Interest on the Bonds <u>will be</u> included in gross income for federal income tax purposes. See "TAX MATTERS" herein.

NEW ISSUE - Book-Entry-Only

RATING: Standard & Poor's "BBB-"
(See **"RATING"** herein)

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION
(Evolution Academy Charter School)

$1,225,000 Taxable Education Revenue Bonds, Series 2010Q
(Qualified School Construction Bonds - Direct Pay)

Interest Accrues From Date of Delivery

Due: August 1 (as on the inside cover page)

Interest on the $1,225,000 Texas Public Finance Authority Charter School Finance Corporation Taxable Education Revenue Bonds (Evolution Academy Charter School), Series 2010Q (Qualified School Construction Bonds - Direct Pay) (the "Bonds" and, together with any Additional Indebtedness, as defined in the hereinafter described Indenture, the "Debt") will accrue from the date of delivery and is payable August 1, 2011, and each February 1 and August 1 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, Wells Fargo Bank, National Association, Dallas, 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 have been designated "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Further, the Bonds are subject to an irrevocable election to treat the Bonds as "specified tax credit bonds" pursuant to Section 6431(f) of the Code. The Bonds are subject to optional redemption in whole or in part, prior to scheduled maturity on or after August 1, 2018, August 1, 2019 and August 1, 2020, at the option of the Borrower, at a price equal to the applicable percentage of par specified in the Indenture. The Bonds are also subject to special mandatory or extraordinary optional redemption in certain circumstances (See "THE BONDS - Redemption Provisions" 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 Evolution Academy Charter School (the "Borrower"), which operates open-enrollment charter schools under the laws of the State of Texas (the "State"), to finance the cost of acquiring, 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 "PLAN OF FINANCING" herein), and to pay the costs of issuing the Bonds for the benefit of the Borrower.

The Bonds are special and limited obligations of the Issuer, payable solely from revenues received by the Issuer pursuant to a Loan Agreement dated as of October 1, 2010 (the "Loan Agreement"), between the Issuer and the Borrower, as amended from time to time, and the promissory note (the "Master Note") to be issued under the Master Trust Indenture and Security Agreement, dated as of October 1, 2010, as supplemented by the Supplemental Master Trust Indenture No. 1, dated as of October 1, 2010 (collectively, the "Master Indenture"), both between the Borrower and Wells Fargo Bank, National Association, Dallas, 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 October 1, 2010 (the "Indenture"), between the Issuer and the Trustee, the Loan Agreement, and the Master Note. The Borrower will issue a Deed of Trust and Security Agreement (With Assignment of Rents and Leases) dated as of October 1, 2010, covering the real properties comprising the campuses in favor of the Master Trustee for the benefit of the holder of the Master Note. 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 FULL 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.

At the time of original execution and delivery of the Bonds, Hamlin Capital Management, LLC (the "Bondholder Representative") will represent 100% of the Beneficial Owners of the Bonds. So long as the Bondholder Representative represents 66 2/3% of the Beneficial Owners of the Bonds Outstanding, such entity is able to control remedies, application of moneys upon an Event of Default consents, including the right to change maturities, interest rates, priority of liens, privileges and priorities of the Beneficial Owners and other matters. Beneficial Owners have no right to direct the Trustee in any of the above respects except through the Bondholder Representative. The holders of not less than 66 2/3% of the aggregate principal amount of the Outstanding Bonds may remove or replace the Bondholder Representative by providing written notice to the Trustee in accordance with the Indenture. See "APPENDIX E – Substantially Final Form of the Indenture" attached hereto.

The Bonds are offered by the Underwriter shown below, 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 Bond by the Attorney General of Texas and the approval of certain legal matters by Vinson & Elkins LLP, Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the Underwriter by Petruska & Associates, A Professional Limited Liability Company, Dallas, Texas. Delivery of the Bonds is expected on or about October 22, 2010.

Date: October 12, 2010

MATURITY SCHEDULE

Taxable Education Revenue Bonds, Series 2010Q
(Qualified School Construction Bonds - Direct Pay)[a]

$1,225,000 9.00% Term Bond due August 1, 2027,[a][b] Yield 9.00%,[c] CUSIP 88276PCX2[d]

(Interest to accrue from the date of delivery of the Bonds)

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[a] The Bonds are subject to optional redemption in whole or in part, prior to scheduled maturity on or after August 1, 2018, August 1, 2019 and August 1, 2020, at the option of the Borrower, at a price equal to the applicable percentage of par specified in the Indenture (see "THE BONDS – Redemption Provisions" herein).

[b] Certain maturities of the Bonds are subject to Mandatory Sinking Fund Redemption as described herein (see "THE BONDS - Mandatory Sinking Fund Redemption" herein).

[c] 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.

[d] CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. and are included solely for the convenience of the purchasers of the Bonds. Neither the Issuer, the Borrower, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN LIMITED OFFERING MEMORANDUM

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 Limited Offering Memorandum, 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 Limited Offering Memorandum 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.

References to or descriptions of financing documents, resolutions, contracts, and other related reports made in this Limited Offering Memorandum are 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 LLP, 1001 Fannin, Suite 2500, Houston, Texas 77002, Attention: Janet Vaughan Robertson, Telephone: 713.758.2797.

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 Limited Offering Memorandum, 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 Limited Offering Memorandum 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 Limited Offering Memorandum. Wells Fargo Bank, National Association, Dallas, Texas, has no responsibility for any information in this Limited Offering Memorandum. Wells Fargo Bank, National Association, Dallas, Texas, in each of its capacities, including, without limitation, as the Master Trustee and the Trustee respectively, assumes no responsibility for the accuracy or completeness of the information 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, the Borrower, 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 Limited Offering Memorandum.

This Limited Offering Memorandum 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.**

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

ANY INFORMATION AND EXPRESSIONS OF OPINION HEREIN CONTAINED ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE 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.

Contact Information:

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SYNOPSIS

The Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of October 1, 2010 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, Dallas, Texas, as trustee, and a resolution of the Texas Public Finance Authority Charter School Finance Corporation (the "Issuer"). The proceeds from the sale thereof will be loaned to Evolution Academy Charter School (the "Borrower"), which operates open-enrollment charter schools under the laws of the State of Texas, to finance the cost of acquiring, 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 located in Richardson, Texas (See "PLAN OF FINANCING - The Facilities and the Project"), and to pay the costs of issuing the Bonds. The Bonds will be designated "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Further, the Bonds will be subject to an irrevocable election to treat the Bonds as "specified tax credit bonds" pursuant to Section 6431(f) of the Code.

The Bonds are special and limited obligations of the Issuer, payable solely out of the revenues received by the Issuer pursuant to a Loan Agreement dated as of October 1, 2010 (the "Loan Agreement"), between the Borrower and the Issuer, and the promissory note (the "Master Note") to be issued under the Master Trust Indenture and Security Agreement dated as of October 1, 2010, as supplemented by the Supplemental Master Trust Indenture No. 1, dated as of October 1, 2010, both between the Borrower and Wells Fargo Bank, National Association, Dallas, Texas, as 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 Master Note 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) dated as of October 1, 2010, covering its leasehold estates and its real property comprising the Campuses in favor of the Master Trustee for the benefit of the holder of the Master Note. The Bonds shall never be payable out of any funds of the Issuer except such revenues and amounts received pursuant to the Loan Agreement, Master Note, and Indenture.

The Borrower is a Texas nonprofit corporation created 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 Chapter 22 of the Texas Business Organizations Code and 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 (as described below), and paying the costs of issuance of the Bonds.

The Borrower operates one open-enrollment charter school in the State of Texas, presently providing education to ninth grade through twelfth grade students as authorized under Chapter 12, Subchapter D, Texas Education Code, as amended. The project will consist of constructing and equipping a second new campus (together with the original campus, the "Campuses") and equipping and improving the Borrower's existing campus (collectively, the "Project"). See APPENDIX G hereto for detailed information about the Campuses.

The proceeds of the Bonds will be used to pay costs of the Project and to pay the costs of issuance of the Bonds. Once the Project is complete, the Borrower will have the capacity to accommodate 1,200 students, although the Borrower's current charter only authorizes an enrollment of 600 students.

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

Sources	
Par Amount	$1,225,000.00
Accrued Interest	0.00
TOTAL	$1,225,000.00
Uses	
Project Account of Construction Fund	$1,200,500.00
Costs of Issuance including Underwriter's Discount	24,500.00
Accrued Interest	0.00
TOTAL	$1,225,000.00

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM REVENUES RECEIVED PURSUANT TO THE LOAN AGREEMENT, THE MASTER NOTE, AND, IN CERTAIN CIRCUMSTANCES, OUT OF AMOUNTS SECURED THROUGH THE EXERCISE OF REMEDIES PROVIDED IN THE INDENTURE, THE LOAN AGREEMENT, AND THE MASTER NOTE. 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 FULL 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.

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LIMITED OFFERING MEMORANDUM

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION
(Evolution Academy Charter School)

$1,225,000 Taxable Education Revenue Bonds, Series 2010Q
(Qualified School Construction Bonds - Direct Pay)

This Limited Offering Memorandum provides certain information in connection with the issuance by the Texas Public Finance Authority Charter School Finance Corporation (the "Issuer") of its $1,225,000 Taxable Education Revenue Bonds (Evolution Academy Charter School), Series 2010Q (Qualified School Construction Bonds - Direct Pay) (the "Bonds").

The Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of October 1, 2010 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, Dallas, Texas, as trustee (the "Trustee"), and a resolution of the Issuer (the "Resolution"). The proceeds from the sale thereof will be loaned to Evolution Academy Charter School (the "Borrower"), which operates an open-enrollment charter school under the laws of the State of Texas, to finance the cost of acquiring, 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 campus located in Richardson, Texas (See "PLAN OF FINANCING - The Facilities and the Project"), and to pay the costs of issuing the Bonds. The Bonds will be designated "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Further, the Bonds will be subject to an irrevocable election to treat the Bonds as "specified tax credit bonds" pursuant to Section 6431(f) of the Code.

The Bonds are special and limited obligations of the Issuer, payable solely out of the revenues received by the Issuer pursuant to a Loan Agreement dated as of October 1, 2010 (the "Loan Agreement"), between the Borrower and the Issuer, and the Promissory Note (the "Master Note") to be issued under the Master Trust Indenture and Security Agreement dated as of October 1, 2010, as supplemented by the Supplemental Master Trust Indenture No. 1, dated as of October 1, 2010 (collectively, the "Master Indenture"), both between the Borrower and Wells Fargo Bank, National Association, Dallas, 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 Master Note 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) dated as of October 1, 2010, covering its leasehold estates and its real property comprising the Campuses (as defined herein) in favor of the Master Trustee for the benefit of the holder of the Master Note (the "Deed of Trust"). The Bonds shall never be payable out of any funds of the Issuer except such revenues and amounts received pursuant to the Loan Agreement, Master Note, and Indenture as described herein. The Bonds are being issued on a parity basis under the Master Indenture with those certain $4,370,000 Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (Evolution Academy Charter School), Series 2010A (the "Series 2010A Bonds") and those certain $445,000 Texas Public Finance Authority Charter School Finance Corporation Taxable Education Revenue Bonds (Evolution Academy Charter School), Series 2010B (the "Series 2010B Bonds"), being issued contemporaneously with the Bonds (the Bonds, the Series 2010A Bonds, the Series 2010B Bonds and any other parity bonds issued hereafter are collectively referred to as the "Debt").

This Limited Offering Memorandum includes descriptions of, among other items, the Indenture, the Master Indenture, the Resolution, the Bonds, the Loan Agreement, the Master Note, 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 Master Note, as executed, are available from Vinson & Elkins LLP, 1001 Fannin, Suite 2500, Houston, Texas 77002, Attention: Janet Vaughan Robertson, Telephone: 713.758.2797.

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 under the Texas Nonprofit Corporation Act and operates one open-enrollment charter school under Chapter 12, Texas Education Code, as amended. The Issuer is a nonprofit higher education finance corporation organized and operating under Chapter 22 of the Texas Business Organizations Code and 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 (as described below), and paying the costs of issuance of the Bonds.

The Facilities and the Project

The Borrower entered into loans with Bank of America to secure the following properties:

	Original Loan Amount	Estimated Student Capacity
1101 S Sherman, Richardson, Texas	$2,500,000	500
1099 Sherman, Richardson, Texas	900,000	500
	$3,400,000	1,000

The Borrower operates one open-enrollment charter school in the State of Texas, which is the 1101 S. Sherman, Richardson, Texas property mentioned above, presently providing education to ninth grade through twelfth grade students as authorized under Chapter 12, Subchapter D, Texas Education Code, as amended. The project will consist of constructing and equipping a second new campus at the 1099 Sherman property mentioned above (together with the original campus, the "Campuses") and equipping and improving the Borrower's existing campus (collectively, the "Project"). See APPENDIX G for detailed information about the Campuses.

The proceeds of the Bonds will be used for the Project and to pay the costs of issuance of the Bonds. Once the Project is complete, the Borrower will have the capacity to accommodate 1,000 students and to provide career technology services to all of its students. The Borrower's current charter only authorizes an enrollment of 600 students.

Sources and Uses of Funds

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

Sources	
Par Amount	$1,225,000.00
Accrued Interest	0.00
TOTAL	$1,225,000.00
Uses	
Project Account of Construction Fund	$1,200,500.00
Costs of Issuance including Underwriter's Discount	24,500.00
Accrued Interest	0.00
TOTAL	$1,225,000.00

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 Limited Offering Memorandum. Interest on the Bonds will accrue from the date of delivery of the Bonds, and be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable on August 1, 2011, and on each February 1 and August 1 thereafter until the earlier of maturity or redemption. Interest on the Bonds is not exempt from federal income taxation.

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 at close of business on the last business day of the preceding month the principal and/or interest payment date (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 facilities of The Depository Trust Company ("DTC") as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Designation of Bonds as Qualified School Construction Bonds

The Bonds have been designated as "qualified school construction bonds" ("Qualified School Construction Bonds") pursuant to Sections 54A and 54F of the Code. An issuer of Qualified School Construction Bonds must receive an allocation of the national qualified school construction bond limitation. The State received an allocation of $538,585,000 from the United States Department of the Treasury (the "Treasury"), and the Texas Education Agency (the "TEA") is responsible for further allocating such funds to an issuer or conduit borrower within the State. The Borrower submitted an application to the TEA and received an allocation sufficient for the issuance of the Bonds.

The Bonds are subject to an irrevocable election to treat the Bonds as "specified tax credit bonds" pursuant to Section 6431(f) of the Code. Therefore, the Issuer (or another party designated by the Issuer) will be eligible to receive a cash subsidy from the Treasury in connection therewith. Pursuant to Section 6431 of the Code, the expected cash subsidy payments (the "Federal Subsidy") from the Treasury with respect to each interest payment date will be equal to the lesser of (i) 100% of the interest payable on an interest payment date or (ii) the amount of interest which would have been payable under the Bonds on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) with respect to such Bonds. The Issuer intends to request that the Federal Subsidy be deposited with the Trustee for the benefit of the Borrower. **The Federal Subsidy constitutes Available Revenues of the Borrower and is therefore pledged to the payment of the Bonds.** No holder of the Bonds will be entitled to the Federal Subsidy or to a tax credit with respect to the Bonds.

The receipt of the Federal Subsidy is subject to certain requirements, including the filing of a form with the IRS prior to each interest payment date. The Federal Subsidy does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Code.

Redemption Provisions

Optional Redemption. The Bonds are subject to optional redemption prior to scheduled maturity, in whole or in part, at any time, at a price equal to the applicable percentage of par set forth opposite such date:

Date	Percentage of Par
On or after August 1, 2018	102%
On or after August 1, 2019	101%
On or after August 1, 2020	100%

Special Mandatory Redemption. To the extent that less than 100% of the "Available Project Proceeds" (as defined in Section 54(e)(4) of the Code) are expended for Qualified Purposes (as defined herein) by the close of the 3-year period beginning on the date of delivery of the Bonds (or if an extension of such expenditure period has not been received by the Issuer from the Secretary of the Treasury (the "Secretary"), by the close of the extended period (the "Expenditure Period"), the Issuer is required to redeem an amount of Bonds equal to such nonqualified Bonds (determined in the same manner as Section 142 of the Code) within 90 days after the end of such Expenditure Period, at a redemption price equal to the principal amount thereof, plus any accrued but unpaid interest on the Bonds to the date fixed for redemption, payable from such unexpended proceeds of sale of the Bonds held by the Borrower. The Borrower shall pay any redemption price in excess of the aggregate principal amount of the nonqualified bonds to be redeemed from sources other than any proceeds of the Bonds. A redemption of the Bonds as described in this paragraph shall reduce the annual Sinking Fund Deposit Account payments on a pro rata basis.

Extraordinary Optional Redemption - Tax.

The Bonds are subject to redemption prior to their maturity, in whole or in part, at any time at the option of the Borrower on the occurrence of an Extraordinary Event, at the Extraordinary Optional Redemption Price, as such terms are defined below.

"*Extraordinary Event*" means a determination by the Borrower that a material adverse change has occurred to the provisions of the Code pertaining to Qualified School Construction Bonds, or there is guidance published by the Internal Revenue Service or the United States Treasury with respect to such provisions, or there is any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the cash subsidy payment from the United States Treasury with respect to the Bonds is reduced or eliminated.

"*Extraordinary Optional Redemption Price*" means a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds to be redeemed and (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Bonds to be redeemed to the maturity date thereof, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of 12 30-day months, at the Treasury Rate plus one hundred basis points (1.0%), plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two business days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption

date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Optional Redemption – Property Loss

The Bonds are subject to extraordinary redemption, at the option of the Issuer upon a Borrower Request, 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 Agreement, the Project is not reconstructed, repaired or replaced upon the change or destruction thereof, from insurance or condemnation 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 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 Agreement, from excess insurance or condemnation proceeds transferred from the Construction Fund to the Debt Service Fund for such purpose.

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, premium, if any, and accrued interest thereon. If such written notice of redemption is made, if due provision for payment of the redemption price is made and all conditions to the redemption have been fulfilled, all as provided above and in the Indenture, the Bonds which are to be redeemed shall become due and payable at the redemption price from and after the redemption date and will not bear interest. If any Bond is not paid upon the surrender thereof for redemption, such Bond will continue to be Outstanding and will continue to bear interest until paid at the interest rate borne by such Bond.

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 in accordance with the written direction of the Borrower; provided, however, that portions of the Bonds will be redeemed in Authorized Denominations and that no redemption will result in an outstanding Bond being held in less than an Authorized Denomination and provided further that if the Borrower fails to give such written direction, such Bonds shall be selected by lot.

If 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.

Modifications and Amendments

To the extent permitted by, and as provided in the Indenture, modifications or amendments of the Bonds, the Indenture, or of any Supplemental Indenture, and of the rights and obligations of the Issuer and of the Beneficial Owners of the Bonds may be made by the Issuer and the Trustee, which may enter into Supplemental Indentures for the purpose of modifying, altering, supplementing, amending, adding to, or rescinding any of the terms or provisions contained in the Indenture, only with the consent of the Registered Owners of a majority of the Bonds Outstanding or the Bondholder Representative. **However, without the consent of the Registered Owners of 66 2/3% of the Bonds at the time Outstanding and adversely affected thereby or the Bondholder Representative, nothing contained in the Indenture shall permit, or be construed as permitting: (a) an extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Bond; (b) the deprivation of the Registered Owner of any Bond then Outstanding of the lien or the priority of the lien created by the Indenture (other than as permitted by the Indenture when such Bond was initially issued); (c) privilege or priority of any Bond or Bonds over any other Bond or Bonds; or (d) a reduction in the aggregate principal amount of the Bonds, if any, required for consent to such supplemental indenture or amendment to the Loan Agreement.**

SECURITY AND SOURCE OF PAYMENT

Security for the Bonds

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM REVENUES RECEIVED PURSUANT TO THE LOAN AGREEMENT, THE MASTER NOTE, AND, IN CERTAIN CIRCUMSTANCES, OUT OF AMOUNTS SECURED THROUGH THE EXERCISE OF REMEDIES PROVIDED IN THE INDENTURE, THE LOAN AGREEMENT, AND THE MASTER NOTE. 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 FULL 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.

