers at Harmony Science Academy-Austin. The faculty's experience is as follows:

FACULTY	2006-2007
Beginning Teachers	32.14%
1-5 Years Experience	64.29%
6-10 Years Experience	3.57%
Greater than 10 Years Experience	0.00%

TABLE 5 –ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007	2005-2006	2004-2005	2004-2003	2003-2002
Grade 6	70	83	77	59	45
Grade 7	68	75	69	40	38
Grade 8	53	49	35	35	22
Grade 9	29	24	16	20	0
Grade 10	14	10	11	0	0
Grade 11	9	12	0	0	0
Grade 12	12	0	0	0	0
	255	253	208	154	105

TABLE 6 –STUDENT DEMOGRAPHICS

	2006-2007	2005-2006	2004-2005
ETHNICITY (%)			
African American	9.00%	12.60%	18.30%
Hispanic	60.00%	68.00%	55.36%
White	28.00%	16.20%	24.50%
Native American	0.00%	0.00%	0.00%
Asian/Pacific Islander	3.00%	0.00%	0.00%
% Rate Attendance	98.70%		
% Economically Disadvantaged	61.00%	59.70%	57.20%
DROPOUTS			
% Dropouts	0.00%	0.00%	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Following are the summaries of student results for TAAS testing:

6th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	92%	96%	86%	95%	79%	89%
Mathematics	81%	96%	73%	95%	68%	93%

7th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	80%	89%	81%	93%	76%	87%
Mathematics	71%	84%	65%	93%	61%	83%
Writing	91%	93%	89%	90%	89%	99%

8th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	84%	87%	84%	89%	84%	87%
Mathematics	68%	88%	62%	74%	58%	57%
Science	72%	85%	NA	NA	NA	NA
Social Studies	84%	98%	85%	96%	82%	96%

9th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	88%	99%	83%	99%	77%	83%
Mathematics	58%	78%	58%	99%	52%	59%

10th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Lang. Arts	86%	71%	68%	70%	73%	NA
Mathematics	62%	99%	59%	70%	53%	NA
Science	61%	99%	55%	99%	52%	NA
Social Studies	84%	99%	85%	99%	81%	NA

11th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Lang. Arts	89%	92%	88%	NA	86%	NA
Mathematics	78%	83%	81%	NA	77%	NA
Science	76%	99%	81%	NA	77%	NA
Social Studies	94%	99%	95%	NA	95%	NA

No Child Left Behind – Annual Yearly Progress (AYP)

Harmony Science Academy – Austin was rated "Recognized" for he 2005-2006 school year.

HARMONY SCIENCE ACADEMY –EL PASO

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007, Harmony Science Academy-El Paso had 320 students. The students reside in the following school districts:

District Name	
El Paso ISD	Burnhamwood Charter School
Ysleta ISD	Paso Del Norte Academy
El Paso Academy	Socorro ISD
El Paso School of Excellence	Clint ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
K	82
1	51
2	49
3	67
4	67
5	57
6	76
7	60
8	51
Total	560

TABLE 3 – AREA CHARTER SCHOOLS

Other El Paso Area Charter Schools

Burnham Wood Charter School District
Howard Burnham Elementary School
Davinci School For Science And The Arts
El Paso Academy
El Paso Academy
El Paso Academy West
El Paso School Of Excellence
El Paso School Of Excellence
El Paso School Of Excellence Middle School
La Fe Preparatory School
Paso Del Norte

TABLE 4 – FACULTY

The Borrower currently employs 21 teachers at Harmony Science Academy-El Paso. The faculty's experience is as follows:

FACULTY	2006-2007
Beginning Teachers	47.62%
1-5 Years Experience	47.62%
6-10 Years Experience	0.00%
Greater than 10 Years Experience	4.76%

TABLE 5 – ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007
Pre-K	0
K	26
Grade 1	40
Grade 2	26
Grade 3	37
Grade 4	38
Grade 5	48
Grade 6	50
Grade 7	23
Grade 8	24
	312

TABLE 6 – STUDENT DEMOGRAPHICS

	2006-2007
ETHNICITY (%)	
African American	4.00%
Hispanic	85.00%
White	9.00%
Native American	0.00%
Asian/Pacific Islander	2.00%
% Rate Attendance	97.60%
% Economically Disadvantaged	70.00%
DROPOUTS	
% Dropouts	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Harmony Science Academy- El Paso is in its first year of operation; therefore, students have not previously tested and no scores are available.