Sinking Fund Deposit Account

The Code provides that an issue of Qualified School Construction Bonds shall not fail to satisfy the requirements for such bonds by reason of any fund that is expected to be used to repay such Qualified School Construction Bonds that (i) is funded at a rate not more rapid than equal annual installments, (ii) is funded in a manner reasonably expected to result in an amount not greater than the amount necessary to repay the Bonds, and (iii) is invested at a yield that is not greater than the permitted sinking fund yield determined under Section 54A(d)(5)(B) of the Code published by the U.S. Treasury. The Borrower shall make mandatory deposits in the Sinking Fund Deposit Account within the Debt Service Fund with the Trustee for the Bonds on August 1 in each of the years and the respective amounts set forth below:

Date of Sinking Fund Deposit	Sinking Fund Deposit[(1) (2)]
8/1/2012	$76,562.50
8/1/2013	76,562.50
8/1/2014	76,562.50
8/1/2015	76,562.50
8/1/2016	76,562.50
8/1/2017	76,562.50
8/1/2018	76,562.50
8/1/2019	76,562.50
8/1/2020	76,562.50
8/1/2021	76,562.50
8/1/2022	76,562.50
8/1/2023	76,562.50
8/1/2024	76,562.50
8/1/2025	76,562.50
8/1/2026	76,562.50
8/1/2027	76,562.50

(1) Preliminary, subject to change. The actual rate of interest earnings are unknown at this time; however, investment earnings on the balance in the Sinking Fund Deposit Account shall be credited against the amount the Borrower would otherwise be required to deposit hereunder.
(2) The maximum permitted yield on the investment of these funds is 3.76%.

Funds deposited to the Sinking Fund Deposit Account shall be applied to pay principal on the Bonds at maturity or prior redemption. Any interest earnings from the investment of prior deposits will be applied as a credit against a subsequent year's sinking fund amount. Such deposits and any interest earned thereon shall be used to pay the principal of the Bonds upon maturity and are pledged to pay the debt service requirements on the Bonds. No amounts held in the Sinking Fund Deposit Account will be paid from proceeds of the Bonds.

The Loan Agreement

The Bonds are payable from amounts payable by the Borrower to the Issuer under the Loan Agreement and secured by 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). 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 Master Note. All such loan payments are required to be made to the Trustee by the Borrower.

The Master Note

Pursuant to the Loan Agreement, the Borrower will execute and deliver to the Trustee, as the designee of the Issuer, the Master Note in the principal amount equal to the principal amount of the Bonds. The Master Notes are Senior Notes, as such term is defined in the Master Indenture. Payments under the Master Note 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" attached hereto).

The Master Indenture

The Master Note issued by the Borrower to the Trustee evidencing the obligation of the Borrower to make the payments required under the Loan Agreement is a duly authorized promissory note 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 Adjusted Revenues to the Master Trustee, which Adjusted Revenues are pledged to the payment of all Notes issued under the Master Indenture, including the Master Note.

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 Forms of the Master Indenture and the Supplemental Master Trust Indenture No. 2" attached hereto).

Revenue Fund

As security for the repayment of the Master Note and the performance by the Borrower of its other obligations under the Bond Documents (as defined in the Indenture), the Borrower covenants and agrees in the Master Indenture that, if and only if an Event of Default under the Master Indenture shall occur, the Borrower will deliver or cause to be delivered to the Master Trustee, within five Business Days from the day of receipt, all of its Adjusted Revenues (except to the extent otherwise provided by or inconsistent with any permitted instrument creating any mortgage, lien, charge, encumbrance, pledge or other security interest granted, created, assumed, incurred or existing), as well as any insurance and condemnation proceeds, beginning on the first day of such Event of Default thereof and on each day thereafter, for deposit into the Revenue Fund held by the Master Trustee until no default exists under the Master Indenture. 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 shall 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 payable;

(2) equally and ratably to the Holder of each instrument evidencing a Senior Note on which there has been a default pursuant to Section 601(a) an amount equal first to all defaulted interest on such Senior Note and second to all defaulted principal of (or premium, if any, on) such Senior Note;

(3) equally and ratably to the Holder of each instrument evidencing a Subordinate Note on which there has been a default pursuant to Section 601(a) an amount equal first to all defaulted interest on such Subordinate Note and second to all defaulted principal of (or premium, if any, on) such Note;

(4) a transfer to the Interest Account of an amount necessary to accumulate in equal monthly installments the interest on the Senior 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 each 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 Senior 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 a Senior Note the amount of interest on each Senior Note as such interest becomes due;

(5) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Senior 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 Master 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 a Senior Note the amount of principal payments due on each Senior 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;

(6) to the Holder of any Senior Note entitled to maintain a reserve fund for the payment of such Senior Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in 12 equal monthly installments or as otherwise in such amounts required by the applicable Related Bond Documents;

(7) a transfer to the Interest Account of an amount necessary to accumulate in equal monthly installments the interest on the Subordinate 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 each 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 Subordinate 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 a Subordinate Note the amount of interest on each Subordinate Note as such interest becomes due;

(8) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Subordinate 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 Master 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 a Subordinate Note the amount of principal payments due on each Subordinate 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;

(9) to the Holder of any Subordinate Note entitled to maintain a reserve fund for the payment of such Subordinate Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in 12 equal monthly installments or as otherwise in such amounts required by the applicable Related Bond Documents; and

(10) 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 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.

Upon satisfaction of the applicable requirements of Section 212 of the Master Indenture, additional Debt may be issued for the purposes provided in the Act, to pay the costs associated with such additional Debt, and/or for the purpose of refunding any Outstanding Debt if certain conditions are met. Among those conditions are (A) delivery of an Officer's Certificate stating that, for either the Borrower's most recently completed Fiscal Year or for any consecutive twelve months of the most recent eighteen months immediately preceding the issuance of the additional Debt, the Available Revenues equal at least 1.20 times the Maximum Annual Debt Service on all Debt then Outstanding prior to the issuance of the additional Debt and (B) an Independent Management Consultant selected by the Borrower provides a written report setting forth projections which indicate that the estimated Available Revenues are equal to at least 1.00 times the Maximum Annual Debt Service for all Debt then Outstanding, including the proposed additional Debt, in the Fiscal Year immediately following the completion of the Project being financed, or (C) in lieu of the requirements described in (A) and (B) above, delivery of an Officer's Certificate stating that, based on the audited results of the operations for the most recently completed Fiscal year, the Available Revenues equal at least 1.10 times Maximum Annual Debt service on all Debt then Outstanding as well as the additional Debt. For all requirements relating to the issuance of additional Debt, see Section 212 of "APPENDIX D -Substantially Final Forms of the Master Indenture and the Supplemental Master Trust Indenture No.1" attached hereto.

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 Master Note, 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 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 thereof 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" attached hereto.)

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 Master Note; (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.

Renewal and Replacement Fund

The Indenture establishes a Renewal and Replacement Fund. There will be deposited into the Renewal and Replacement Fund as and when received (a) all payments pursuant to the Loan Agreement, and (b) all other moneys deposited into the Renewal and Replacement Fund pursuant the Indenture. Any amounts on deposit in the Renewal and Replacement Fund in excess of the Renewal and Replacement Fund Requirement will be transferred by the Trustee to the Borrower at the written direction of the Borrower; provided, however, that the amount remaining in the Renewal and Replacement Fund immediately after such transfer is equal to or more than the Renewal and Replacement Fund Requirement, as described in the Indenture. Bondholders shall have no rights in or claims to money held in the Renewal and Replacement Fund.

The Renewal and Replacement Fund will be in the custody of the Trustee, but in the name of the Borrower. The Trustee is required to keep and maintain adequate records pertaining to the Renewal and Replacement Fund and all disbursements there from and will annually file an accounting thereof with the Borrower and the Bondholder Representative.

Absent an Event of Default hereunder, payments will be made from the Renewal and Replacement Fund upon receipt by the Trustee of a written requisition from an authorized representative of the Borrower setting forth the amount and the payee for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Project in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto.

Deed of Trust

The Borrower will issue a Deed of Trust and Security Agreement (With Assignment of Rents and Leases) covering the Campuses located in Richardson, Texas (collectively, the "Land and Improvements"), in favor of the Master Trustee for the benefit of the Holders of the Master Note.

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" herein.

Control of Rights and Remedies

Under the Indenture, the Bondholder Representative will be deemed to be the holder of all of the Outstanding Bonds, except for the purpose of receiving payment of the principal of and interest and premium, if any, on the Bonds and except as described below. Accordingly, without the consent of the Bondholders, any provision of the Indenture or the Loan Agreement may be amended or waived, and property securing the obligations of the Borrower under the Indenture and the Loan Agreement may be released from the liens created by the Indenture, the Deed of Trust and the Loan Agreement.

With the consent of the holders of 66 2/3% of the Outstanding Bonds or the Bondholder Representative (a) the maturity of any Bond may be extended if all the requirements under the Indenture are met, (b) the principal amount of any Bond or the redemption premium or the rate of interest on any Bond may be reduced, (c) a preference or priority of any Bond or Bonds over any others may be created, (d) the aggregate principal amount of the Bonds required to consent to supplemental Indentures or amendments to the Loan Agreement or the Deed of Trust may be reduced, and (e) the aggregate principal amount of the Bonds required to waive an Event of Default may be reduced.

Dependence on the Operations of the Borrower

Dependence on Per Student Revenues. The Borrower derived approximately 96.13% of its revenues during the 2008-2009 fiscal year from payments by the State 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" herein and "APPENDIX B – Proforma Financial Plan" attached hereto.

Growth of Student Enrollment. For 2009-2010, the Borrower expects to receive approximately $6,200 per student in weighted average daily attendance, but such amount may vary from year to year. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS – State Funding" and "–Local Funding" herein. The student enrollment was 337 for the 2004-2005 fiscal year, 352 for the 2005-2006 fiscal year,

347 for the 2006-2007 fiscal year, 359 for the 2007-2008 fiscal year, and 405 for the 2008-2009 fiscal year. As of May 28, 2010, enrollment was 420. 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" herein and "APPENDIX B – Proforma Financial Plan" attached hereto.

Accuracy of Borrower Projections of Growth. The Borrower can pay the debt service on the Bonds without any increases to its weighted average daily attendance. The basis for such projections are the applications for admissions for the Borrower's grades currently in operation (grades 9-12). As of May 28, 2010, there were 70 applications on the waiting list for admission and the Borrower's historical ratio of acceptance of applications has been approximately 60%. See "APPENDIX B – Proforma Financial Plan" attached hereto. 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. Potential investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. **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, continued operations and maintenance of the Borrower's facilities, 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" herein and "APPENDIX B – Proforma Financial Plan" attached hereto.

Risks of Non-Completion. The financed facility requiring construction is located in Richardson, Texas (see "PLAN OF FINANCING – Summary of Project and Expenses" herein). The projected completion date is September 30, 2011.

Bond proceeds will be escrowed with the Trustee in the Project Account of the Construction Fund until such time that a fixed-price construction contract is presented to complete the construction using the amounts available in the Project Fund and other available funds of the Borrower as necessary. Failure to complete the Project or to complete it timely, 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 has entered into a fixed-price construction contract for construction of the Project. 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 any additional 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. 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 Charter School Operations. The likelihood of success of the Borrower must be viewed in light of the special problems, expenses, difficulties, delays, and complications often encountered in the operation of a charter school. The Borrower has been operating since 2002. Construction of the new facility is necessary to reach projected average daily attendance. The Borrower's charter is subject to renewal in 2019. 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 received by many private schools in the area. A potential investor should anticipate that significant operational difficulties will exist for the Borrower that may not exist for traditional public schools or for established private schools.

The system of charter schools in Texas was established in 1995. Potential purchasers should therefore be aware that the system under which the Borrower operates could be significantly affected by unforeseen problems arising from the statutory provisions governing charter schools in Texas or future changes therein. See "RISK FACTORS – Dependence on the State – Changes in the School Finance System" and "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" herein.

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 debt service on 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 that 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 occur 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 Master Trustee. The Master Indenture provides that, upon the occurrence of an Event of Default, all of the Adjusted Revenues will be deposited into the Revenue Fund held by the Master Trustee, and the Borrower covenants and agrees in the Master Indenture that, without demand by the Master Trustee, it will deliver or cause to be delivered to the Master Trustee within five Business Days from the day of receipt the Revenues to be so deposited. The only remedy available to the Master Trustee and/or Bondholders would be a suit against the Borrower to enforce the provisions of the Master Indenture.

Assumptions Regarding Enrollment and State Funding

The Borrower 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 is 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" attached hereto. 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 2010 through 2014, and, consequently, do not cover the whole period during which the Bonds may be outstanding.

Tax-Exempt Status of the Borrower

The maintenance of the Borrower's status as an organization described in Section 501(c)(3) of the Code 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 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.

On December 20, 2007, the IRS issued an updated version of Form 990, the return that charities and other tax-exempt organizations are required to file annually, for tax year 2008 (returns filed in 2009). The new Form 990 implements more stringent reporting requirements for tax-exempt organizations than previously in effect. Major revisions were made to the form's summary page, governance section, and various schedules, including those relating to executive compensation, related organizations, and tax-exempt bonds. The IRS also announced a phase in of the new form's schedules for tax-exempt bonds (Schedule K). The additional oversight required to comply with the new Form 990 in the future will almost certainly require an increased investment of time and money on the part of the Borrower and may increase the potential for sanctions and monetary penalties imposed by the IRS.

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, such 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 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.

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 biennially in each odd-numbered year, 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 Trustee as assignee of the Issuer to make timely payments of Debt Service on the Bonds. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" herein.

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's charter schools, 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" herein.

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 charter schools commit a material violation of the charters, 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, 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" herein.

Payment of State Revenues to Master Trustee. The Master Indenture provides that, upon the occurrence of an Event of Default, all of the Adjusted Revenues (including State Revenues) required to be deposited under the Master Indenture will be deposited into the Revenue Fund held by the Master Trustee, and the Borrower will covenant and agree in the Master Indenture that, without demand by the Master Trustee, it will deliver or cause to be delivered to the Master Trustee, within five Business Days from the day of receipt, the Adjusted Revenues to be so deposited. THE ONLY REMEDY AVAILABLE TO THE MASTER TRUSTEE OR A BONDHOLDER WOULD BE A SUIT AGAINST THE BORROWER TO ENFORCE THE PROVISIONS OF THE MASTER INDENTURE.

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 Master Indenture) 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 $250,000, 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 affected 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.

If it is ever determined that any structure within the Project is located in a flood plain (as defined by federal regulations), the Borrower shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for flood insurance for the Project. Such flood insurance shall constitute the type of such insurance that is available at the time and is customary in connection with the operation of facilities of the type and size comparable to the Project.

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 by the Borrower under the Loan Agreement or the Master Note 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 "RISK FACTORS – Limited Obligations" herein.

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" below).

Risk of Bankruptcy

As is true with many entities that 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. So long as the Borrower is a non-profit corporation it cannot be forced into an involuntary bankruptcy by one or more creditors even if it is properly characterized as a corporate debtor. 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 Mortgage Trustee (as defined in the Deed of Trust) a first lien on and security interest in the Land and Improvements. The Land and Improvements are located in Richardson, Texas (see the "PLAN OF FINANCING – The Facilities and the Project" herein).

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 Land and 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 that could be made of the property, and the number of entities that 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 Debt that is secured under the Master 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" attached hereto.

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 Bonds could result in a Determination of Loss of Qualified School Construction Bond Status.

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 in 1999.

Management

The Borrower is governed by a four-member board of directors (the "Board"). The Board is selected pursuant to the provisions of the bylaws of the Borrower and has the authority to make decisions, appoint the President of the Borrower, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the Borrower. The current Board is comprised of the following members:

Member	Title	Occupation	Began Service on the Board
Seleste Sully	Chair	School Administrator	September 1, 2000
Sophia Perkins	Secretary	Educator	September 1, 2000
L. Charles Chatman	Board Member	Pharmacist	September 1, 2000
Leslie Mouton	Board Member	Insurance Specialist	September 1, 2000

Seleste Sully. Ms. Sully possesses a Masters in Education Administration and Bachelor of Science degree in Chemistry/Biology. She has been an assistant principal for the past two years and has over 15 years experience as an educator, primarily in the science areas, designing and delivering instructional materials to a diverse, multicultural population.

Sophia Perkins. Ms. Perkins possesses a Bachelor of Science degree in elementary education and generic special education. Ms. Perkins has over 16 years experience as an educator, primarily teaching first and fifth grade students.

L. Charles Chatman. Mr. Chatman possesses a Bachelor of Science degree in Pharmacy and an Associate degree in Science. He has spent the past 11 years working as a pharmacist in a national drug store.

Leslie Mouton. Ms. Mouton possesses a Bachelor of Arts degree in Business Administration and Management. Ms. Mouton has spent the past 18 years working in the insurance industry as a claims adjustor, insurance agent, and auto claims representative.

History

The Borrower was granted an open enrollment charter in 2001. On January 7, 2002 the Borrower began serving students in grades nine through twelve. The initial charter was issued for a period of five years (through August 1, 2006) and subsequently extended through July 31, 2009. The Borrower has been granted a ten year charter that was renewed on April 6, 2010 with a contract ending date of July 31, 2019.

Strategic Focus

The Borrower targets students who have dropped out of school or who are seriously at risk of doing so. The Borrower serves a diverse group of students, who come from various school districts throughout the Dallas Metroplex, including districts within Dallas, Denton, and Collin Counties. These dynamics create a diverse culture.

The Borrower's current charter is for 600 students. Currently, the Borrower has an enrolment of 420 students, with approximately 70 student applications for the waiting list. The Borrower plans to operate at the 600 maximum student capacity by August 31, 2014. When the time comes that the Borrower needs to operate at a level greater than 600 students, the Borrower will be required to obtain permission from Texas Education Agency ("TEA"). While the Borrower will have the capacity for a maximum of 1,200 students it is not guaranteed that the Borrower will obtain such authorization to enroll greater than 600 students. See APPENDIX G attached hereto for detailed information about the Campuses.

Mission Statement

The mission of the Borrower is to enable its students to achieve academic, social, and career success. This supportive school develops student interests and abilities, while acknowledging and respecting each student's personal cultural identity.

This mission is accomplished by providing a comprehensive, integrated instructional program in an organized learning environment. Students will be prepared to successfully complete their secondary education and become productive responsible citizens of the future through school, parent, and community involvement.

Executive Succession Plan

A change in executive leadership is inevitable for all organizations and can be a very challenging time. Therefore, it is the policy of the Borrower to be prepared for an eventual permanent change in leadership – either planned or unplanned – to ensure the stability and accountability of the organization until such time as new permanent leadership is identified. The Board shall be responsible for implementing this policy and its related procedures.

It is also the policy of the Board to assess the permanent leadership needs of the organization to help ensure the selection of a qualified and capable leader who is representative of the community, a good fit for the organization's mission, vision, values, goals and objectives, and who has the necessary skills for the organization. To ensure the organization's operations are not interrupted while the Board assesses the leadership needs and recruits a permanent executive officer shall ensure that the organization continues to operate without disruption and that all organizational commitments previously made are adequately executed, including but not limited to, loans approved, reports due, contracts, licenses, certifications, memberships, obligations to lenders or investors of the Borrower, and others.

It is also the policy of Evolution Academy, to develop a diverse pool of candidates and consider at least three finalist candidates for its permanent CEO position. Evolution Academy, shall implement an external recruitment and selection process, while at the same time encouraging the professional development and advancement of current employees. The interim CEO and any other interested internal candidates are encouraged to submit their qualifications for review and consideration by the transition committee according to the guidelines established for the search and recruitment process.

Procedures for Succession.

For a temporary change in executive leadership (i.e., illness or leave of absence) refer to the organization's Personnel Guidebook. In the event the chief executive officer (CEO) of Evolution Academy, is no longer able to serve in this position (i.e., leaves the position permanently), the Board shall do the following:

1. Within 5 business days appoint an interim CEO according to the following line of succession:

    1. Chief operating officer (COO) of Evolution Academy.
    2. External consultant (with experience as an interim executive director).

2. Within 15 business days appoint an executive transition committee, in the event that a permanent change in leadership is required. This committee shall be comprised of at least one member of the executive committee and two members of the Board. It shall be the responsibility of this committee to implement the following preliminary transition plan:

    1. Communicate with key stakeholders regarding actions taken by the Board in naming an interim successor, appointing a transition committee, and implementing the succession policy. The organization shall maintain a current list of key stakeholders who must be contacted, such as lenders and investors of Evolution Academy, foundations, government agencies, and other.
    2. Consider the need for consulting assistance (i.e., transition management or executive search consultant) based on the circumstances of the transition.

Biography of Cynthia A. Trigg – Superintendent/Chief Executive Officer

Cynthia Trigg is the founder of Evolution Academy and currently serves as the Chief Executive Officer of the school. She possesses a Masters in Education Administration and Bachelors of Science in Government and General Education. She has over 18 years experience in working with public schools. Cynthia Trigg has served as a Secondary English and History Teacher, Director of Student Activities, Principal, and Assistant Principal in the public school system. She has also served as an Educational Consultant of Region IV Educational Service Center.

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FINANCIAL AND OPERATIONS INFORMATION

Statement of Financial Position for the Years Ended August 31, 2009, 2008, and 2007

The following is derived from the Borrower's audited financial statements for fiscal years 2009, 2008, and 2007 obtained from the TEA website. The Borrower has not sought or obtained the consent of its auditors for inclusion of the audited financial information.

Balance Sheet

	FYE 2009	FYE 2008	FYE 2007
Assets:			
Current Assets			
Cash and cash equivalents	$ 1,272,715	$ 971,736	$ 1,113,549
Due from State	86,164	75,745	87,058
Due from Federal Agency	--	5,000	--
Accounts receivable – Other	814	189	5
Prepaids	12,691	11,941	13,388
Total current assets	1,372,384	1,064,611	1,213,910
Property and equipment, net	3,529,235	3,409,433	1,516,928
Total Assets	$ 4,901,619	$ 4,474,044	$ 2,730,838
Liabilities & Net Assets:			
Current Liabilities			
Accounts payable	$ 91,981	$ 15	$ 6,423
Accrued payroll and related liabilities	43,308	33,075	69,174
Deferred Revenue	--	--	5,985
Related party notes payable	450	450	450
Note payable	63,450	--	--
Total current liabilities	199,189	33,540	82,032
Long Term Liability			
Note Payable	2,371,505	2,491,128	1,094,935
Total Liabilities	$ 2,570,694	$ 2,524,668	$ 1,176,967
Net Assets			
Unrestricted	135,436	119,178	106,527
Temporarily restricted	2,195,489	1,830,198	1,447,344
Total net assets	2,330,925	1,949,376	1,553,871
Total Liabilities and Net Assets	$ 4,901,619	$ 4,474,044	$ 2,730,838

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Statements of Activities for the Years Ended August 31, 2009, 2008, and 2007

The following is derived from the Borrower's audited financial statements for fiscal years 2009, 2008, and 2007. The Borrower has not sought or obtained the consent of its auditors for inclusion of the audited financial information obtained from the TEA website.

	FYE 2009	FYE 2008	FYE 2007
Revenues and Other Support			
Local support:			
Contributions	$ --	$ --	$ --
Other	6,590	12,651	101,666
Total local support	6,590	12,651	101,666
State program revenues:			
Foundation School Program	2,814,449	2,524,526	2,261,931
Texas ASAP	9,066	30,934	--
Math Grant	23,326	26,634	9,355
TX High School Redesign	--	142,124	122,626
Technology Allotment	8,534	14,099	1,300
Total state program revenues	2,855,375	2,738,317	2,395,212
Federal program revenues:			
ESEA Title I, Part A	35,208	31,857	109,347
ESEA Title I, SIP	--	119,210	--
IDEA-B Capacity and Formula	56,956	56,166	48,506
National Breakfast Program	7,682	1,873	1,758
Achieve Texas College	--	50,000	--
Title III, LEP	--	5,792	1,407
Title V	--	188	--
ESEA Title II, Part A	8,520	13,734	10,230
Investment Capital Fund	--	45,000	--
Total federal program revenues	108,366	323,820	171,248
Net assets released from restrictions:			
Satisfaction of program restrictions	--	--	--
Total revenues and other support	2,970,331	3,074,788	2,668,126
Expenses and Other Losses			
Program services:			
General School Operations	1,600,770	1,222,884	1,019,953
ESEA Title I, Part A	35,208	31,857	109,347
ESEA Title I, SIP	--	119,210	--
IDEA-B Capacity and Formula	56,956	56,166	48,506
National Breakfast Program	18,305	19,052	14,653
Achieve Texas College	--	50,000	--
Title III, LEP	--	5,792	1,407
Title V	--	188	--
ESEA Title II, Part A	8,520	13,734	10,230
Investment Capital Fund	--	50,000	--
Texas ASAP	9,066	30,934	--
Math Grant	23,326	26,634	9,355
TX High School Redesign	--	142,124	122,626
Technology Allotment	8,534	14,099	1,300
Total program services	1,760,685	1,782,674	1,337,377
Support services			
Administrative Support Services	201,889	180,154	121,256
Support Services – Non-Student Based	503,290	632,190	341,461
Support Services – Student (Pupil)	132,586	125,343	96,901
Fundraising	--	--	438
Total expenses	2,598,450	2,720,361	1,897,433
Change in net assets	371,881	354,427	770,693
Net assets at beginning of year	1,949,376	1,553,871	783,693
Prior Period Adjustment	9,668	41,078	783,178
Net assets at end of year	$ 2,330,925	$ 1,949,376	$ 1,553,871

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Statements of Functional Expenses for the Years Ended August 31, 2009, 2008, and 2007

The following is derived from the Borrower's audited financial statements for fiscal years 2009, 2008, and 2007 obtained from the TEA website. 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 attached hereto**.**

Description of Expenses	**FYE 2009**	**FYE 2008**	**FYE 2007**
Payroll costs	$ 1,414,134	$ 1,272,414	$ 1,184,840
Professional and contracted services	564,153	668,656	368,414
Supplies and materials	114,648	374,275	54,984
Other operating costs	318,010	237,844	219,598
Debt	187,505	167,172	69,597
Total	$ 2,598,450	$ 2,720,361	$ 1,897,433

Audited Financial Information

Audited financial statements for the Borrower for the fiscal years 2009, 2008, and 2007 obtained from the Texas Education Agency website 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 in this Limited Offering Memorandum. The Issuer has not independently certified the Borrower's financial information.

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

The Borrower has projected revenues for the fiscal years from 2009-2010 through 2013-2014, 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 Enrollment" and "–Accuracy of Borrower Projections of Growth" herein. 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" herein.

The maximum annual combined net debt service for the Bonds is $519,502 (2023). See Schedule 1 – Projected Net Debt Service. The weighted average daily attendance (WADA) for fiscal year ending August 31, 2009 was 475. Based on the analysis provided by the Borrower, a copy of which is reproduced as "APPENDIX B – Proforma Financial Plan" attached hereto and, assuming the Borrower's projected operating expenditures (less any contingencies and surplus included in projections of expenses by the Borrower), weighted average daily attendance of 443 or greater will support such projected maximum combined annual debt service and operating expenses.

Based on the 2009 audit results of asset valuation totaling $683,339 of the Borrower, the debt service coverage is at least 1.36 times the annual principal and interest requirements of the Bonds. Asset valuation is comprised of $371,881 change in net assets + $61,458 depreciation + $250,000 combined lease payments for fiscal year 2010. The Borrower will continue operating the leased facilities. The projections by the Borrower assume State funding of approximately $6,200 per weighted average daily attendance, which was the state funding rate for audited fiscal year 2009.

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 (the "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) of the Code, 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" herein.

Limitation on Number of Charters Granted

The 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 (the "Commissioner").

Authority Under Charter

An open-enrollment charter school is to 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 thereunder only to the extent the applicability of a provision of the Texas Education Code or a rule adopted thereunder 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 thereunder 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; and 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 public information. 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, as amended, is entitled to the benefits of the Foundation School Program. The Commissioner 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, 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 receives:

> 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. 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 for each cent of tax effort that exceeds the compressed tax rate in State and local funds. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding of Local Public Schools" herein.

The Borrower's total per student State funding for the 2008-2009 fiscal year was approximately $6,019.26 per weighted average daily attendance. The Borrower's historical total per student State funding and projected total per student State funding can be found attached hereto as Appendix B.

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 Board of Education has the authority to select applicants to establish open-enrollment charter schools. The Board of Education has adopted an application form and procedures for applications to operate an open-enrollment charter school. The Board of Education 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 the Texas Education Code or by 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 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 Board of Education.

Not more than once a year, an open-enrollment charter school may request approval to revise the maximum student enrollment. The Borrower will not be required to obtain approval to increase its maximum enrollment in order to meet its projected revenues or accommodate the anticipated enrollment.

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

The Commissioner 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 April 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 not 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 decision in West Orange-Cove II, the Texas Legislature (the "Legislature") enacted House Bill 1 ("HB 1") in the 79th Legislative 3rd Special Session (2006), which made substantive changes in the way the Finance System is funded, as well as other legislation which, among other things, established 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 Operation and Maintenance Tax rates, 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 (HB 1 and other described legislation 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 district.

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 that could benefit or be a detriment to an open-enrollment chart school 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, neither the Borrower nor the Issuer can make 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.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

General

The following description of the Public School Finance System (the "Finance System") is a summary of the Reform Legislation and the changes made by the State Legislature to the Reform Legislation since its enactment, including modifications made during the regular session of the 81st Texas Legislature (the "2009 Regular Legislative Session"). For a more complete description of school finance and fiscal management in the State, reference is made to Vernon's Texas Codes Annotated, Education Code, Chapters 41 through 46, 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. Although these changes to the Finance System were intended to reduce local school taxes, 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. 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 Legislative Budget Board projected that the Reform Legislation would be underfunded from the Reform Legislation revenue sources by a cumulative amount of $25 billion over fiscal years 2006-07 through 2010-11, however State surpluses have been appropriated to offset the revenue shortfall in fiscal year 2006-07 and for the 2008-09 and 2010-11 State biennia.

Under the Finance System, as modified during the 2009 Regular Legislative Session, a school district that imposes a maintenance and operations tax ("M&O Tax") at least equal to the product of the "state compression percentage" (as defined below) multiplied by the district's 2005-06 M&O Tax rate is entitled to at least the amount of State funding necessary to provide the district with the sum of (A) the amount of State and local revenue per the weighted average daily attendance ("WADA") to which the school district would be entitled for the 2009-10 school year as calculated under the law as it existed on January 1, 2009, (B) an additional $120 per WADA, (C) an amount to which the district is entitled based on supplemental payments owed to any tax increment fund for a reinvestment zone and (D) any amount due to the district to the extent the district contracts for students residing in the district to be educated in another district (i.e., tuition allotment). If a district adopts an M&O Tax rate in any fiscal year below a rate equal to the state compression percentage for the district in that year multiplied by the M&O Tax rate adopted by the district for the 2005-06 fiscal year, the district's guaranteed amount is reduced in a proportionate amount. If a district would receive more State and local revenue from the Tier One and Tier Two allotments (each as hereinafter defined) and wealth equalization than the guaranteed amount described above, the amount of State funding will be reduced by the amount of such surplus over the guaranteed amount described above.

In general terms, funds are allocated to districts in a manner that requires districts to "compress" their tax rates in order to receive increased State funding at a level that equalizes local tax wealth at the 88th percentile yield for the 2006-07 fiscal year. The state compression percentage is a basic component of the funding formulas. The state compression percentage was 66.67% for fiscal years 2007-08 and 2008-09. For fiscal year 2009-10 and thereafter, the Commissioner is required to determine the state compression percentage for each fiscal year based on the percentage by which a district is able to reduce its M&O Tax rate for that year, as compared to such district's adopted M&O Tax rate for the 2005-06 fiscal year, as a result of State funds appropriated for distribution for the current fiscal year from the property tax relief fund established under the Reform Legislation, or from any other funding source made available by the Legislature for school district property tax relief. For fiscal year 2009-10, the Commissioner determined the State compression percentage to be 66.67%.

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 that exceeds the compressed tax rate to provide operational funding for an "enriched" educational program ("Tier Two"). In addition, to the extent funded by the Legislature, the Finance System includes, among other funding allotments, an allotment to pay operational expenses associated with the opening of a new instructional facility. Tier One and Tier Two allotments represent the State funding share of the cost of maintenance and operations of public schools and supplement local ad valorem M&O Taxes levied for that purpose. Tier One and Tier Two allotments are generally required to be funded each year by the Legislature.

Tier One allotments are intended to provide all schools a basic program of education rated academically acceptable and meeting other applicable legal standards. Tier Two allotments are intended to guarantee each school that is not subject to the wealth transfer provisions described below an opportunity 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 cost of the basic program is based on an allotment per student known as the "Tier One Basic Allotment." For the 2009-10 through 2012-13 school years, the basic allotment is set at the greater of $4,765 or 1.65% of the statewide average property value per student in WADA and, thereafter, at the lesser of $4,765 or that amount multiplied by the quotient of the district's compressed tax rate divided by the State maximum compressed tax rate of $1.00. This increase was due to changes in law effected by the Legislature during the 2009 Regular Legislative Session, which combined certain funding allotments that previously were separate components of Tier Two funding into the Tier One Basic Allotment. An additional change made during the 2009 Regular Legislative Session, beginning with 2010-11 school year, limits the annual increases in a district's M&O Tax revenue per WADA for purposes of State funding to not more than $350, excluding Tier Two funds. For the 2009-10 school year, the revenue increases are limited to the funds that a district would have received under the school finance formulas as they existed on January 1, 2009, plus an additional $350 per WADA, excluding Tier Two funds.

Tier Two currently provides two levels of enrichment with different guaranteed yields depending on the district's local tax effort. For fiscal year 2009-10, the first six cents of tax effort that exceeds the compressed tax rate will generate a guaranteed yield equivalent to (a) that of the Austin Independent School District or (b) the amount of tax revenue per WADA received on that tax effort in the previous year, whichever is greater. The second level of Tier Two is generated by tax effort that exceeds the compressed tax rate plus six cents and has a guaranteed yield per penny of local tax effort of $31.95. Before 2009-10, Tier Two consisted of a district's M&O Tax levy above $0.86.

A public school 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 public 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 district'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 Limited Offering Memorandum. 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 affect 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 MMI 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

The underlying rating on the Bonds is "BBB-" by Standard & Poor's Ratings Group, a Division of The McGraw-Hill Corporation. The rating on the Bonds reflects only the respective views of the rating agency at the time any such rating is given, and the Borrower makes no representations as to the appropriateness of any such rating. There is no assurance that any such rating will continue for any given period of time, or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of any such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

THE ISSUER

Creation and Authority

The Texas Public Finance Authority Charter School Finance Corporation is a public non-profit corporation created by the Texas Public Finance Authority (the "Authority" or "Sponsoring Entity") 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 authorized charter schools for the purpose of aiding such schools in financing or refinancing "educational facilities" (as such term is 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 five members, all of whom were appointed by the Board of Directors of the Authority. Board members serve two-year staggered 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, 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 of the Authority. 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 facility authority, and the Issuer makes no representations or warranties as to the Borrower, including specifically the operations of the Borrower as an open-enrollment charter school 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

Wells Fargo Bank, National Association, Dallas, Texas, will initially act as Trustee under the Indenture and as Master Trustee under the Master Indenture.

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 Master Note, 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 LLP, 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: (i) under the captions "SECURITY AND SOURCE OF PAYMENT," "THE BONDS," "LEGAL MATTERS," "FEDERAL TAX CREDIT," "TAX MATTERS," "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS," and "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and is of the opinion that the information therein is correct as to matters of law; and (ii) under the captions "CONTINUING DISCLOSURE OF INFORMATION," "APPENDIX C – FORM OF OPINION OF BOND COUNSEL," "APPENDIX D – SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL MASTER TRUST INDENTURE NO. 2," "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 Master Note, the Deed of Trust, or the title of the officers thereof to their respective offices.

TAX MATTERS

The following discussion describes certain U.S. federal income tax considerations of United States persons that are beneficial owners ("Owners") of the 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 Department nor Bond Counsel has obtained, nor does the Department 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 Bonds. This summary is limited to initial holders who purchase the Bonds for cash at their "issue price" (which will equal the first price at which a substantial portion of the Bonds is sold for cash to persons other than Bondhouses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and who hold the Bonds as capital assets within section 1221 of the Code (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 or 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, or to an Owner that might have purchased the Bonds in circumstances that would give rise to original interest discount, acquisition premium, market discount or amortizable premium. 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 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 Bonds, including the advisability of making any of the elections described below, before determining whether to purchase the Bonds.

The Code generally defines a "United States person" as (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 and (iv) a trust whose administration is subject to the primary supervision of a United State 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 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 the Bond that is a partner of a partnership that will hold 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 Bond generally will be taxable in each year the Bond is held by the Owner as ordinary income without regard to the time it otherwise accrues or is received in accordance with such Owner's regular method of accounting for U.S. federal income tax purposes.

Payments of Interest

Stated interest paid on each 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.

Disposition or Retirement

Upon the sale, exchange or certain other dispositions of a Bond, or upon the retirement of a Bond (including by redemption), an Owner will generally recognize capital gain or loss. This gain or loss will equal the difference, if any, between the Owner's adjusted tax basis in the 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 in the accrued interest 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 Bond. An Owner's tax basis in the Bond will generally equal the amount the Owner paid for the Bond. The gain or loss will be long-term capital gain or loss if the Owner held the 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.

Defeasance of the Bonds

Defeasance of any of the Bonds may result in a reissuance thereof for U.S. federal income tax purposes. In the event of a reissuance, an Owner may recognize taxable gain or loss as described in "Disposition or Retirement" above, even if such Owner does not receive any cash at the time such Bonds are defeased.

Information Reporting and Backup Withholding

Information reporting will apply to payments of interest on, or the proceeds of the sale or other disposition of, the 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 actual U.S. federal income tax liability and such Owner timely 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 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 Internal Revenue Service 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 Bonds. Bond Counsel will receive a non-refundable fee contingent upon the successful marketing of the Bonds, but not contingent on any taxpayer's realization of tax benefits from the Bonds. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor. This disclosure is provided

to comply with Treasury Circular 230.

IN ADDITION, THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN OWNER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

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 $1,200,500.00, which reflects the par amount of the Bonds less an underwriting discount of $24,500.00 and no accrued interest. 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. 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 Municipal Securities Rulemaking Board (the "MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

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 Limited Offering Memorandum in APPENDIX A and APPENDIX G attached hereto. 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 the MSRB.

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 attached hereto 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 the MSRB.

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 Loan 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 the MSRB.

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 underwriter 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" herein. 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 LIMITED OFFERING MEMORANDUM

Sources and Compilation of Information

The financial data and other information contained in this Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum 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.

SCHEDULE 1
PROJECTED NET DEBT SERVICE

FYE 31-Aug	Total Debt Service Series 2010A, 2010B and 2010Q	Less: Federal Subsidy on Series 2010Q Bonds	Plus: Sinking Fund Deposits on Series 2010Q Bonds	Less: Capitalized Interest	Less: Series 2010Q QSCB Payoff from Sinking Fund		Net Debt Service
2010	$ -	$ -	$ -	$ -	$ -		$ -
2011	336,621	(47,652)	-	(47,342)	-		241,628
2012	459,350	(61,486)	76,563		-		474,426
2013	462,100	(61,486)	76,563		-		477,176
2014	459,400	(61,486)	76,563		-		474,476
2015	461,700	(61,486)	76,563		-		476,776
2016	458,550	(61,486)	76,563		-		473,626
2017	460,400	(61,486)	76,563		-		475,476
2018	456,800	(61,486)	76,563		-		471,876
2019	458,200	(61,486)	76,563		-		473,276
2020	459,150	(61,486)	76,563		-		474,226
2021	459,650	(61,486)	76,563		-		474,726
2022	459,700	(61,486)	76,563		-		474,776
2023	494,300	(61,486)	76,563		-		509,376
2024	487,800	(61,486)	76,563		-		502,876
2025	481,300	(61,486)	76,563		-		496,376
2026	474,800	(61,486)	76,563		-		489,876
2027	1,613,300	(61,486)	76,563		(1,225,000)	(A)	403,376
2028	461,750	-	-				461,750
2029	458,425	-	-				458,425
2030	459,450	-	-				459,450
2031	459,500	-	-				459,500
2032	458,575	-	-				458,575
2033	461,675	-	-				461,675
2034	458,475	-	-				458,475
2035	459,300	-	-				459,300
2036	458,825	-	-				458,825
2037	457,050	-	-				457,050
2038	458,975	-	-				458,975
2039	459,275	-	-				459,275
2040	457,950	-	-				457,950
Total	$ 14,912,346	$(1,031,435)	$ 1,225,000	$(47,342)	$ (1,225,000)		$ 13,833,570

Average Annual Net Debt Service	$ 446,244
Maximum Annual Net Debt Service	$ 509,376

(A) Excludes Interest Earnings on the Invested Sinking Fund, which will be invested pursuant to the Texas Public Funds Investment Act.