HARMONY SCIENCE ACADEMY – DALLAS

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007 Harmony Science Academy-Dallas had 726 students. The students reside in the following school districts:

District Name	
Carrollton-Farmers Branch ISD	Grand Prairie ISD
Cedar Hill ISD	Highland Park ISD
Coppell ISD	Irving ISD
Dallas ISD	Lancaster ISD
Desoto ISD	Mesquite ISD
Duncanville ISD	Richardson ISD
Garland ISD	Sunnyvale ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
Pre-K	45
K	52
1	60
2	91
3	71
4	63
5	54
6	63
7	68
8	32
9	28
10	9
Total	636

TABLE 3 – AREA CHARTER SCHOOLS

Other Dallas Area Charter Schools	
A+ Academy	Quest Academy
Academy of Dallas	I Am That I Am Academy
AW Brown-Fellowship Charter School	Inspired Vision Academy
AW Brown-Fellowship North Campus	Inspired Vision
Children First Academy of Dallas	Kipp Trust Academy
Dallas Can Academy Charter	La Academia de Estrellas
Dallas Can Academy Charter – Oak Cliff	Life School Oak Cliff
Texans Can Academy at Paul Quinn	Nova Charter School
Dallas Community Charter School	Nova Charter School (Southeast)
Dallas County Juvenile Justice	Peak Academy
Eagle Advantage Charter El	Pegasus Charter High School
Faith Family Academy at Oak Cliff	Richland Collegiate High School of Math
Golden Rule Charter School	The School of Liberal Arts and Science
Gateway Academy	St. Anthony Academy
	Oak Cliff Academy (Dallas)

TABLE 4 –FACULTY

The Borrower currently employs 56 teachers at Harmony Science Academy-Dallas. The faculty's experience is as follows:

FACULTY	2006-2007	2005-2006	2004-2005
Beginning Teachers	51.79%	30.20%	33.10%
1-5 Years Experience	41.07%	51.60%	59.60%
6-10 Years Experience	5.36%	13.60%	7.30%
Greater than 10 Years Experience	1.79%	4.50%	0.00%

TABLE 5 –ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007	2005-2006	2004-2005
Pre-K	42	-	-
K	44	-	-
Grade 1	47	-	-
Grade 2	45	-	-
Grade 3	36	-	-
Grade 4	60	-	-
Grade 5	60	-	-
Grade 6	66	80	93
Grade 7	118	124	93
Grade 8	95	94	36
Grade 9	71	44	0
Grade 10	35	0	0
	719	342	222

TABLE 6 –STUDENT DEMOGRAPHICS

	2006-2007	2005-2006	2004-2005
ETHNICITY (%)			
African American	14.00%	18.10%	22.50%
Hispanic	69.00%	67.50%	60.40%
White	11.00%	10.80%	13.10%
Native American	0.40%	0.60%	0.90%
Asian/Pacific Islander	5.60%	2.90%	3.20%
% Rate Attendance	97.90%		
% Economically Disadvantaged	64.00%	62.90%	62.20%
DROPOUTS			
% Dropouts	0.00%	0.00%	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Following are the summaries of student results for TAAS testing:

6th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	92%	99%	86%	95%	79%	95%
Mathematics	81%	99%	73%	90%	68%	95%

7th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	80%	96%	81%	96%	76%	92%
Mathematics	71%	94%	65%	91%	61%	91%
Writing	91%	98%	89%	99%	89%	95%

8th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	84%	96%	84%	97%	84%	95%
Mathematics	68%	92%	62%	89%	58%	53%
Science	72%	87%	NA	NA	NA	NA
Social Studies	84%	98%	85%	98%	82%	95%

9th Grade

	2006		2005		2004	
Test Subject	State Avg.	Cosmos	State Avg.	Cosmos	State Avg.	Cosmos
Reading	88%	99%	83%	NA	77%	NA
Mathematics	58%	96%	58%	NA	52%	NA

No Child Left Behind – Annual Yearly Progress (AYP)

Harmony Science Academy-Dallas was rated “Exemplary” for the 2005-2006 school year.