SCHEDULE 1A
PROJECTED GROSS DEBT SERVICE

	Tax-Exempt Debt			Taxable Debt						
FYE 31-Aug	Series 2010A Principal	Series 2010A Interest	Series 2010A Gross Debt Service	Series 2010B Principal	Series 2010B Interest	Series 2010B Gross Debt Service	Series 2010Q Principal	Series 2010Q Interest	Series 2010Q Gross Debt Service	Total Gross Debt Service
2010	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2011	-	220,139	220,139	-	31,039	31,039	-	85,444	85,444	336,621
2012	-	284,050	284,050	25,000	40,050	65,050	-	110,250	110,250	459,350
2013	-	284,050	284,050	30,000	37,800	67,800	-	110,250	110,250	462,100
2014	-	284,050	284,050	30,000	35,100	65,100	-	110,250	110,250	459,400
2015	-	284,050	284,050	35,000	32,400	67,400	-	110,250	110,250	461,700
2016	-	284,050	284,050	35,000	29,250	64,250	-	110,250	110,250	458,550
2017	-	284,050	284,050	40,000	26,100	66,100	-	110,250	110,250	460,400
2018	-	284,050	284,050	40,000	22,500	62,500	-	110,250	110,250	456,800
2019	-	284,050	284,050	45,000	18,900	63,900	-	110,250	110,250	458,200
2020	-	284,050	284,050	50,000	14,850	64,850	-	110,250	110,250	459,150
2021	-	284,050	284,050	55,000	10,350	65,350	-	110,250	110,250	459,650
2022	-	284,050	284,050	60,000	5,400	65,400	-	110,250	110,250	459,700
2023	100,000	284,050	384,050				-	110,250	110,250	494,300
2024	100,000	277,550	377,550				-	110,250	110,250	487,800
2025	100,000	271,050	371,050				-	110,250	110,250	481,300
2026	100,000	264,550	364,550				-	110,250	110,250	474,800
2027	20,000	258,050	278,050				1,225,000	110,250	1,335,250	1,613,300
2028	205,000	256,750	461,750							461,750
2029	215,000	243,425	458,425							458,425
2030	230,000	229,450	459,450							459,450
2031	245,000	214,500	459,500							459,500
2032	260,000	198,575	458,575							458,575
2033	280,000	181,675	461,675							461,675
2034	295,000	163,475	458,475							458,475
2035	315,000	144,300	459,300							459,300
2036	335,000	123,825	458,825							458,825
2037	355,000	102,050	457,050							457,050
2038	380,000	78,975	458,975							458,975
2039	405,000	54,275	459,275							459,275
2040	430,000	27,950	457,950							457,950
Total	$4,370,000	$6,719,164	$11,089,164	$ 445,000	$ 303,739	$ 748,739	$1,225,000	$1,849,444	$ 3,074,444	$14,912,346

APPENDIX A

AUDITED FINANCIALS OF BORROWER FOR YEARS ENDED AUGUST 31, 2009, AUGUST 31, 2008, AND AUGUST 31, 2007

Evolution Academy, Inc.
Financial Statements
August 31, 2009

(With Independent Auditors' Report Thereon)

Address | City, State Zip | Phone
1127 Newhaven Trail| Pearland, TX 77584| 281.798.2257

Jacobs CPA

December 23, 2009

To the Senior Management and
The Board of Directors of
Evolution Academy Charter School

In planning and performing our audit of the financial statements of Evolution Academy Charter School for the year ended August 31, 2009, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 23, 2009, on the financial statements of Evolution Academy Charter School.

We will review the status of this comment during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Grant Monitoring

We have noted several instances where the expenditures were over the budget by more than 25% by object code in several of the State Funded Grants. Also, the general ledger expenditures did not match the WEB ER expenditure report for one of the State Funded Grants.

We wish to thank the employees of the Organization for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Jacobs CPA

Pearland, Texas
December 23, 2009

Address | City, State Zip | Phone
1127 Newhaven Trail| Pearland, TX 77584| 281.798.2257

EVOLUTION ACADEMY
CHARTER SCHOOL

Evolution Academy, Inc.
Federal Employer Identification Number: 76-0622470
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Evolution Academy, Inc. was reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2009, at a meeting of the governing body of the charter holder on the 9th day of January 2010.

Signature of Board Secretary

Signature of Board President

1101 South Sherman Street • Richardson, TX 75081-4850 • 972.907.3755 • Fax 972.907.3765 • www.evolutionacademy.org

EVOLUTION ACADEMY, INC.

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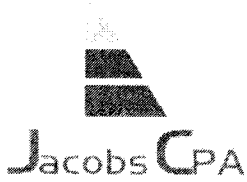


INDEPENDENT AUDITOR'S REPORT

To the Senior Management and
The Board of Directors of
Evolution Academy Charter School

We have audited the accompanying statement of financial position of Evolution Academy Charter School, Inc. (a nonprofit organization) as of August 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Evolution Academy Charter School, Inc. as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of Evolution Academy Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Jacobs CPA

Pearland, Texas
December 23, 2009

Address | City, State Zip | Phone
1127 Newhaven Trail| Pearland, TX 77584| 281.798.2257

EVOLUTION ACADEMY, INC.
Statement of Financial Position
As of August 31, 2009

Assets

Current Assets		
Cash and cash equivalents	$	1,272,715
Due from State (Note 2)		86,164
Accounts receivable-other		814
Prepaids		12,691
Total current assets		1,372,384
Property and equipment, net (Note 4)		3,529,235
Total Assets	$	4,901,619

Liabilities and Net Assets

Current Liabilities		
Accounts payable	$	91,981
Accrued payroll and related liabilities		43,308
Related Party Notes Payable (Note 6)		450
Note Payable (Note 7)		63,450
Total current liabilities		199,189
Long Term Liability		
Note Payable (Note 7)		2,371,505
Total Liabilities	$	2,570,694
Net assets		
Unrestricted		135,436
Temporarily restricted		2,195,489
Total net assets	$	2,330,925
Total liabilities and net assets	$	4,901,619

(The accompanying notes are an integral part of this financial statement)

-

EVOLUTION ACADEMY, INC.
Statement of Activities
For the Year Ended August 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Local support:			
Contributions	$ -	$ -	$ -
Other	6,590	-	6,590
Total local support	6,590	-	6,590
State program revenues			
Foundation School Program	$ -	$ 2,814,449	$ 2,814,449
Texas ASAP	-	9,066	9,066
Math Grant	-	23,326	23,326
Technology Allotment	-	8,534	8,534
Total state program revenues	-	2,855,375	2,855,375
Federal program revenues			
ESEA Title 1, Part A	$ -	$ 35,208	$ 35,208
IDEA-B CAPACITY AND FORMULA	-	56,956	56,956
National Breakfast Program	-	7,682	7,682
ESEA Title II, Part A	-	8,520	8,520
Total federal program revenues	-	108,366	108,366
Net assets released from restrictions:			
Satisfaction of program restrictions	2,598,450	(2,598,450)	-
Total revenues and other support	2,605,040	365,291	2,970,331
Expenses and Other Losses			
Program services:			
General School Operations	1,600,770	-	1,600,770
ESEA Title 1, Part A	35,208	-	35,208
IDEA-B CAPACITY AND FORMULA	56,956	-	56,956
National Breakfast Program	18,305	-	18,305
ESEA Title II, Part A	8,520	-	8,520
Texas ASAP	9,066	-	9,066
Math Grant	23,326	-	23,326
Technology Allotment	8,534	-	8,534
Total program services	1,760,685	-	1,760,685
Support services:			
Administrative Support Services	201,889	-	201,889
Support Services - Non-Student Based	503,290	-	503,290
Support Services - Student (Pupil)	132,586	-	132,586
Total expenses	2,598,450	-	2,598,450
Change in net assets	6,590	365,291	371,881
Net assets at beginning of year	119,178	1,830,198	1,949,376
Prior Period Adjustment	9,668	-	9,668
Net assets at end of year	$ 135,436	$ 2,195,489	$ 2,330,925

(The accompanying notes are an integral part of this financial statement)

EVOLUTION ACADEMY, INC.
Statement of Cash Flows
For the Year Ended August 31, 2009

Cash flows from operating activities:		
Foundation School Program payments	$	2,789,164
Grant payments		175,300
Miscellaneous sources		10,115
Payments to vendors for goods and services rendered		(843,386)
Payments to charter school personnel for services rendered		(1,403,902)
Interest payments		(188,880)
Net cash provided by operating activities		538,411
Cash flows from investing activities:		
Equipment		(181,260)
		(181,260)
Cash flows from financing activities:		
Repayment of note principal		(56,172)
		(56,172)
Net increase in cash		300,979
Cash at beginning of year		971,736
Cash at the end of year	$	1,272,715
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$	381,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation/amortization		61,458
(Increase)Decrease in assets:		
Accounts receivable		(6,044)
Prepaid expenses		(750)
Increase(Decrease) in liabilities:		
Accounts payable		91,966
Accrued liabilities		10,232
Net cash provided by operating activities	$	538,411

(The accompanying notes are an integral part of this financial statement)

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of Evolution Academy, Inc. (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The corporation is a not-for-profit organization incorporated in the State of Texas in 1999 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of 4 members. The Board of Directors is selected pursuant to the bylaws of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

Evolution Academy was solely organized to provide educational services to "at-risk" students. In 2002, the State Board of Education of the State of Texas granted the corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Evolution Academy was opened January 7, 2002. The charter was issued for a period of five years (through August 1, 2006). The charter contract was extended until July 31, 2009 and has subsequently expired. The School programs, services, activities, and functions are governed by the corporation's board of directors. **The charter school program is the only financial activity of the corportion.**

Basis of Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the Academy's activities due to donor-imposed restrictions.

Contributions

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made.* In accordance with SFAS NO. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Corporation considers all highly liquid investment instruments purchased with original maturities of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific purpose financial statements. Capital assets are defined by the corporation as assets with and individual cost of more than $5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to five years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Note 2: Due from State

Math Grant	$ 4,960
FSP	81,204
	$ 86,164

Note 3: Capital Assets

Capital assets at August 31, 2009 were as follows:

Loan Costs	$ 33,481
Leasehold Improvements	20,000
Building	1,400,000
Building Improvements	2,026,207
Equipment	181,260
Less accumulated depreciation and amortization	(131,713)
Net capital assets	$3,529,235

Capital assets acquired with public funds received by the corporation for the operation for Evolution Academy, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

Note 4: Note Payable-Related Party

At August 31, 2009, Evolution Academy has an outstanding note payable in the amount of $450 due to the CEO/Superintendent. The loan is non-interest bearing, unsecured, and payable upon demand.

Note 5: Note Payable

Evolution Academy has a note payable to Bank of America with a stated interest rate of 7.5%. Nine interest only payments began October 26, 2007 and the note is payable in monthly installments of $20,306.48, including interest, began in July 26, 2008 and end June 26, 2028.

Future note payments are as follows:

Year Ending August 31,	
2010	63,450
2011	68,376
2012	73,684
2013	79,404
2014	85,568
Thereafter	2,064,473
	$2,434,955

Note 6: Pension Plan Obligations

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the charter school's covered payroll. The charter school's employees' contributions to the System for the year ending August 31, 2009 were approximately $80,000 equal to the required contributions for each year.

Note 7: Health Care Coverage

During the year ended August 31, 2009, employees of the School were covered by a Health Insurance Plan (the Plan). Employees, at their option, authorized payroll withholding to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets for the year ended August 31, 2009 consisted of the following:

	2009
State Funded Temporarily Restricted	$ 2,195,489

Note 9: Operating Leases

The School leases two copiers under a noncancelable operating lease that as of April 23, 2008 required a monthly rental payment of $1,112.75. The lease term is for four (4) years and expires April 2012.

The future minimum rental payments under the operating leases with remaining terms of one (1) year or more are as follows:

Twelve Months Ended August 31,	Amount
2010	$ 13,353
2011	13,353
2012	8,902
2013	-
2014	-
Total	$ 35,608

Rental expense for all operating leases for the twelve months ended August 31, 2098 was $16,499.

Note 10: Commitments and Contingencies

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

Note 11: Subsequent Event

At August 31, 2009 MetLife claimed an outstanding balance of $2,682.67. The charter school is disputing the claim and has not included the balance in accounts payable.

EVOLUTION ACADEMY, INC.
Statement of Activities
For the Year Ended August 31, 2009

		Unrestricted	Restricted	Total
Revenues				
Local support:				
5740	Other Revenues from Local Sources	$ 6,590	$ -	$ 6,590
5810	Foundation School Program Act Revenues	-	2,814,449	2,814,449
5820	State Program Revenues Distributed by Texas Education Agency	-	40,926	40,926
5830	State Program Revenues Distributed by Texas Education Agency	-	-	-
Total state program revenues		-	2,855,375	2,855,375
Federal program revenues:				
5920	Federal Revenues Distributed by the Texas Education Agency	-	108,366	108,366
Net assets released from restrictions:				
Restrictions satisfied by payments		2,598,450	(2,598,450)	-
Total Revenues		$ 2,605,040	$ 365,291	$ 2,970,331
Expenses				
11	Instruction	1,290,831	-	1,290,831
12	Instructional Resources and Media Services	-	-	-
13	Curriculum Development and Instructional Staff Development	166,466	-	166,466
21	Instructional Leadership	2,382	-	2,382
23	School Leadership	271,701	-	271,701
31	Guidance, Counseling and Evaluation Services	48,090	-	48,090
32	Social Work Services	-	-	-
33	Health Services	19,777	-	19,777
34	Student (Pupil Services)	75,719	-	75,719
35	Food Services	18,305	-	18,305
36	Cocurricular/Extracurricular Activities	-	-	-
41	General Administration	201,889	-	201,889
51	Plant Maintenance and Operations	441,563	-	441,563
52	Security and Monitoring Services	48,976	-	48,976
53	Data Processing Services	12,751	-	12,751
61	Community Services	-	-	-
81	Fund Raising	-	-	-
Total expenses		$ 2,598,450	$ -	2,598,450
Change in net assets		6,590	365,291	371,881
Net assets at beginning of year		119,178	1,830,198	1,949,376
Prior period adjustments		9,668	-	9,668
Net assets at end of year		$ 135,436	$ 2,195,489	$ 2,330,925

(The accompanying notes are an integral part of this financial statement)

EVOLUTION ACADEMY, INC.
Schedule of Expenditures
For the Year Ended August 31, 2009

Expenses

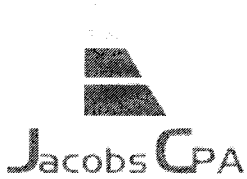
6100	Payroll Costs	1,414,134
6200	Professional and Contracted Services	564,153
6300	Supplies and Materials	114,648
6400	Other Operating Costs	318,010
6500	Debt	187,505
Total Expenditures		$ 2,598,450

EVOLUTION ACADEMY
Schedule of Capital Assets
For the Year Ended August 31, 2009

		Ownership Interest		
		Local	State	Federal
1110	Cash	$ 3,062	$ 1,269,653	$ -
1510	Land and Improvements	-	-	-
1520	Buildings and Improvements		3,459,688	20,000
1531	Vehicles	-	-	-
1539	Furniture and Equipment	-	181,260	-
Total Capital Assets		$ 3,062	$ 4,910,601	$ 20,000

EVOLUTION ACADEMY
Budgetary Comparison Schedule
For the Year Ended August 31, 2009

		Budgeted Amounts		Actual	Variance from
		Original	Final	Amounts	Final Budget
Revenues					
Local support:					
5740	Other Revenues from Local Sources	$ -	-	$ 6,590	$ 6,590
5810	Foundation School Program Act Revenues	2,508,752	2,683,236	2,814,449	131,213
5820	State Program Revenues Distributed Texas Education Agency	8,190	8,534	40,926	32,392
5830	State Program Revenues Distributed by Other than by Texas Education Agency	-	-		-
Total state program revenues		2,516,942	2,691,770	2,855,375	163,605
Federal program revenues:					
5920	Federal Revenues Distributed by the Texas Education Agency	82,857	108,684	108,366	(318)
Total Revenues		$ 2,599,799	$ 2,800,454	$ 2,970,331	$ 169,877
Expenses					
11	Instruction	1,156,546	1,345,951	1,290,831	(55,120)
12	Instructional Resources and Media Services	2,500	-	-	-
13	Curriculum Development and Instructional Staff Development	49,724	160,560	166,466	5,906
21	Instructional Leadership	2,300	3,400	2,382	(1,018)
23	School Leadership	265,758	315,876	271,701	(44,175)
31	Guidance, Counseling and Evaluation Services	42,750	48,350	48,090	(260)
32	Social Work Services	-	-	-	-
33	Health Services	20,223	21,873	19,777	(2,096)
34	Student (Pupil Services)	65,000	76,000	75,719	(281)
35	Food Services	20,700	20,700	18,305	(2,395)
36	Cocurricular/Extracurricular Activities	-	-	-	-
41	General Administration	160,025	199,645	201,889	2,244
51	Plant Maintenance and Operations	505,100	453,045	441,563	(11,482)
52	Security and Monitoring Services	52,208	56,408	48,976	(7,432)
53	Data Processing Services	19,205	19,505	12,751	(6,754)
61	Community Services	-	-	-	-
81	Fund Raising	-	-	-	-
Total expenses		$ 2,362,039	$ 2,721,313	2,598,450	$ (122,863)
Change in net assets		237,760	79,141	371,881	292,740
Net assets at beginning of year		-	-	1,949,376	1,949,376
Prior period adjustments		-	-	9,668	9,668
Net assets at end of year		$ 237,760	$ 79,141	$ 2,330,925	$ 2,251,784



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Senior Management and
The Board of Directors of
Evolution Academy Charter School

We have audited the financial statements of Evolution Academy Charter School, Inc. (a nonprofit organization) as of and for the year ended August 31, 2009, and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Evolution Academy Charter School, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Evolution Academy Charter School, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Evolution Academy Charter School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Evolution Academy Charter School, Inc. in a separate letter dated December 23, 2009.

This report is intended solely for the information and use of management, governing council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jacobs CPA

Pearland, Texas
December 23, 2009

EVOLUTION ACADEMY, INC.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Control deficiencies identified that are not considered to be material weaknesses: See management letter.
3. Material weaknesses identified: None.
4. Noncompliance material to the financial statements: None.
5. Federal awards: Charter school did not meet the requirements for a Single Audit.

II. Findings related to the Financial Statements

The audit did not disclose any findings that are required to be reported.

III. Findings and Questioned Costs related to Federal Awards

1. Condition: In several instances, the Organization charged expenditures that were not allowed to the several federal grants.

Criteria: Funds must be allowable, budgeted and supported by documentation as set forth by the grant award.

Effect: Funds were drawn in excess of the allowable expenditures. Questioned costs are approx. $4,325 (IDEA B-$2,000; Principal & Teacher Training & Recruiting-$2,325)

Recommendation: The Organization should improve monthly monitoring of grant expenditures.

Comment:

EVOLUTION ACADEMY, INC.
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended August 31, 2008

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Control deficiencies identified that are not considered to be material weaknesses: See management letter.
3. Material weaknesses identified: None.
4. Noncompliance material to the financial statements: None.
5. Federal awards: Charter school did not meet the requirements for a Single Audit.

II. Findings related to the Financial Statements

None.

III. Findings and Questioned Costs related to Federal Awards

None.

Address | City, State Zip | Phone
1127 Newhaven Trail| Pearland, TX 77584| 281.798.2257

Raquel Olivier, C.P.A.
Accounting, Auditing, Tax & Consulting Services

Evolution Academy, Inc.
Financial Statements
August 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

ALL SIGNATURE PAGES WILL BE FILED WITH THE HARDCOPY OF THE AUDIT REPORT

Raquel Olivier, C.P.A.
Accounting, Auditing, Tax & Consulting Services

2600 South Loop West, Suite 505
Houston, TX 77054
713.661.9600 OFF.
713.661.9601 FAX.
oliviercpa@oliviercpa.com

January 5, 2009

To the Senior Management and
The Board of Directors of
Evolution Academy Charter School

In planning and performing our audit of the financial statements of Evolution Academy Charter School for the year ended August 31, 2008, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated January 5, 2009, on the financial statements of Evolution Academy Charter School.

We will review the status of this comment during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Bookkeeping

We have noted that several transactions pertaining to the special revenue funds were not recorded as budgeted. Although, expenditures were in compliance and allowable per the Notice of Grant Awards, there were numerous journal entries reclassing the expenditures accordingly. There should be an adequate amount of time spent daily on the bookkeeping and maintenance of the general ledger.

We wish to thank the employees of the Organization for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Raquel Olivier, CPA

Houston, Texas
January 5, 2009

Evolution Academy, Inc.
Federal Employer Identification Number: 76-0622470
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Evolution Academy, Inc. was reviewed and (check one) _____approved _____disapproved for the years ended August 31, 2008 and 2007, at a meeting of the governing body of the charter holder on the _____ day of _____, 2009.

_____ Signature of Board Secretary

_____ Signature of Board President

EVOLUTION ACADEMY, INC.

Table of Contents

Raquel Olivier, C.P.A.
Accounting, Auditing, Tax & Consulting Services

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oliviercpa@oliviercpa.com

Independent Auditors' Report

To the Board of Trustees of
Evolution Academy Charter School

We have audited the accompanying statements of financial position of Evolution Academy Charter School (a nonprofit organization) as of August 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Evolution Academy Charter School as of August 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, present fairly, in all material respects, in relation to the financial statements taken as a whole.

Raquel Olivier, CPA

Houston, Texas
January 5, 2009

EVOLUTION ACADEMY, INC.
Statements of Financial Position
As of August 31, 2008 and 2007

	Totals	
Assets	2008	2007
Current Assets		
Cash and cash equivalents	$ 971,736	$ 1,113,459
Due from State (Note 2)	75,745	87,058
Due from federal agency (Note 3)	5,000	-
Accounts receivable-other	189	5
Prepaids	11,941	13,388
Total current assets	1,064,611	1,213,910
Property and equipment, net (Note 4)	3,409,433	1,516,928
Total Assets	$ 4,474,044	$ 2,730,838
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 15	$ 6,423
Accrued payroll and related liabilities	33,075	69,174
Deferred revenue (Note 5)	-	5,985
Related Party Notes Payable (Note 6)	450	450
Note Payable (Note 7)	2,491,128	1,094,935
Total current liabilities	2,524,668	1,176,967
Total Liabilities	$ 2,524,668	$ 1,176,967
Net assets		
Unrestricted	119,178	106,527
Temporarily restricted	1,830,198	1,447,344
Total net assets	$ 1,949,376	$ 1,553,871
Total liabilities and net assets	$ 4,474,044	$ 2,730,838

See accompanying notes to financial statements.

EVOLUTION ACADEMY, INC.
Statements of Activities
For the Years Ended August 31, 2008 and 2007

	Unrestricted	Temporarily Restricted	Totals 2008	Totals 2007
Revenues and Other Support				
Local support:				
Contributions	$ -	$ -	$ -	$ -
Other	12,651	-	12,651	101,666
Total local support	12,651	-	12,651	101,666
State program revenues				
Foundation School Program	$ -	$ 2,524,526	$ 2,524,526	$ 2,261,931
Texas ASAP	-	30,934	30,934	-
Math Grant	-	26,634	26,634	9,355
Tx Hign School Redesign	-	142,124	142,124	122,626
Technology Allotment	-	14,099	14,099	1,300
Total state program revenues	-	2,738,317	2,738,317	2,395,212
Federal program revenues				
ESEA Title 1, Part A	$ -	$ 31,857	$ 31,857	$ 109,347
ESEA Title 1, SIP	-	119,210	119,210	-
IDEA-B CAPACITY AND FORMULA	-	56,166	56,166	48,506
National Breakfast Program	-	1,873	1,873	1,758
Achieve Texas College	-	50,000	50,000	-
Title III, LEP	-	5,792	5,792	1,407
Title V		188	188	-
ESEA Title II, Part A		13,734	13,734	-
Investment Capital Fund	-	45,000	45,000	10,230
Total federal program revenues	-	323,820	323,820	171,248
Net assets released from restrictions:				
Satisfaction of program restrictions	2,720,361	(2,720,361)	-	-
Total revenues and other support	2,733,012	341,776	3,074,788	2,668,126
Expenses and Other Losses				
Program services:				
General School Operations	1,222,884	-	1,222,884	1,019,953
ESEA Title 1, Part A	31,857	-	31,857	109,347
ESEA Title 1, SIP	119,210		119,210	-
IDEA-B CAPACITY AND FORMULA	56,166	-	56,166	48,506
National Breakfast Program	19,052	-	19,052	14,653
Achieve Texas College	50,000	-	50,000	-
Title III, LEP	5,792		5,792	1,407
Title V	188		188	-
ESEA Title II, Part A	13,734	-	13,734	10,230
Investment Capital Fund	50,000	-	50,000	-
Texas ASAP	30,934	-	30,934	-
Math Grant	26,634	-	26,634	9,355
Tx Hign School Redesign	142,124	-	142,124	122,626
Technology Allotment	14,099	-	14,099	1,300
Total program services	1,782,674	-	1,782,674	1,337,377
Support services:				
Administrative Support Services	180,154	-	180,154	121,256
Support Services - Non-Student Based	632,190	-	632,190	341,461
Support Services - Student (Pupil)	125,343	-	125,343	96,901
Fundraising	-	-	-	438
Total expenses	2,720,361	-	2,720,361	1,897,433
Change in net assets	12,651	341,776	354,427	770,693
Net assets at beginning of year	106,527	1,447,344	1,553,871	783,178
Prior Period Adjustment		41,078	41,078	-
Net assets at end of year	$ 119,178	$ 1,830,198	$ 1,949,376	$ 1,553,871

See accompanying notes to financial statements.

EVOLUTION ACADEMY, INC.
Statements of Cash Flows
For the Years Ended August 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Foundation School Program payments	$ 2,530,062	$ 2,416,409
Grant payments	492,544	211,873
Miscellaneous sources	11,651	62,012
Rental income	-	96,738
Payments to vendors for goods and services rendered	(1,172,735)	(759,833)
Payments to charter school personnel for services rendered	(1,308,513)	(1,145,032)
Interest payments	(167,172)	(69,597)
Net cash provided by operating activities	385,837	812,570
Cash flows from investing activities:		
Purchased building	-	(1,400,000)
CIP	(1,923,754)	(102,453)
Refund/Initial proceedings on purchase of building	-	11,919
	(1,923,754)	(1,490,534)
Cash flows from financing activities:		
Note payable	1,643,668	1,116,000
Repayment of note principal	(247,474)	(21,066)
	1,396,194	1,094,934
Net increase in cash	(141,723)	416,970
Cash at beginning of year	1,113,459	696,489
Cash at the end of year	$ 971,736	$ 1,113,459
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 395,505	$ 770,693
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation/amortization	31,248	33,451
(Increase)Decrease in assets:		
Accounts receivable	6,129	62,634
Prepaid expenses	1,447	(13,388)
Increase(Decrease) in liabilities:		
Accounts payable	(6,408)	(79,977)
Accrued liabilities	(36,099)	39,808
Deferred revenue	(5,985)	(651)
Net cash provided by operating activities	$ 385,837	$ 812,570

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of Evolution Academy, Inc. (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The corporation is a not-for-profit organization incorporated in the State of Texas in 1999 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of 4 members. The Board of Directors is selected pursuant to the bylaws of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

Evolution Academy was solely organized to provide educational services to "at-risk" students. In 2002, the State Board of Education of the State of Texas granted the corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Evolution Academy was opened January 7, 2002. The charter was issued for a period of five years (through August 1, 2006). The charter contract has been extended until July 31, 2009. The School programs, services, activities, and functions are governed by the corporation's board of directors. **The charter school program is the only financial activity of the corportion.**

Basis of Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the Academy's activities due to donor-imposed restrictions.

Contributions

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made.* In accordance with SFAS NO. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Corporation considers all highly liquid investment instruments purchased with original maturities of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific purpose financial statements. Capital assets are defined by the corporation as assets with and individual cost of more than $5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to five years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Note 2: Due from State

	2008	2007
Math Grant	$ 4,334	$
TX Accel Science	21,634	
TX Hign Sch Redesign	-	31,746
FSP	49,777	55,312
	$ 75,745	$ 87,058

Note 3: Due from Federal Agencies

	2008
Achieve TX College	$ 5,000

Note 4: Capital Assets

Capital assets at August 31, 2008 and 2007 were as follows:

	2008	2007
Loan Costs	$ 33,481	$ 33,481
Leasehold Improvements	20,000	20,000
Building Improvements	2,026,207	
Construction WIP		102,453
Building	1,400,000	1,400,000
Less accumulated depreciation and amortization	(70,255)	(39,006)
Net capital assets	$3,409,433	$1,516,928

Capital assets acquired with public funds received by the corporation for the operation for Evolution Academy, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

Note 5: Deferred revenue

	2008	2007
Technology Allotment	-	$5,985

Note 6: Note Payable-Related Party

At August 31, 2008, Evolution Academy has an outstanding note payable in the amount of $450 due to the CEO/Superintendent. The loan is non-interest bearing, unsecured, and payable upon demand.

Note 7: Note Payable

Evolution Academy has a note payable to Bank of America with a stated interest rate of 7.5%. Nine interest only payments began October 26, 2007 and the note is payable in monthly installments of $20,306.48, including interest, began in July 26, 2008 and end June 26, 2028.

Future note payments are as follows:

Year Ending August 31,	
2009	$ 58,879
2010	63,450
2011	68,376
2012	73,684
2013	79,404
Thereafter	2,146,816
	$2,490,609

Note 8: Pension Plan Obligations

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the charter school's covered payroll. The charter school's employees' contributions to the System for the years ending August 31, 2008 and 2007 were approximately $75,000 and $70,000, respectively, equal to the required contributions for each year.

Note 9: Health Care Coverage

During the year ended August 31, 2008, employees of the School were covered by a Health Insurance Plan (the Plan). Employees, at their option, authorized payroll withholding to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended August 31, 2007 and 2006 consisted of the following:

	2008	2007
State Funded Temporarily Restricted	$ 1,830,198	$ 1,447,344

Note 11: Operating Leases

The School leases two copiers under a noncancelable operating lease that as of August 31, 2005 required a monthly rental payment of $850. The lease term is for four (4) years and expires August 2009.

The future minimum rental payments under the operating leases with remaining terms of one (1) year or more are as follows:

Twelve Months Ended August 31,	Amount
2009	$ 10,200
2010	-
2011	-
2012	-
2013	-
Total	$ 10,200

Rental expense for all operating leases for the twelve months ended August 31, 2008 was $63,509.

Note 12: Commitments and Contingencies

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

EVOLUTION ACADEMY, INC.
Statements of Activities
For the Years Ended August 31, 2008 and 2007

		Unrestricted	Restricted	Totals 2008	Totals 2007
Revenues					
Local support:					
5740	Other Revenues from Local Sources	$ 12,651	$ -	$ 12,651	$ 101,666
5810	Foundation School Program Act Revenues	-	2,524,526	2,524,526	2,261,931
5820	State Program Revenues Distributed by Texas Education Agency	-	213,791	213,791	133,281
5830	State Program Revenues Distributed by Texas Education Agency	-	-	-	-
Total state program revenues		-	2,738,317	2,738,317	2,395,212
Federal program revenues:					
5920	Federal Revenues Distributed by the Texas Education Agency	-	323,820	323,820	171,248
Net assets released from restrictions:					
Restrictions satisfied by payments		2,720,361	(2,720,361)	-	-
Total Revenues		$ 2,733,012	$ 341,776	$ 3,074,788	$ 2,668,126
Expenses					
11	Instruction	1,281,494	-	1,281,494	936,844
12	Instructional Resources and Media Services	2,500	-	2,500	-
13	Curriculum Development and Instructional Staff Development	195,437	-	195,437	110,864
21	Instructional Leadership	2,184	-	2,184	29
23	School Leadership	266,244	-	266,244	251,652
31	Guidance, Counseling and Evaluation Services	51,820	-	51,820	55,267
32	Social Work Services	-	-	-	-
33	Health Services	17,632	-	17,632	15,429
34	Student (Pupil Services)	64,000	-	64,000	37,184
35	Food Services	19,052	-	19,052	14,653
36	Cocurricular/Extracurricular Activities	-	-	-	-
41	General Administration	185,137	-	185,137	130,180
51	Plant Maintenance and Operations	563,972	-	563,972	307,973
52	Security and Monitoring Services	50,661	-	50,661	18,015
53	Data Processing Services	20,228	-	20,228	18,905
61	Community Services	-	-	-	-
81	Fund Raising	-	-	-	438
Total expenses		$ 2,720,361	$ -	2,720,361	$ 1,897,433
Change in net assets		12,651	341,776	354,427	770,693
Net assets at beginning of year		106,527	1,447,344	1,553,871	783,178
Prior period adjustments			41,078	41,078	-
Net assets at end of year		$ 119,178	$ 1,830,198	$ 1,949,376	$ 1,553,871

See accompanying notes to financial statements.

EVOLUTION ACADEMY, INC.
Schedules of Expenses
For the Years Ended August 31, 2008 and 2007

		Totals	
		2008	2007
Expenses			
6100	Payroll Costs	1,272,414	1,184,840
6200	Professional and Contracted Services	668,656	368,414
6300	Supplies and Materials	374,275	54,984
6400	Other Operating Costs	237,844	219,598
6500	Debt	167,172	69,597
Total Expenses		$ 2,720,361	$ 1,897,433

EVOLUTION ACADEMY
Schedule of Capital Assets
For the Year Ended August 31, 2008

		Ownership Interest		
		Local	State	Federal
1110	Cash	$ 99,800	$ 871,936	$ -
1510	Land and Improvements	-	-	-
1520	Buildings and Improvements		3,459,688	20,000
1531	Vehicles	-	-	-
1539	Furniture and Equipment	-	-	-
Total Capital Assets		$ 99,800	$ 4,331,624	$ 20,000

EVOLUTION ACADEMY
Budgetary Comparison Schedule
For the Year Ended August 31, 2008

		Budgeted Amounts		Actual	Variance from
		Original	Final	Amounts	Final Budget
Revenues					
Local support:					
5740	Other Revenues from Local Sources	$ -	-	$ 12,651	$ 12,651
5810	Foundation School Program Act Revenues	2,398,137	2,398,137	2,524,526	126,389
5820	State Program Revenues Distributed Texas Education Agency	3,000	43,365	213,791	170,426
5830	State Program Revenues Distributed by Other than by Texas Education Agency	-	-	-	-
Total state program revenues		2,401,137	2,441,502	2,738,317	296,815
Federal program revenues:					
5920	Federal Revenues Distributed by the Texas Education Agency	-	272,740	323,820	51,080
Total Revenues		$ 2,401,137	$ 2,714,242	$ 3,074,788	$ 360,546
Expenses					
11	Instruction	974,277	974,277	1,281,494	307,217
12	Instructional Resources and Media Services	3,500	3,500	2,500	(1,000)
13	Curriculum Development and Instructional Staff Development	22,500	22,500	195,437	172,937
21	Instructional Leadership	2,000	2,000	2,184	184
23	School Leadership	290,939	290,939	266,244	(24,695)
31	Guidance, Counseling and Evaluation Services	48,439	48,439	51,820	3,381
32	Social Work Services	-	-	-	-
33	Health Services	19,747	19,747	17,632	(2,115)
34	Student (Pupil Services)	45,000	45,000	64,000	19,000
35	Food Services	17,800	17,800	19,052	1,252
36	Cocurricular/Extracurricular Activities	-	-	-	-
41	General Administration	147,932	147,932	185,137	37,205
51	Plant Maintenance and Operations	316,300	316,300	563,972	247,672
52	Security and Monitoring Services	49,092	49,092	50,661	1,569
53	Data Processing Services	17,970	17,970	20,228	2,258
61	Community Services	-	-	-	-
81	Fund Raising	-	-	-	-
Total expenses		$ 1,955,496	$ 1,955,496	2,720,361	$ 764,865
Change in net assets		445,641	758,746	354,427	(404,319)
Net assets at beginning of year		-	-	1,553,871	1,553,871
Prior period adjustments		-	-	41,078	41,078
Net assets at end of year		$ 445,641	$ 758,746	$ 1,949,376	$ 1,190,630

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Evolution Academy Charter School

We have audited the financial statements of Evolution Academy Charter School (a nonprofit organization) as of and for the years ended August 31, 2008 and 2007, and have issued our report thereon dated January 5, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the oorganization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Evolution Academy Charter School in a separate letter dated January 5, 2009.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Raquel Olivier, CPA

Houston, Texas
January 5, 2009

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EVOLUTION ACADEMY, INC.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2008

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Control deficiencies identified that are not considered to be material weaknesses: See management letter.
3. Material weaknesses identified: None.
4. Noncompliance material to the financial statements: None.
5. Federal awards: Charter school did not meet the requirements for a Single Audit.

II. Findings related to the Financial Statements

None.

III. Findings and Questioned Costs related to Federal Awards

None.

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EVOLUTION ACADEMY, INC.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2007

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Control deficiencies identified that are not considered to be material weaknesses: See management letter.
3. Material weaknesses identified: None.
4. Noncompliance material to the financial statements: None.
5. Federal awards: Charter school did not meet the requirements for a Single Audit.

II. Findings related to the Financial Statements

1. Condition: There were instances of significant misstatements in the financial statements.

   Criteria: During the planning of the audit, the tolerable misstatement was determined to be $24k.

   Effect: The financial statements were grossly misstated by more than the tolerable threshold.

   Recommendation: The Organization should consider retaining a consultant to assist the bookkeeper in maintaining an accurate and complete general ledger.

III. Findings and Questioned Costs related to Federal Awards

None.

Raquel Olivier, C.P.A.
Accounting, Auditing, Tax & Consulting Services

Evolution Academy, Inc.
Financial Statements
August 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

Raquel Olivier, C.P.A.
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January 4, 2008

To the Senior Management and
The Board of Directors of
Evolution Academy Charter School

In planning and performing our audit of the financial statements of Evolution Academy Charter School for the year ended August 31, 2007, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated January 4, 2008, on the financial statements of Evolution Academy Charter School.

We will review the status of this comment during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Bookkeeping

We have noted that monthly bookkeeping responsibilities are not being performed in the most efficient and timely manner. There should be an adequate amount of time spent daily on the maintenance of the general ledger. In addition, all account reconciliations and all funds budget analysis should be performed monthly.

We wish to thank the employees of the Organization for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Raquel Olivier, CPA

Houston, Texas
January 4, 2008

Evolution Academy, Inc.
Federal Employer Identification Number: 76-0622470
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Evolution Academy, Inc. was reviewed and (check one) _____approved _____disapproved for the years ended August 31, 2007 and 2006, at a meeting of the governing body of the charter holder on the _____ day of _____, 2008.

_____ _____
Signature of Board Secretary Signature of Board President

A signed copy will be included with the hard copy of the report.

EVOLUTION ACADEMY, INC.

Table of Contents

Raquel Olivier, C.P.A.
Accounting, Auditing, Tax & Consulting Services

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Independent Auditors' Report

To the Board of Trustees of
Evolution Academy Charter School

We have audited the accompanying statements of financial position of Evolution Academy Charter School (a nonprofit organization) as of August 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Evolution Academy Charter School as of August 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2008, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, present fairly, in all material respects, in relation to the financial statements taken as a whole.

Raquel Olivier, CPA

Houston, Texas
January 4, 2008

EVOLUTION ACADEMY, INC.
Statements of Financial Position
As of August 31, 2007 and 2006

	Totals	
Assets	2007	2006
Current Assets		
Cash and cash equivalents	$ 1,113,459	$ 696,489
Due from State (Note 2)	87,058	108,905
Due from federal agency (Note 3)	-	40,787
Accounts receivable-other	5	5
Prepaids	13,388	-
Total current assets	1,213,910	846,186
Property and equipment, net (Note 4)	1,516,928	59,844
Total Assets	$ 2,730,838	$ 906,030
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 6,423	$ 86,400
Accrued payroll and related liabilities	69,174	29,366
Deferred revenue (Note 5)	5,985	6,636
Related Party Notes Payable (Note 6)	450	450
Note Payable (Note 7)	1,094,935	-
Total current liabilities	1,176,967	122,852
Total Liabilities	$ 1,176,967	$ 122,852
Net assets		
Unrestricted	106,527	4,861
Temporarily restricted	1,447,344	778,317
Total net assets	$ 1,553,871	$ 783,178
Total liabilities and net assets	$ 2,730,838	$ 906,030

See accompanying notes to financial statements.

EVOLUTION ACADEMY, INC.
Statements of Activities
For the Years Ended August 31, 2007 and 2006

	Unrestricted	Temporarily Restricted	Totals 2007	Totals 2006
Revenues and Other Support				
Local support:				
Contributions	$ -	$ -	$ -	$ 3,500
Other	101,666	-	101,666	499
Total local support	101,666	-	101,666	3,999
State program revenues				
Foundation School Program	$ -	$ 2,261,931	$ 2,261,931	$ 1,747,626
State Supplement - $1000	-	-	-	10,750
Texas ASAP	-	-	-	29,665
Math Grant	-	9,355	9,355	19,436
Tx Hign School Redesign	-	122,626	122,626	-
Technology Allotment	-	1,300	1,300	6,111
Total state program revenues	-	2,395,212	2,395,212	1,813,588
Federal program revenues				
ESEA Title 1, Part A	$ -	$ 109,347	$ 109,347	$ 68,559
IDEA-B CAPACITY AND FORMULA	-	48,506	48,506	66,025
National Breakfast Program	-	1,758	1,758	2,041
Carl D Perkins	-	-	-	1,619
Title III	-	1,407	1,407	-
ESEA Title II, Part A	-	10,230	10,230	7,511
Total federal program revenues	-	171,248	171,248	145,755
Net assets released from restrictions:				
Satisfaction of program restrictions	1,897,433	(1,897,433)	-	-
Total revenues and other support	1,999,099	669,027	2,668,126	1,963,342
Expenses and Other Losses				
Program services:				
General School Operations	1,019,953	-	1,019,953	1,157,303
ESEA Title 1, Part A	109,347	-	109,347	68,559
IDEA-B CAPACITY AND FORMULA	48,506	-	48,506	66,025
National Breakfast Program	14,653	-	14,653	11,792
Carl D Perkins	-	-	-	1,619
ESEA Title II, Part A	10,230	-	10,230	7,511
State Supplement - $1000	-	-	-	10,472
Texas ASAP	-	-	-	29,665
Math Grant	9,355	-	9,355	19,436
Title III	1,407	-	1,407	-
Tx Hign School Redesign	122,626	-	122,626	-
Technology Allotment	1,300	-	1,300	6,111
Total program services	1,337,377	-	1,337,377	1,378,493
Support services:				
Administrative Support Services	121,256	-	121,256	126,591
Support Services - Non-Student Based	341,461	-	341,461	223,232
Support Services - Student (Pupil)	96,901	-	96,901	115,881
Fundraising	438	-	438	-
Total expenses	1,897,433	-	1,897,433	1,844,197
Change in net assets	101,666	669,027	770,693	119,145
Net assets at beginning of year	4,861	778,317	783,178	661,975
Prior period adjustments	-	-	-	2,058
Net assets at end of year	$ 106,527	$ 1,447,344	$ 1,553,871	$ 783,178

See accompanying notes to financial statements.