HARMONY SCIENCE ACADEMY – FT. WORTH

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007 Harmony Science Academy – Ft. Worth had 358 students. The students reside in the following school districts:

District Name	
Arlington ISD	Lake Worth ISD
Birdville ISD	Crowley ISD
Everman ISD	Kennedale ISD
Forth Worth ISD	Hurst-Euless-Bedford ISD
Grapevile-Colleyville ISD	Castleberry ISD
Keller ISD	Eagle Mt-Saginaw ISD
Mansfield ISD	Carroll ISD
Masonic Home ISD	White Settlement ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
K	148
1	201
2	221
3	181
4	197
5	188
6	193
7	175
8	111
Total	1615

TABLE 3 – AREA CHARTER SCHOOLS

Other Ft. Worth Area Charter Schools
Eagle Academies of Texas
Fort Worth CAN Academy
Honors Academy
Theresa B Lee Academy
East Fort Worth Montessori Academy
Hrichard Milburn Academy
Zoe Learning Academy

TABLE 4 –FACULTY

The Borrower currently employs 20 teachers at Harmony Science Academy-Ft. Worth. The faculty's experience is as follows:

FACULTY	2006-2007
Beginning Teachers	65.00%
1-5 Years Experience	30.00%
6-10 Years Experience	5.00%
Greater than 10 Years Experience	0.00%

TABLE 5 – ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007
Pre-K	-
K	27
Grade 1	25
Grade 2	48
Grade 3	27
Grade 4	50
Grade 5	67
Grade 6	44
Grade 7	49
Grade 8	20
Grade 9	0
Grade 10	0
Grade 11	0
Grade 12	0
	357

TABLE 6 – STUDENT DEMOGRAPHICS

	2006-2007
ETHNICITY (%)	
African American	21.00%
Hispanic	29.00%
White	36.00%
Native American	0.30%
Asian/Pacific Islander	13.70%
% Rate Attendance	98.10%
% Economically Disadvantaged	51.00%
DROPOUTS	
% Dropouts	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Academic Excellence Indicator System

Harmony Science Academy- Ft. Worth is in its first year of operation; therefore, students have not previously tested and no scores are available.

HARMONY SCIENCE ACADEMY – SAN ANTONIO

TABLE 1 – STUDENTS' RESIDENT DISTRICTS

As of March 29, 2007, Harmony Science Academy – San Antonio had 291 students. The students reside in the following school districts:

District Name	
Alamo Heights ISD	North East ISD
Harlandale ISD	East Central ISD
Edgewood ISD	Southwest ISD
Randolph Field ISD	Lackland ISD
San Antonio ISD	Ft. Sam Houston ISD
South San Antonio ISD	Northside ISD
Somerset ISD	Judson ISD
	Southside ISD

TABLE 2 –WAITING LIST BY GRADE

Grades	Applications on Waiting List
K	76
1	94
2	92
3	91
4	105
5	81
6	96
7	87
8	53
Total	775

TABLE 3 – AREA CHARTER SCHOOLS

Other San Antonio Area Charter Schools	
Academy of Careers and Tecnologies Charter School	Por Vida Academy
Bexar County Academy	Positive Solutions Charter School
Eagle Academy of San Antonio	Radiance Academy of Learning
Gen. Alfred A. Valenzuela Intermediate Leadership Academy	San Antonio Can High School
George Gervin Academy	San Antonio Preparatory Academy
George I. Sanchez Charter High School	San Antonio School for Inquiry & Creativity
Guardian Angel Performance Arts Academy	San Antonio Technology Academy
Higgs, Carter, King Gifted & Talented Charter Academy	School of Excellence in Education
John H. Wood Jr. Public Charter District	School of Science & Technology
Jubilee Academic Center	Shekinah Radiance Academy
KIPP Aspire Academy	Southwest Preparatory School
La Escuela de las Americas	University of Texas Charter School
New Frontiers Charter school	

TABLE 4 –FACULTY

The Borrower currently employs 25 teachers at Harmony Science - San Antonio. The faculty's experience is as follows:

Harmony Science Academy-San Antonio

FACULTY	2006-2007
Beginning Teachers	80.00%
1-5 Years Experience	12.00%
6-10 Years Experience	4.00%
Greater than 10 Years Experience	4.00%

TABLE 5 –ENROLLMENT HISTORY (BY GRADE)

Grade	2006-2007
Pre-K	-
K	32
Grade 1	22
Grade 2	26
Grade 3	31
Grade 4	35
Grade 5	31
Grade 6	62
Grade 7	21
Grade 8	10
Grade 9	0
Grade 10	0
Grade 11	0
Grade 12	0
	270

TABLE 6 – STUDENT DEMOGRAPHICS

	2006-2007
ETHNICITY (%)	
African American	5.00%
Hispanic	76.00%
White	10.00%
Native American	0.40%
Asian/Pacific Islander	8.60%
% Rate Attendance	97.90%
% Economically Disadvantaged	51.00%
DROPOUTS	
% Dropouts	0.00%

TABLE 7 – ASSESSMENT TESTING AND ACCOUNTABILITY RATINGS

Harmony Science Academy- San Antonio is in its first year of operation; therefore, students have not previously tested and no scores are available.