EVOLUTION ACADEMY, INC.
Statements of Cash Flows
For the Years Ended August 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Foundation School Program payments	$ 2,416,409	$ 1,779,039
Grant payments	211,873	161,079
Miscellaneous sources	62,012	24,964
Rental Income	96,738	-
Payments to vendors for goods and services rendered	(759,832)	(619,014)
Payments to charter school personnel for services rendered	(1,145,032)	(1,150,025)
Interest payments	(69,597)	-
Net cash provided by operating activities	812,570	196,043
Cash flows from investing activities:		
Purchased building	(1,400,000)	-
CIP	(102,453)	-
Refund/Initial proceedings on purchase of building	11,919	(45,400)
	(1,490,534)	(45,400)
Cash flows from financing activities:		
Note payable	1,116,000	-
Repayment of note principal	(21,066)	-
	1,094,934	-
Net increase in cash	416,970	150,643
Cash at beginning of year	696,489	545,846
Cash at the end of year	$ 1,113,459	$ 696,489
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 770,693	$ 121,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation/amortization	33,451	1,333
(Increase)Decrease in assets:		
Accounts receivable	62,634	(25,819)
Prepaid expenses	(13,388)	8,339
Increase(Decrease) in liabilities:		
Accounts payable	(79,977)	86,400
Accrued liabilities	39,808	(2,050)
Deferred revenue	(651)	6,636
Net cash provided by operating activities	$ 812,570	$ 196,043

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of Evolution Academy, Inc. (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The corporation is a not-for-profit organization incorporated in the State of Texas in 1999 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of 4 members. The Board of Directors is selected pursuant to the bylaws of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

Evolution Academy was solely organized to provide educational services to “at-risk” students. In 2002, the State Board of Education of the State of Texas granted the corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Evolution Academy was opened January 7, 2002. The charter was issued for a period of five years (through August 1, 2006). The charter contract has been extended until July 31, 2009. The School programs, services, activities, and functions are governed by the corporation’s board of directors. **The charter school program is the only financial activity of the corportion.**

Basis of Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the Academy's activities due to donor-imposed restrictions.

Contributions

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made.* In accordance with SFAS NO. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Corporation considers all highly liquid investment instruments purchased with original maturities of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific purpose financial statements. Capital assets are defined by the corporation as assets with and individual cost of more than $5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to five years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Note 2: Due from State

	2007	2006
Math Grant	$ -	$ 26,072
TX Hign Sch Redesign	31,746	-
FSP	55,312	82,833
	$ 87,058	$108,905

Note 3: Due from Federal Agencies

	2007	2006
Tile I, Part A	$ -	$ 31,005
IDEA B	-	9,620
Carl D Perkins	-	162
	$ -	$ 40,787

Note 4: Capital Assets

Capital assets at August 31, 2007 and 2006 were as follows:

	2007	2006
Loan Costs	$ 33,481	$ 45,400
Leasehold Improvements	20,000	20,000
Construction WIP	102,453	-
Building	1,400,000	-
Less accumulated depreciation and amortization	(39,006)	(5,556)
Net capital assets	$1,516,928	$ 59,844

Capital assets acquired with public funds received by the corporation for the operation for Evolution Academy, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

Note 5: Deferred revenue

	2007	2006
Technology Allotment	$5,985	-
Math Grant	-	6,636

Note 6: Note Payable-Related Party

At August 31, 2007, Evolution Academy has an outstanding note payable in the amount of $450 due to the CEO/Superintendent. The loan is non-interest bearing, unsecured, and payable upon demand.

Note 7: Note Payable

Evolution Academy has a note payable to Bank of America with a stated interest rate of 7.5%. The note is payable in monthly installments of $9,066, including interest, beginning in November 2006 and ending in September 2007. The note agreement contains a balloon payment of $1,110,517 at the end of the note term.

Future note payments are as follows:

Year Ending August 31,	
2008	$1,109,583
2009	-
2010	-
2011	-
2012	-
Thereafter	-
Total note payments	1,109,583
Less amount of interest	(14,648)
Face amount of note	$1,094,935

Note 8: Pension Plan Obligations

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the charter school's covered payroll. The charter school's employees' contributions to the System for the years ending August 31, 2007 and 2006 were approximately $70,000 and $66,000, respectively, equal to the required contributions for each year.

Note 9: Health Care Coverage

During the year ended August 31, 2007, employees of the School were covered by a Health Insurance Plan (the Plan). Employees, at their option, authorized payroll withholding to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended August 31, 2007 and 2006 consisted of the following:

	2007	2006
State Funded Temporarily Restricted	$ 1,447,344	$ 778,317

Note 11: Maintenance of Effort

The amount paid by the corporation for charter school employees for health care premiums was as follows:

(A)	Total annual premiums paid for health care 2006-2007	$ 57,528
(B)	Subtract any non-medical expenditures: Life insurance	0
(C)	2006– 2007Maintenance of Effort	$ 57,528

Note 12: Operating Leases

The Organization leases its school building. The lease is a noncancelable operating lease which has a lease term beginning June 1, 2002 and expiring May 31, 2007. Under the lease the Organization pays $7,025 per month for rent, general maintenance, and repairs.

The School leases two copiers under a noncancelable operating lease that as of August 31, 2005 required a monthly rental payment of $850. The lease term is for four (4) years and expires August 2009.

The future minimum rental payments under the operating leases with remaining terms of one (1) year or more are as follows:

Twelve Months Ended August 31,	Amount
2008	$ 10,200
2009	10,200
2010	-
2011	-
2012	-
Total	$ 20,400

Rental expense for all operating leases for the twelve months ended August 31, 2007 was $94,500.

Note 13: Subsequent Event

The note payable to Bank of Amercia was refinanced for an additional $1.4M in September 2007 to finance the remaining construction in progress of the building that was purchased in fiscal year 2007.

Note 14: Commitments and Contingencies

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

EVOLUTION ACADEMY, INC.
Statements of Activities
For the Years Ended August 31, 2007 and 2006

		Unrestricted	Restricted	Totals 2007	Totals 2006
Revenues					
Local support:					
5740	Other Revenues from Local Sources	$ 101,666	$ -	$ 101,666	$ 7,592
5810	Foundation School Program Act Revenues	-	2,261,931	2,261,931	1,677,512
5820	State Program Revenues Distributed by Texas Education Agency	-	133,281	133,281	38,325
5830	State Program Revenues Distributed by Texas Education Agency	-	-	-	-
Total state program revenues		-	2,395,212	2,395,212	1,715,837
Federal program revenues:					
5920	Federal Revenues Distributed by the Texas Education Agency	-	171,248	171,248	79,264
Net assets released from restrictions:					
Restrictions satisfied by payments		1,897,433	(1,897,433)	-	-
Total Revenues		$ 1,999,099	$ 669,027	$ 2,668,126	$ 1,802,693
Expenses					
11	Instruction	936,844	-	936,844	773,797
12	Instructional Resources and Media Services	-	-	-	-
13	Curriculum Development and Instructional Staff Development	110,864	-	110,864	29,017
21	Instructional Leadership	29	-	29	59,220
23	School Leadership	251,652	-	251,652	136,114
31	Guidance, Counseling and Evaluation Services	55,267	-	55,267	63,905
32	Social Work Services	-	-	-	-
33	Health Services	15,429	-	15,429	14,019
34	Student (Pupil Services)	37,184	-	37,184	47,865
35	Food Services	14,653	-	14,653	24,357
36	Cocurricular/Extracurricular Activities	-	-	-	-
41	General Administration	130,180	-	130,180	146,040
51	Plant Maintenance and Operations	307,973	-	307,973	181,344
52	Security and Monitoring Services	18,015	-	18,015	53,972
53	Data Processing Services	18,905	-	18,905	18,692
61	Community Services	-	-	-	-
81	Fund Raising	438	-	438	-
Total expenses		$ 1,897,433	$ -	1,897,433	$ 1,548,343
Change in net assets		101,666	669,027	770,693	254,350
Net assets at beginning of year		4,861	778,317	783,178	407,625
Prior period adjustments		-	-	-	-

See accompanying notes to financial statements.

EVOLUTION ACADEMY, INC.
Schedules of Expenses
For the Years Ended August 31, 2007 and 2006

		Totals	
		2007	2006
Expenses			
6100	Payroll Costs	1,184,840	1,147,975
6200	Professional and Contracted Services	368,414	504,009
6300	Supplies and Materials	54,984	60,934
6400	Other Operating Costs	219,598	131,279
6500	Debt	69,597	-
Total Expenses		$ 1,897,433	$ 1,844,197

EVOLUTION ACADEMY
Schedule of Capital Assets
For the Year Ended August 31, 2007

		Ownership Interest		
		Local	State	Federal
1110	Cash	$ 99,800	$ 1,013,659	$ -
1510	Land and Improvements:	-	-	-
1531	Vehicles	-	-	-
1539	Furniture and Equipment	-	-	-
Total Captial Asssets		$ 99,800	$ 1,013,659	$ -

EVOLUTION ACADEMY
Budgetary Comparison Schedule
For the Year Ended August 31, 2007

		Budgeted Amounts		Actual	Variance from
		Original	Final	Amounts	Final Budget
Revenues					
Local support:					
5740	Other Revenues from Local Sources	$ 500	1,907	$ 101,666	$ 99,759
5810	Foundation School Program Act Revenues	1,980,187	2,262,873	2,261,931	(942)
5820	State Program Revenues Distributed Texas Education Agency	-	129,988	133,281	3,293
5830	State Program Revenues Distributed by Other than by Texas Education Agency	-	-	-	-
Total state program revenues		1,980,187	2,392,861	2,395,212	2,351
Federal program revenues:					
5920	Federal Revenues Distributed by the Texas Education Agency	3,000	190,059	171,248	(18,811)
Total Revenues		$ 1,983,687	$ 2,584,827	$ 2,668,126	$ 83,299
Expenses					
11	Instruction	964,280	1,155,360	936,844	(218,516)
12	Instructional Resources and Media Services	3,500	3,500	-	(3,500)
13	Curriculum Development and Instructional Staff Development	13,500	104,943	110,864	5,921
21	Instructional Leadership	3,000	3,000	29	(2,971)
23	School Leadership	261,168	306,210	251,652	(54,558)
31	Guidance, Counseling and Evaluation Services	44,193	65,055	55,267	(9,788)
32	Social Work Services	-	-	-	-
33	Health Services	18,489	18,872	15,429	(3,443)
34	Student (Pupil Services)	45,000	45,000	37,184	(7,816)
35	Food Services	13,888	13,888	14,653	765
36	Cocurricular/Extracurricular Activities	-	-	-	-
41	General Administration	131,951	153,223	130,180	(23,043)
51	Plant Maintenance and Operations	328,000	386,890	307,973	(78,917)
52	Security and Monitoring Services	1,200	19,654	18,015	(1,639)
53	Data Processing Services	17,731	20,164	18,905	(1,259)
61	Community Services	500	500	-	(500)
81	Fund Raising	500	500	438	(62)
Total expenses		$ 1,846,900	$ 2,296,759	1,897,433	$ (399,326)
Change in net assets		136,787	288,068	770,693	482,625
Net assets at beginning of year		-	-	783,178	783,178
Prior period adjustments		-	-	-	-
Net assets at end of year		$ 136,787	$ 288,068	$ 1,553,871	$ 1,265,803

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Evolution Academy Charter School

We have audited the financial statements of Evolution Academy Charter School (a nonprofit organization) as of and for the years ended August 31, 2007 and 2006, and have issued our report thereon dated January 4, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the oorganization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Evolution Academy Charter School in a separate letter dated January 4, 2008.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Raquel Olivier, CPA

Houston, Texas
January 4, 2008

Raquel Olivier, C.P.A.
Accounting, Auditing, Tax & Consulting Services

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EVOLUTION ACADEMY, INC.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2007

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Control deficiencies identified that are not considered to be material weaknesses: See management letter.
3. Material weaknesses identified: None.
4. Noncompliance material to the financial statements: None.
5. Federal awards: Charter school did not meet the requirements for a Single Audit.

II. Findings related to the Financial Statements

1. Condition: There were instances of significant misstatements in the financial statements.

   Criteria: During the planning of the audit, the tolerable misstatement was determined to be $24k.

   Effect: The financial statements were grossly misstated by more than the tolerable threshold.

   Recommendation: The Organization should consider retaining a consultant to assist the bookkeeper in maintaining an accurate and complete general ledger.

III. Findings and Questioned Costs related to Federal Awards

None.

Raquel Olivier, C.P.A.
Accounting, Auditing, Tax & Consulting Services

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EVOLUTION ACADEMY, INC.
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended August 31, 2006

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Reportable conditions identified that are not considered to be material weaknesses: See management letter.
3. Material weaknesses identified: None.
4. Noncompliance material to the financial statements: None.
5. Federal awards: Charter school did not meet the requirements for a Single Audit.

II. Findings related to the Financial Statements

The audit did not disclose any findings that are required to be reported.

III. Findings and Questioned Costs related to Federal Awards

None.

APPENDIX B
PROFORMA FINANCIAL PLAN

EVOLUTION ACADEMY CHARTER SCHOOL

		2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
Revenue:		**Projected**	**Projected**	**Projected**	**Projected**	**Budgeted**	**Actual**	**Actual**	**Actual**
5700	Local Support						$ 6,590	$ 12,651	$ 101,666
5800	State Funding Program	4,327,600	3,862,600	3,447,200	3,075,200	2,746,600	2,855,375	2,738,317	2,395,212
5900	Federal Program	590,991	562,849	536,047	510,521	486,210	108,366	323,820	171,248
	Total Revenues	**$ 4,918,591**	**$ 4,425,449**	**$ 3,983,247**	**$ 3,585,721**	**$ 3,232,810**	**$ 2,970,331**	**$ 3,074,788**	**$ 2,668,126**
Expenses:									
11	Instruction	1,673,101	1,593,430	1,517,552	1,445,288	1,313,898	1,290,831	1,281,494	936,844
12	Instructional Resources & Media Services	-	-	-	-	-	-	2,500	-
13	Curriculum & Instructional Staff Development	254,709	242,580	231,029	220,028	200,025	166,466	195,437	110,864
21	Instructional Leadership	4,202	4,002	3,812	3,630	3,300	2,382	2,184	29
23	School Leadership	488,016	464,777	442,645	421,566	383,242	271,701	266,244	251,652
31	Guidance, Counseling & Evaluation Services	79,773	75,974	72,356	68,911	62,646	48,090	51,820	55,267
33	Health Services	2,419	2,304	2,195	2,090	1,900	19,777	17,632	15,429
34	Student (Pupil) Transportation	95,504	90,956	86,625	82,500	75,000	75,719	64,000	37,184
35	Food Services	23,309	22,199	21,142	20,136	18,305	18,305	19,052	14,353
41	General Administration	295,442	281,374	267,975	255,214	232,013	201,889	185,137	130,180
51	Plant Maintenance & Operations	329,096	313,425	298,500	284,285	485,714	441,563	563,972	307,973
52	Security & Monitoring Services	62,760	59,772	56,925	54,215	49,286	48,976	50,661	18,015
53	Data Processing Services	32,427	30,883	29,412	28,012	25,465	12,751	20,228	18,905
61	Community Services	-	-	-	-	-	-	-	-
71	Interest on Bond	360,188	362,888	365,138	247,828	-	-	-	-
	Total Expenses	**$ 3,700,947**	**$ 3,544,563**	**$ 3,395,305**	**$ 3,133,701**	**$ 2,850,794**	**$ 2,598,450**	**$ 2,720,361**	**$ 1,897,133**
	Change In Net Assets from Operations	**1,217,645**	**880,886**	**587,942**	**452,020**	**382,016**	**371,881**	**354,427**	**770,993**
00	Principal on Long Term Debt	89,160	89,160	84,160	-	-	-	-	438
	Loss on Sale of Real & Personal Property	-	-	-	-	-	-	-	-
	Change In Net Assets	***1,128,485***	***791,726***	***503,782***	***452,020***	***382,016***	***371,881***	***354,427***	***770,993***
	Net Assets, beginning of year	4,499,140	3,697,747	3,184,297	2,722,609	2,330,925	1,949,376	1,553,871	783,178
	Prior Period Adjustments	9,668	9,668	9,668	9,668	9,668	9,668	41,078	-
	Net Assets, end of year	**5,637,293**	**4,499,140**	**3,697,747**	**3,184,297**	**2,722,609**	**2,330,925**	**1,949,376**	**1,554,171**
	Weighted Averaged Daily Attendence (WADA)	698	623	556	496	443	475	451	427
	Calculated State Funding / WADA	$ 6,200.00	$ 6,200.00	$ 6,200.00	$ 6,200.00	$ 6,200.00	$ 6,017.31	$ 6,073.47	$ 5,608.04

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

[CLOSING DATE]

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

Wells Fargo Bank, National Association,
as Trustee
1445 Ross Avenue, 2nd Floor
MAC T5303-022
Dallas, Texas 75202

Re: Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay)

Ladies and Gentlemen:

We have been engaged by Evolution Academy (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 (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay) (the "*Bonds*"). The Bonds are being issued pursuant to a Trust Indenture and Security Agreement, dated as of October 1, 2010 (the "*Bond Indenture*"), between the Issuer and Wells Fargo 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 October 1, 2010, between the Issuer and the Company, which loan will be evidenced by a promissory note in the principal amount of the Bonds (the "*Series 2010Q Note*"), issued pursuant to the Master Trust Indenture and Security Agreement, dated as of October 1, 2010 (as amended and supplemented as set forth herein, the "*Master Indenture*"), between the Company and Wells Fargo Bank, National Association, as master trustee (the "*Master Trustee*"), as amended and supplemented by Supplemental Master Trust Indenture No. 1, dated as of October 1, 2010, and Supplemental Master Trust Indenture No. 2, dated as of October 1, 2010, and as further amended or supplemented from time to time in accordance with its terms. 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 2010Q Note 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.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Company or the Issuer or the disclosure thereof in connection with the offer and sale of the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary Limited Offering Memorandum, Limited Offering Memorandum or other offering material relating to the Bonds, and we express no opinion relating thereto.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Texas Public Finance Authority (the "*Authority*"), the Board of Directors of the Company and the Issuer; customary certificates of officials, agents and representatives of the Authority, the Company, the Issuer, the Trustee, and certain other parties; the opinion of the Attorney General of the State of Texas approving the Bond Indenture and the Bonds; and other certifications relating to the authorization and issuance of the Bonds. We have also examined such portions of the Constitution and statutes of the State of Texas as we have deemed necessary for the purposes of this opinion.

As to questions of fact material to our opinion, we have relied, with your permission, upon representations of the Issuer and the Company contained in the Bond Indenture and the Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications, documents, and other information furnished to us by or on behalf of the Company, the Issuer, RBC Capital Markets Corporation. (the "*Underwriter*"), and others, without undertaking to verify the same by independent investigation.

We have assumed, with your permission, and without independent verification (i) the genuineness of certificates, records and other documents and the accuracy and completeness of the statements contained therein; (ii) the due authorization, execution and delivery of the Bond Indenture by the Trustee, and the validity and binding effect of the Bond Indenture on the Trustee; (iii) that all documents and certificates submitted to us as originals are accurate and complete; (iv) that all documents and certificates submitted to us as copies are true and correct copies of the originals thereof; and (v) that all information submitted to us was accurate and complete. No information has come to our attention that is inconsistent with the material facts that have been certified by the Issuer, the Company and others, and upon which we have relied in our opinions.

Based on the foregoing, and subject to the matters set forth herein, we are of the opinion that under existing law:

1. The Bond Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms. The Issuer has assigned its rights, title, and interest in and to the Series 2010Q Note, the Loan Agreement (except for certain rights of the Issuer to indemnification and payment of its fees and expenses), all Adjusted Revenues derived by the Issuer from the Loan Agreement and the Series 2010Q Note (including Loan Payments) and 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 and all amounts held therein (other than the Rebate Fund) and has granted a valid security interest therein, to the Trustee pursuant to the Bond Indenture as security for the Bonds. The Bond Indenture validly and effectively creates the security interest that it purports to create and no additional instrument of conveyance, assignment, or transfer is necessary to create such security interest. No filing or recording of any document not filed or recorded is required as of this date to perfect or maintain the security interest created by the Bond Indenture.

2. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding special obligations of the Issuer entitled to the benefits and security of the Bond Indenture. The Bonds are limited obligations of the Issuer payable solely from the Trust Estate under the Bond Indenture and the revenues derived therefrom. The Bonds are not obligations of the State of Texas nor of any political corporation, subdivision or agency of the State of Texas.

The opinions expressed herein are limited to the extent that (i) the performance and enforceability of the Bond Indenture, the Bonds and the Loan Agreement may be subject to applicable bankruptcy, reorganization, moratorium or other similar laws affecting generally the enforcement of creditors' rights; (ii) general equitable principles may limit the availability of equitable remedies, including, but not limited to, the remedy of specific performance; and (iii) the enforceability of provisions relating to indemnification may be limited by public policy or applicable securities law.

In rendering these opinions, we have relied, with your permission, on, among other things, certificates signed by officers of the Issuer, the Company and the Underwriter with respect to certain material facts, estimates and expectations which are solely within the knowledge of the Issuer, the Company and the Underwriter, respectively, and which we have not independently verified.

We observe that interest on the Bonds is generally includable in gross income for federal income tax purposes under existing law. We express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Prospective purchasers should consult their tax advisors with respect to such matters.

This opinion speaks only as of its date and only in connection with the Bonds and may not be applied to any other transaction. We do not undertake to advise you of matters which may come to our attention subsequent to the date hereof that may affect our legal opinion and conclusions expressed herein. Further, this opinion is specifically limited to the laws of the State of Texas.

Very truly yours,

APPENDIX D
SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL MASTER TRUST INDENTURE NO. 2

MASTER TRUST INDENTURE AND SECURITY AGREEMENT

between

EVOLUTION ACADEMY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Master Trustee

Dated as of

October 1, 2010

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MASTER TRUST INDENTURE AND SECURITY AGREEMENT

THIS MASTER TRUST INDENTURE AND SECURITY AGREEMENT (this "Master Indenture"), dated as of October 1, 2010, is between EVOLUTION ACADEMY, a Texas non-profit corporation (the "Company"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association with a corporate trust office in Dallas, Texas, not in its individual capacity but solely as the Master Trustee (the "Master Trustee").

W I T N E S S E T H:

WHEREAS, the Company is authorized by law and deems it necessary and desirable to enter into this Master Indenture for the purpose of providing for the incurrence of Debt and the issuance of Notes hereunder to evidence and secure such Debt.

WHEREAS, all acts and things necessary to constitute these presents a valid indenture and agreement according to its terms have been done and performed and the execution of this Master Indenture has in all respects been duly authorized, and the Company, in the exercise of the legal right and power vested in it, has executed this Master Indenture and may incur Debt and make, execute, issue and deliver Notes hereunder.

NOW, THEREFORE, THIS MASTER INDENTURE WITNESSETH:

GRANTING CLAUSES

In order to declare the terms and conditions upon which Notes are to be authenticated, issued and delivered, and to secure the payment of Notes and the performance and observance of all of the covenants and conditions herein or therein contained, and in consideration of the premises, of the purchase and acceptance of Notes by the Holders thereof and of the sum of One Dollar to them duly paid by the Master Trustee at the execution of these presents, the receipt and sufficiency of which is hereby acknowledged, the Company has executed and delivered this Master Indenture and by these presents does hereby convey, grant, assign, transfer, pledge, set over, confirm and grant a security interest in and to the Master Trustee, its successor or successors and its or their assigns forever, all and singular the property, real and personal, hereinafter described (said property being herein sometimes referred to as the "Trust Estate") to wit:

(a) all Adjusted Revenues of the Company except and excluding all such items, whether now owned or hereafter acquired by the Company, which by their terms or by reason of applicable law would become void or voidable if granted, assigned, or pledged hereunder by the Company, or which cannot be granted, pledged, or assigned hereunder without the consent of other parties whose consent is not secured, or without subjecting the Master Trustee to a liability not otherwise contemplated by the provisions hereof, or which otherwise may not be, or are not, hereby lawfully and effectively granted, pledged, and assigned by the Company, provided that the Company may subject to the lien

hereof any such excepted property, whereupon the same shall cease to be excepted property;

(b) all moneys and securities, if any, at any time held by the Master Trustee in the Revenue Fund and any other fund or account established under the terms of this Master Indenture, or held by other banks or fiduciary institutions which are collaterally assigned to the Master Trustee as security for the Notes including depository accounts and all securities, financial assets (as defined in Section 8-102(a)(9) of the UCC) and securities entitlements (within the meaning of Section 8-102(a)(17) of the UCC) and, with respect to Book-Entry Securities, in the applicable Federal Book Entry Regulations, carried in or credited to such fund or account;

(c) all accounts, bank accounts, general intangibles, contract rights and related rights of the Company (each as defined in the UCC), whether now owned or hereafter acquired or arising and wherever located;

(d) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as additional security hereunder by the Company or by anyone on its behalf to the Master Trustee, subject to the terms thereof, including without limitation, funds of the Company held by the Master Trustee as security for the Notes;

(e) the lien of the Deed of Trust (as hereinafter defined); and

(f) proceeds of the foregoing, including cash proceeds and cash equivalents, products, accessions and replacements.

In addition to the foregoing, the "Trust Estate" includes all goods, documents, instruments, tangible and electronic chattel paper, letter of credit rights, investment property, accounts, deposit accounts, general intangibles (including payment intangibles and software), money and other items of personal property, including proceeds (as each such term is defined in the UCC) which constitute any of the property described in the foregoing Granting Clauses.

TO HAVE AND TO HOLD IN TRUST, upon the terms herein set forth, subject to Section 210 hereof, for the proportionate benefit, security, and protection of all Holders of the Notes issued under and secured by this Master Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Notes over any other, except as set forth in such Notes and in the Supplemental Master Indenture executed with respect to such Notes; provided, however, that if the Company shall pay, or cause to be paid, the principal of the Notes or the obligations secured thereby and the redemption or prepayment premium, if any, and the interest and any other amounts due or to become due thereon in full at the times and in the manner mentioned in the Notes according to the true intent and meaning thereof, and the Company shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Master Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Master Trustee all sums of money due or to become due to it in accordance with the terms and

provisions hereof, then upon such final payment this Master Indenture and the rights hereby granted and the restrictions hereby incurred shall cease, determine and be void; otherwise this Master Indenture shall be and remain in full force and effect. Notwithstanding anything in this Master Indenture to the contrary, when all of the Notes are no longer Outstanding, the Master Trustee may execute a release of the lien of this Master Indenture on the Deed of Trust and any property of the Company encumbered thereby.

NOW, THEREFORE, in consideration of the premises, the Company covenants and agrees with the Master Trustee, for the equal and proportionate benefit of the respective Holders from time to time of the Notes, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Construction of Terms; Definitions.

(a) For all purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) The term "Master Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

(2) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Master Indenture as a whole and not to any particular Article, Section or other subdivision.

(3) The terms defined in this Article have the meanings assigned to them in this Article throughout this Master Indenture, and include the plural as well as the singular. Reference to any Person means that Person and its successors and assigns.

(4) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(5) The terms used in this Master Indenture and not defined herein have the meanings assigned to them in the Related Bond Documents.

(b) The following terms have the meanings assigned to them below whenever they are used in this Master Indenture:

"Accountant" means a Person engaged in the practice of accounting who is a certified public accountant and who (except as otherwise expressly provided herein) may be employed by or affiliated with the Company.

"Adjusted Revenues" means, for any period of calculation, the total of all operating and non-operating revenues of the Company, including but not limited to State Revenues, federal and local funds for school lunches and other food programs, special education, and transportation, including accounts receivable and rights to receive the same plus investment and other income or loss of the Company for such period; provided, however, that no determination thereof shall take into account (a) income derived from Defeasance Obligations that are irrevocably deposited in escrow to pay the principal of or interest on Debt or Related Bonds, (b) any gains or losses resulting from the early extinguishment of Debt, the sale, exchange or other disposition of Property not in the ordinary course of business, or the reappraisal, reevaluation or write-up of assets, or any other extraordinary gains or losses, (c) gifts, grants (excluding grants from the State), bequests or donations and income thereon restricted as to use by the donor or grantor for a purpose inconsistent with the payment of debt service on Debt or Related Bonds or Notes (i.e., unrelated to the purposes for which such obligations were issued), (d) net unrealized gain (losses) on investments and Financial Products Agreements and (e) proceeds of borrowing. Notwithstanding any provision herein to the contrary, State Revenues received by each of the Borrower's campuses will be used in accordance with Section 12.107(a) of the Texas Education Code, as amended.

"Annual Debt Service Requirements" of the Company means, for any Fiscal Year, the principal of (and premium, if any) and interest and other debt service charges (which include for purposes hereof, any fees or premiums for any letter of credit, surety bond, policy of insurance, bond purchase agreement, or any similar credit or liquidity support secured in connection therewith) on all Long Term Debt of such Person coming due at Maturity or Stated Maturity, and, for such purposes, any one or more of the following rules shall apply:

(a) Committed Take Out - if the Company has received a binding commitment, within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to refund or purchase any of its Long Term Debt at its Stated Maturity (or, if due on demand, or payable in respect of any required purchase of such Debt by the Company, at any date on which demand may be made), then the portion of the Long Term Debt committed to be refunded or purchased shall be excluded from such calculation and the principal of (and premium, if any) and interest on the Long Term Debt incurred for such refunding or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Maturity or purchase date of the Long Term Debt to be refunded or purchased, shall be added;

(b) Pro Forma Refunding - in the case of Balloon Debt, if the Person obligated thereon shall deliver to the Master Trustee a certificate of a nationally recognized firm of investment bankers or financial consultants dated within 90 days prior to the date of delivery of such certificate to the Master Trustee stating that financing at a stated interest rate (which shall not be less than the Bond Buyer Revenue Bond Index or, if the Bond Buyer Revenue Bond Index is unavailable, a

comparable index) with a Stated Maturity not greater than 30 years is reasonably attainable on the date of such certificate to refund any of such Balloon Debt, then for the purpose of calculating what future annual debt service requirements will be, any installment of principal of (and premium, if any) and interest and other debt service charges on such Balloon Debt that could so be refunded shall be excluded from such calculation and the principal plus interest of the refunding debt shall be evenly allocated over the life of the refunding debt with equal principal payments plus interest deemed due each year but solely for the purpose of spreading the principal requirements for calculation of coverage;

(c) Prefunded Payments - principal of (and premium, if any) and interest and other debt service charges on Debt, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, interest, or other debt service charges are payable from funds irrevocably deposited or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust or escrowed with the Master Trustee or another Independent Person approved by the Master Trustee);

(d) Variable Rate Debt - as to any Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation, an interest rate equal to the greater of an annual interest rate equal to the Bond Buyer Revenue Bond Index (or, if the Bond Buyer Revenue Bond Index is unavailable, a comparable index chosen by the Company's financial advisor) and the weighted average rate of interest born by such Debt (or other indebtedness of comparable credit quality, maturity and purchase terms in the event that such Debt was not outstanding) during the preceding Fiscal Year (or any period of comparable length ending within 180 days) prior to the date of calculation shall be presumed to apply for all future dates and the principal shall be evenly allocated over the life of the Bond issue with an equal amount of principal deemed due each year but solely for the purpose of spreading the principal requirements for calculation of coverage;

(e) Contingent Obligations - in the case of any guarantees or other Debt described in clause (3) of the definition of Debt, the principal of (and premium, if any) and interest and other debt service charges on such Debt for any Fiscal Year shall be deemed to be 25% of the principal of (and premium, if any) and interest and other debt service charges on the indebtedness guaranteed due in such Fiscal Year; provided, however, that if the Person which guarantees or is otherwise obligated in respect of such Debt is actually required to make any payment in respect of such Debt, the total amount payable by such Person in respect of such guarantee or other obligation in such Fiscal Year shall be included in any computation of the Annual Debt Service Requirements of such Person for such year and the amount payable by such Person in respect of such guarantee or other obligation in any future Fiscal Year shall be included in any computation of the estimated Annual Debt Service Requirements for such Fiscal Year; and

(f) Financial Products - in the event there shall have been issued or entered into in respect of all or a portion of any Debt a Financial Products Agreement with respect to Long Term Debt, interest on such Long Term Debt shall be included in the calculation of Annual Debt Service Requirements by including for such period an amount equal to the amount payable on such Long Term Debt in such period at the rate or rates stated in such Long Term Debt plus any payments payable by such Person in respect of such Financial Products Agreement minus any payments receivable by such Person in respect of such Financial Products Agreement, as calculated by the financial advisor to the Company.

"Authorized Denominations" means the amounts, if any, set forth therefor in the Supplemental Indenture authorizing any series of Notes.

"Authorized Representative" means the CEO of the Company, the President of the Governing Body, or any other person duly appointed by the Governing Body of the Company to act on behalf of the Company, each as evidenced by a written certificate furnished to the Master Trustee containing the specimen signature of such person or persons and signed on behalf of the Company by an authorized officer of the Company. The Master Trustee may rely on such written certificate until it is given written notice to the contrary.

"Available Revenues" means, for any period of determination thereof, the amount of excess (deficit) of Adjusted Revenues over Expenses for such period, plus any gifts, grants, requests or donations and income thereon restricted as to use by the donor or grantor for the sole purpose of paying Expenses of the Company, but less: (a) unrealized pledges for such period to make a donation, gift, or other charitable contribution to the extent encumbered, as permitted herein to secure the payment of Debt that is not Long Term Debt, and (b) insurance (other than business interruption) and condemnation proceeds.

"Balloon Debt" means Debt where the principal of (and premium, if any) and interest and other debt service charges on such Long Term Debt due (or payable in respect of any required purchase of such Debt by such Person on demand) in any Fiscal Year either are equal to at least 25% of the total principal of (any premium, if any) and interest and other debt service charges on such Long Term Debt or exceed by more than 50% the greatest amount of principal of (and premium, if any) and interest and other debt service charges on such Long Term Debt due in any preceding or succeeding Fiscal Year.

"Board Resolution" means a copy of a resolution certified by the Person responsible for maintaining the records of the Governing Body to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the corresponding provisions, if any, of any successor internal revenue laws of the United States.

"Company" means Evolution Academy, a Texas non-profit corporation, its permitted successors and assigns, and any resulting, surviving or transferee Person permitted hereunder.

"Consent," "Order," and "Request" means a written consent, order or request signed in the name of the Company and delivered to the Master Trustee by the Chairman of the Governing Body, the President, an Executive or Senior Vice President, the Chief Financial Officer or any other Person designated by the Company to execute any such instrument on behalf of the Company as evidenced by an Officer's Certificate.

"Corporate Trust Office" means the address or addresses of the Master Trustee designated from time to time in accordance with Section 104.

"Debt" means all:

(i) indebtedness incurred or assumed by the Company for borrowed money or for the acquisition, construction or improvement of property other than goods that are acquired in the ordinary course of business of the Company;

(ii) lease obligations of the Company that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(iii) all indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or the acquisition, construction or improvement of property or capitalized lease obligations guaranteed, directly or indirectly, in any manner by the Company, or in effect guaranteed, directly or indirectly, by the Company through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(iv) all indebtedness (other than items described under Section 201(b)(iii)) secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Company whether or not the Company has assumed or become liable for the payment thereof.

For the purpose of computing the "Debt," there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository in trust the necessary funds (or evidences of such Debt or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption or satisfaction of such Debt; and thereafter such funds, evidences of Debt and investments so deposited shall not be included in any computation of the assets of the Company, and the income from any such deposits shall not be included in the calculation of Adjusted Revenues or Available Revenues. In addition, for the purpose of computing "Debt," there shall be excluded any loans between Participating Campuses for the purpose of making Loan Payments as required by the Related Loan Documents due to a notice from the Texas Education Agency, the Texas Attorney General, the Texas Comptroller of Public Accounts or any other agency with authority over the expenditures or safekeeping of State Revenues.

"Deed of Trust" means that certain Deed of Trust and Security Agreement dated as of even date herewith from the Company to the Master Trustee, as such Deed of Trust may be amended, supplemented or restated, and/or any security instrument executed in substitution therefor or in addition thereto, as such substitute or additional security instrument may be amended, supplemented or restated from time to time.

"Defeasance Obligations" means any obligations authorized under Texas law and the related financing documents to be deposited in escrow for the defeasance of any Debt.

"Depository Bank" means any bank designated by the Company as its depository bank pursuant to the Texas Education Code, as amended, Section 45.202.

"Event of Default" is defined in Section 601 of this Master Indenture.

"Expenses" means, for any period of time for which calculated, the total of all operating and non-operating expenses or losses incurred during such period by the Company for which such calculation is made, determined in accordance with generally accepted accounting principles, other than (a) interest expense, (b) depreciation and amortization and (c) extraordinary losses resulting from the early extinguishment of debt, the sale or other disposition of assets not in the ordinary course of business or any reappraisal, revaluation or write-down of assets, and any other extraordinary losses or expenses.

"Financial Products Agreement" means any type of financial management instrument or contract, which shall include, but not be limited to, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other

indices; (iii) any contract to exchange cash flows or payments or a series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk forward supply agreements; and (v) any other type of contract or arrangement that the Governing Body of the Company determines is to be used, or is intended to be used, to manage or reduce the cost of debt (including but not limited to a bond insurance policy), to convert any element of debt from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Fiscal Year" means any twelve-month period beginning on September 1 of any calendar year and ending on August 31 of the following year or such other twelve-month period selected by the Company as the fiscal year for the Company.

"Governing Body" means the board of directors of the Company or any duly authorized committee of that board.

"Highest Lawful Rate" means the maximum rate of nonusurious interest permitted by applicable law as is in effect on the date hereof or, to the extent allowed by applicable law, such higher rate as may thereafter be in effect.

"Holder" or "Note Holder" means a Person in whose name a Note is registered in the Note Register.

"Independent" when used with respect to any specified Person means such a Person who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company, and (iii) is not connected with the Company as an officer, employee, promoter, trustee, partner, director or person performing similar functions. Whenever it is provided that any Independent Person's opinion or certificate shall be furnished to the Master Trustee, such Person shall be appointed by Order and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Insurance Consultant" means a firm of Independent insurance professionals knowledgeable in the operations of educational facilities and having a favorable reputation for skill and experience in the field of educational facilities insurance and which may include a broker or agent with whom the Company transacts business.

"Interest Payment Date" means the Stated Maturity of an installment of interest on any Note.

"Long Term Debt" means all Debt created, assumed or guaranteed by the Company that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the Company to a date, more

than one year after the original creation, assumption, or guarantee of such Debt by the Company.

"Management Consultant" means a firm of Independent professional management consultants, or an Independent school management organization, knowledgeable in the operation of public or private schools and having a favorable reputation for skill and experience in the field of public or private school management consultation.

"Master Indenture" means this Master Trust Indenture, as amended and supplemented from time to time in accordance with its terms.

"Master Trustee" means Wells Fargo Bank, National Association, a national banking association with a corporate trust office in Dallas, Texas, serving as trustee pursuant to this Master Indenture, and its successors and assigns.

"Maturity" when used with respect to any Debt (or any Note) means the date on which the principal of such Debt (or Note) becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption or otherwise.

"Maximum Annual Debt Service" means, as of any date of calculation, the highest Annual Debt Service Requirements (excluding the final maturity payment for any Debt) with respect to all Outstanding Debt for any succeeding Fiscal Year.

"Note" means any obligation of the Company issued pursuant to Section 201 of this Master Indenture and executed, authenticated, and delivered pursuant to Section 203 hereof.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 205 hereof.

"Officer's Certificate" means a certificate of the Company signed by the CEO, president or chair of the Governing Body, president of the Company, superintendent, an executive or senior vice president, chief financial officer, the Authorized Representative or any other Person designated by any of such Persons to execute an Officer's Certificate as evidenced by a certificate of the Company delivered to the Master Trustee.

"Opinion of Counsel" means a written opinion of counsel selected by the Company, who may (except as otherwise expressly provided) be counsel to any party to any transaction involving the issuance of Notes pursuant to Section 201 hereof.

"Outstanding" when used with respect to the Notes means, as of the date of determination, all Notes theretofore authenticated and delivered under this Master Indenture, except:

(i) Notes theretofore cancelled by the Master Trustee or the Paying Agent;

(ii) Notes for whose payment or redemption money (or Defeasance Obligations to the extent permitted by Section 902 of this Master Indenture) in the necessary amount has been theretofore deposited with the Master Trustee or any Paying Agent for such Notes in trust for the Holders of such Notes pursuant to this Master Indenture or any Supplemental Master Indenture authorizing such Notes; provided, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Master Indenture or irrevocable provision therefor satisfactory to the Master Trustee has been made; and

(iii) Notes upon transfer of or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Master Indenture or any Supplemental Master Indenture authorizing such Notes; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Master Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Master Trustee knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Master Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any other Person Obligated thereon. If there is any conflict between the aforementioned provisions of this subsection (iii) and Section 103 of this Master Indenture, Section 103 shall control.

"Participating Campuses" means the authorized charter schools operated by the Company that are (i) acquired, constructed, renovated, improved or equipped with the proceeds of Related Bonds and (ii) made part of the Trust Estate pursuant to any Supplemental Master Indenture.

"Paying Agent" means the Master Trustee or any other Person authorized by the Company to pay the principal of (and premium, if any) or interest on any series of Notes.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" for any series of Notes means a city or any political subdivision thereof designated as such in the Notes of such series.

"Property" means any and all rights, titles and interests of the Company in and to any and all property located upon a Participating Campus whether real or personal, tangible or intangible, and wherever situated including cash.

"Qualified Provider" means any financial institution or insurance company which is a party to a Financial Products Agreement if the unsecured long term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary guarantees the performance of such financial institution or insurance company under such Financial Products Agreement), or obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), are rated in one of the two highest rating categories of a Rating Service at the time of the execution and delivery of the Financial Products Agreement.

"Rating Service" means each nationally recognized securities rating service which at the time has a credit rating assigned to any series of Notes (or any other indebtedness secured by Notes) at the request of the Company.

"Record Date" means the regular record date specified for each series of Notes.

"Related Bond Documents" means the Related Bonds, Related Bond Indenture, the Related Loan Documents, and the Related Deed of Trust.

"Related Bond Indenture" means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"Related Bonds" means the bonds with respect to which any Notes are issued and any other revenue bonds or similar obligations issued by any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to the Company in consideration, whether in whole or in part, of the execution, authentication and delivery of a Note or Notes to such governmental issuer.

"Related Bonds Outstanding" means all Related Bonds which have been duly authenticated and delivered by a Related Bond Trustee under a Related Bond Indenture, except:

(i) Related Bonds theretofore cancelled by the Related Bond Trustee or delivered to the Related Bond Trustee for cancellation;

(ii) Related Bonds for whose payment or redemption money (or defeasance obligations to the extent permitted by the Related Bond Indenture) in

the necessary amounts has been theretofore deposited with the Related Bond Trustee or any paying agent for such Related Bonds in trust for the holders of such Related Bonds pursuant to the Related Bond Indenture; provided, that, if such Related Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Related Bond Indenture or irrevocable provision therefor satisfactory to the Related Bond Trustee has been made;

(iii) Related Bonds upon transfer of or in exchange for or in lieu of which other Related Bonds have been authenticated and delivered pursuant to the Related Bond Indenture; provided, however, that in determining whether the holders of the requisite principal amount of Related Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Related Bonds owned by the Company or any other obligor thereon shall be disregarded and deemed not to be Outstanding except that, in determining whether the Related Bond Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Related Bonds which the Related Bond Trustee knows to be so owned shall be so disregarded. Related Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to satisfaction of the Related Bond Trustee the pledgee's right so to act with respect to such Related Bonds and that the pledgee is not the Company or any other obligor upon the Related Bonds or any other Person obligated thereon. If there is any conflict between the aforementioned provisions in this subsection (iii) and Section 103 of this Master Indenture, Section 103 shall control; and

(iv) Related Bonds owned or held by or for the account of the Company, for the purpose of consent or other action or any calculation of Related Bonds Outstanding provided for in this Master Indenture.

"Related Bond Trustee" means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

"Related Deed of Trust" means any deed of trust or other mortgage instrument delivered by the Company to the Master Trustee in connection with Related Bonds or any Debt.

"Related Issuer" means any issuer of a series of Related Bonds.

"Related Loan Documents" means any loan agreement, credit agreement or other document pursuant to which a Related Issuer loans the proceeds of a series of Related Bonds to the Company.

"Related Project" means any project financed by Debt issued under this Master Indenture and for which Debt remains outstanding.

"Responsible Officer" when used with respect to the Master Trustee means the officer in the Corporate Trust Office of the Master Trustee having direct responsibility for administration of this Master Indenture.

"Revenue Fund" has the meaning specified in Section 405 hereof.

"Senior Note" means any Note issued hereunder that has the highest priority of payment over any other Note issued hereunder.

"Series 2010 Bonds" means the $4,370,000 Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Education Revenue Bonds, Series 2010A, the $445,000 Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010B and $1,225,000 Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay).

"Series 2010 Notes" mean any Notes issued pursuant to one or more Supplemental Master Indentures and secured by this Master Indenture to evidence payment obligations of the Company with respect to the Series 2010 Bonds

"Short-Term Debt" means indebtedness that is subordinate to any Debt under this Master Indenture; shall be utilized for the acquisition, construction, renovation or equipment of educational facilities; and shall be payable within five (5) years of the incurrence of said indebtedness. Short Term Debt shall not be considered "Debt" under this Master Indenture.

"State" means the State of Texas.

"State Revenues" means, for any period of time for which calculated, the total of all moneys received by the Company from the State during such period directly attributable to Participating Campuses.

"Stated Maturity" when used with respect to any Debt or any Note or any installment of interest thereon means the date specified in such Debt or Note as the fixed date on which the principal of such Debt or Note or such installment of interest is due and payable.

"Subordinate Note" means a Note issued hereunder that is subordinate in priority of payment to Senior Notes, as permitted by Section 212(c) and designated in the Supplemental Master Indenture authorizing such Note.

"Supplemental Master Indenture" means an indenture amending or supplementing this Master Indenture entered into pursuant to Article VIII hereof.

"Trust Estate" means the property described as the Trust Estate in the Granting Clauses of this Master Indenture or any Supplemental Master Indenture that is subject to the lien and security interest of this Master Indenture.

"UCC" means the Uniform Commercial Code as in effect in the State of Texas.

Section 102. Form of Documents Delivered to Trustee. Every certificate and every Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Master Indenture shall include a statement that the person making such certification or opinion has read such covenant or condition and the definitions relating thereto, has made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether such covenant or condition has been complied with, and a statement whether such condition or covenant has been complied with. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of any officer of a Person may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of a specified Person stating that the information with respect to such factual matters is in the possession of such Person, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Master Indenture, they may, but need not, be consolidated and form one instrument.

Section 103. Acts of Note Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Master Indenture to be given or taken by Note Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Note Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Master Trustee or Paying Agent, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Note Holders signing such instrument or instruments. Proof of execution of any such instrument, or of a writing appointing

any such agent, shall be sufficient for any purpose of this Master Indenture and (subject to Section 801) conclusive in favor of the Master Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Master Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Note Holder shall bind every Holder of any Note issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Master Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

(e) In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any demand, direction, request, notice, consent, waiver or other action under this Master Indenture, or for any other purpose of this Master Indenture, Notes that are owned by the Company shall be disregarded and deemed not to be Outstanding, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Notes which the Master Trustee has actual notice or knowledge are so owned shall be so disregarded and deemed not to be Outstanding Notes. Notes so owned that have been pledged in good faith may be regarded as Outstanding for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Notes. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee. In the event that a Note secures the obligation of a Person under an agreement or instrument that provides for the making of advances to or on behalf of such Person, such Note shall only be counted to be Outstanding in a principal amount equal to the amount so advanced or otherwise due and owing under the terms of such agreement (and only if such amount remains outstanding or unpaid) to or on behalf of such Person. In the event that a Note secures a Financial Products Agreement, such Note shall only be deemed to be Outstanding in a principal amount equal to any amount with which the Company is in default with respect to the payment thereof. In no event however, shall the amount owed to a holder be counted twice because there are the same amounts due and owing under two Notes relating to the same obligations (e.g., the principal amount reimbursable to the provider of a liquidity facility as the holder of bonds purchased by such liquidity provider as well as the principal amount of such purchased bonds by such liquidity provider as holder of the purchased bonds).

(f) At any time prior to (but not after) the time the Master Trustee takes action in reliance upon evidence, as provided in this Section 103, of the taking of any action by the Holders of the percentage in aggregate principal amount of Notes specified herein in connection with such action, any Holder of such Note that is shown by such evidence to be included in Notes the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in this Section 103, revoke such action so far as concerns such Note. Except upon such revocation or such action taken by the Holder of a Note in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Note which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note, and of any Note issued in lieu thereof, whether or not any notation in regard thereto is made upon such Note. Any action taken by the Holders of the percentage in aggregate principal amount of Notes specified herein in connection with such action shall be conclusively binding upon the Company, the Master Trustee and the Holders of all of such Notes.

Section 104. Notices, etc., to Master Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Note Holders or other document provided or permitted by this Master Indenture to be made upon, given or furnished to, or filed with:

(1) the Master Trustee by any Note Holder or by any specified Person shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with and actually received by a Responsible Officer of the Master Trustee at its Corporate Trust Office located at 1445 Ross Avenue, 2nd Floor, MAC T5303-022, Dallas, Texas 75202, Attention: Corporate Trust or at any other address subsequently furnished in writing to the Company and the Holders by the Master Trustee; or

(2) the Company by any Note Holder or by any Person shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Company at 1101 South Sherman Street, Richardson, Texas 75081, Attention: Chief Executive Officer, or at any other address subsequently furnished in writing to the Master Trustee by the Company.

Section 105. Notices to Note Holders; Waiver. Where this Master Indenture provides for notice to Note Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Note Holder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Note Holders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Note Holder shall affect the sufficiency of such notice with respect to other Note Holders. Where this Master Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Notes shall be filed with the Master Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 106. Successors and Assigns. All covenants and agreements in this Master Indenture by the Company and the Master Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 107. Severability Clause. If any provision of this Master Indenture shall be held or deemed to be, or shall in fact be, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases because of the conflicting of any provision with any constitution or statute or rule of public policy or for any other reasons, such circumstance shall not have the effect of rendering the provision or provisions in question inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy.

Section 108. Benefits of Master Indenture. Nothing in this Master Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto, and their successors hereunder and the Holders of the Notes, any benefit or any legal or equitable right, remedy or claim under this Master Indenture.

Section 109. Governing Law. This Master Indenture shall be governed, in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the State.

Section 110. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

ARTICLE II

ISSUANCE AND FORM OF NOTES

Section 201. Series, Amount and Denomination of Notes.

(a) At any time and from time to time after the execution and delivery of this Master Indenture, Notes shall be issued under this Master Indenture in series issued pursuant to a Supplemental Master Indenture. Each series shall be designated to differentiate the Notes of such series from the Notes of any other series. Notes shall be issued as fully registered notes with the Notes of each series to be lettered and numbered ___-1 upwards (with such prefix as may be designated in the Supplemental Master Indenture authorizing any series). The aggregate principal amount of Notes of each series that may be created under this Master Indenture is not limited, except by the additional Long Term Debt limitations provided in this Master Indenture. A series of Notes may consist of a single Note or more than one Note.

(b) Notes may be issued hereunder to evidence (i) any type of Debt, including without limitation any Debt in a form other than a promissory note (such as commercial paper, bonds, or similar debt instruments), (ii) any obligation to make payments pursuant to a Financial Products Agreement, or (iii) debt consisting of an obligation to reimburse payments made under

a letter of credit, surety bond, bond insurance policy, standby bond purchase agreement or similar credit or liquidity support obtained to secure payment of other Debt. The Supplemental Master Indenture pursuant to which any Notes are issued may provide for such supplements or amendments to the provisions hereof, including without limitation Article II hereof, as are necessary to permit the issuance of such Notes hereunder. Any Note evidencing obligations under a Financial Products Agreement shall be equally and ratably secured hereunder with all other Notes issued hereunder, except as otherwise expressly provided herein; provided, however, that (i) to be secured hereunder, the Master Trustee must receive, at the time of execution and delivery of such Financial Products Agreement, an Officer's Certificate stating that such Financial Products Agreement was entered into by the Company with a Qualified Provider, as provided hereunder, and is entitled to the benefits of the Master Indenture and (ii) such Note, with respect to such Financial Products Agreement, shall be deemed to be Outstanding hereunder solely for the purpose of receiving payment hereunder and the Qualified Provider shall not be entitled to exercise any rights of a Holder hereunder unless amounts payable by the Company are due and unpaid.

Section 202. Conditions to Issuance of Notes. Any Note or series of Notes shall be authenticated by the Master Trustee and delivered to the lender or purchaser only upon its receipt of the following:

(a) An Officer's Certificate stating (1) that no Event of Default under this Master Indenture has occurred or will result from the issuance of such Note or series of Notes; (2) that the Governing Body has authorized or approved the issuance of such Note or series of Notes; and (3) that the Supplemental Master Indenture relating thereto authorizes such Debt and that such Supplemental Master Indenture complies with the provisions of Article VIII hereof;

(b) An original executed counterpart of a Supplemental Master Indenture providing for the issuance of such Note or series of Notes; such Supplemental Master Indenture shall set forth the purpose for which the Debt evidenced thereby is being incurred, the principal amount, maturity date or dates, interest rate or rates and the other pertinent terms of the Note or series of Notes and the name of the Company; and

(c) An Opinion of Counsel to the effect that (1) the conditions to issuance of any particular Note or series of Notes set forth in this Section 202 of this Master Indenture have been satisfied, (2) upon the execution of such Note or series of Notes by the Company and the authentication thereof by the Master Trustee, such Note or series of Notes will be the valid and binding obligations of the Company enforceable in accordance with its (their) terms, subject to the customary bankruptcy, insolvency and equitable principles exceptions and such other exceptions as may be acceptable to the initial payee thereof, (3) registration of such Note or series of Notes under the Securities Act of 1933, as amended, is not required, or, if such registration is required, that the Company has complied with all applicable provisions of said Act and (4) qualification of the Master Indenture and any Supplemental Master Trust Indenture providing for the issuance of such Note or series of Notes under the Trust Indenture Act of 1939 is not required, or if such qualification is required, that the Company has complied with all applicable provisions of such Act.

(d) The title insurance policy, or endorsement thereof, required by Sections 212 and 407.

(e) If in connection with the issuance of additional Debt, any other certificate, report or other item required under Section 212.

Section 203. Execution, Authentication and Delivery.

(a) Notes shall be executed by the Company through the chairman of its Governing Body or its president or any officer authorized by the Governing Body and attested to by the secretary or an assistant secretary of the Company, as appropriate, and Notes may have the corporate seal impressed or reproduced thereon. The signature of any officer on the Notes may be manual or facsimile.

(b) Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

(c) At any time, and from time to time, after the execution and delivery of this Master Indenture, the Company may deliver executed Notes to the Master Trustee together with the Supplemental Master Indenture creating such series; and upon the receipt of the Supplemental Master Indenture, and evidence of satisfaction of the other requirements contained herein, the Master Trustee shall authenticate and deliver such Notes as in this Master Indenture and the relevant Supplemental Master Indenture provided.

(d) No Note shall be entitled to any benefit under this Master Indenture or be valid or obligatory for any purpose, unless there appears on or attached to such Note a certificate of authentication substantially in the form set forth below executed by the Master Trustee by its manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder. The form of certificate of authentication shall be as follows:

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the Master Indenture.

Date of Authentication:

_____

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Master Trustee, or its agent

By:_____
Authorized Signature

Section 204. Form and Terms of Notes. The Notes of each series shall contain such terms, and be in substantially the form set forth in the Supplemental Master Indenture creating such series, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Master Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any regulatory body, or as may be determined by the officers executing such Notes, as evidenced by their signing of the Notes. The Notes of any series or the relevant Supplemental Master Indenture may contain additional (or different) representations, warranties, covenants, defaults and remedies and other provisions which do not contradict the terms of this Master Indenture, to the extent provided in the related Supplemental Master Indenture, and such additional terms shall supplement and be in addition to the terms of this Master Indenture. Unless the Notes of a series have been registered under the Securities Act of 1933, as amended, each Note of such series shall be endorsed with a legend which shall read substantially as follows: "This Note has not been registered under the Securities Act of 1933, as amended."

Section 205. Registration, Transfer and Exchange.

(a) The Company shall cause to be kept at the corporate trust office of the Master Trustee in Dallas, Texas, or the payment office of the Master Trustee in Dallas, Texas, a register (sometimes herein referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Master Trustee is hereby appointed Note Registrar (the "Note Registrar") for the purpose of registering Notes and transfers of Notes as herein provided. The Master Trustee may delegate any of its duties hereunder. In such case, the Note Register may consist of one or more records of ownership of the various series of Notes and any part of such register may be maintained by the agent of the Master Trustee relating to such series.

(b) Upon surrender for transfer of any Note at the office or agency of the Company in a Place of Payment, the Company shall execute, and the Master Trustee or its designated agent shall authenticate and deliver, in the name of the designated transferee, one or more new Notes

of any Authorized Denominations, of a like aggregate principal amount, series, Stated Maturity and interest rate.

(c) At the option of the Holder, Notes may be exchanged for Notes of any Authorized Denomination, of a like aggregate principal amount, series, Stated Maturity and interest rate, upon the surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Master Trustee or its designated agent shall authenticate and deliver the Notes which the Note Holder making the exchange is entitled to receive.

(d) All Notes issued upon any transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Master Indenture as the Notes surrendered upon such transfer or exchange.

(e) Every Note presented or surrendered for transfer or exchange shall (if so required by the Company or the Master Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Master Trustee or its designated agent duly executed by the Holder thereof or his attorney duly authorized in writing.

(f) No charge shall be made for any transfer or exchange of Notes, and any transfer or exchange of Notes shall be made without expense or without charge to Holders.

Section 206. Mutilated, Destroyed, Lost and Stolen Notes.

(a) If (i) any mutilated Note is surrendered to the Master Trustee or the Paying Agent, and the Master Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Master Trustee such security or indemnity as may be required by the Master Trustee to save each of the Master Trustee and the Company harmless, then, in the absence of notice to the Company or the Master Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and, upon its request, the Master Trustee shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a new Note of like tenor, series, interest rate and principal amount, bearing a number not contemporaneously outstanding.

(b) In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company may, in its discretion, instead of issuing a new Note, pay such Note.

(c) Upon the issuance of any new Note under this Section, the Master Trustee or its designated agent under any Supplemental Master Indenture may require the payment by the Company of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Master Trustee) connected therewith.

(d) Every new Note issued pursuant to this Section in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and

shall be entitled to all the benefits and security of this Master Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(e) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 207. Method of Payment of Notes.

(a) The principal of, premium, if any, and interest on the Notes shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal, premium, if any, and interest shall be payable at the principal payment office of the Master Trustee in Dallas, Texas, or at the office of any alternate Paying Agent or agents named in any such Notes. Unless contrary provision is made in the Supplemental Master Indenture pursuant to which such Note is issued or the election referred to in the next sentence is made, payment of the interest on the Notes and payment of any redemption or prepayment price on any Note pursuant to Section 303 hereof shall be made to the Person appearing on the Note Register as the Holder thereof and shall be paid by check or draft mailed to the Holder thereof at his address as it appears on such registration books or at such other address as is furnished the Master Trustee in writing by such Holder; provided, however, that any Supplemental Master Indenture creating any Note may provide that interest on such Note may be paid, upon the request of the Holder of such Note, by wire transfer. Anything to the contrary in this Master Indenture notwithstanding, if an Event of Default has not occurred and is not continuing hereunder and the Company so elects, payments on a Note shall be made directly by the Company, by check or draft hand delivered to the Holder thereof or its designee or shall be made by the Company by wire transfer to such Holder, in either case delivered on or prior to the date on which such payment is due. The Company may give notice (on which the Master Trustee may conclusively rely) of any such payment to the Master Trustee concurrently with the making thereof, specifying the amount paid and identifying the Note or Notes with respect to which such payment was made by series designation, number and Holder thereof. Except with respect to Notes directly paid, the Company agrees to deposit with the Master Trustee on or prior to each due date, as specified in the Related Bond Documents, a sum sufficient to pay the principal of, premium, if any, and interest on any of the Notes due on such date. Any such moneys shall, upon direction of the Company set forth in an Officer's Certificate, be invested as set forth therein. The foregoing notwithstanding, amounts deposited with the Master Trustee to provide for the payment of Notes pledged to the payment of Related Bonds shall be invested in accordance with the provisions of the Related Bond Indenture and Related Loan Document. The Master Trustee shall not be liable or responsible for any loss resulting from any such investments, and shall not be responsible for determining whether any such investment is permitted hereunder or in accordance with any such Related Bond Indenture or Related Loan Agreement.

(b) Subject to the foregoing provisions of this Section 207, each Note delivered under this Master Indenture upon transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Notes.

Section 208. Persons Deemed Owners. The Company, the Master Trustee and any agent thereof may treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of principal of (and premium, if any) and interest on such Note and for all other purposes whatsoever whether or not such payment is past due, and neither the Company, the Master Trustee, nor any agent of the Company or the Master Trustee shall be affected by notice to the contrary.

Section 209. Cancellation. All Notes surrendered for payment, redemption, transfer or exchange shall, if delivered to any Person other than the Master Trustee, be delivered to the Master Trustee and, if not already cancelled or required to be otherwise delivered by the terms of the Supplemental Master Indenture authorizing the series of Notes of which such Note is a part, shall be promptly cancelled by the Master Trustee. The Company may at any time deliver to the Master Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Master Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Master Indenture. All cancelled Notes held by the Master Trustee shall be disposed of according to the retention policies of the Master Trustee.

Section 210. Security for Notes; Subordination.

(a) Except as otherwise expressly provided herein or in any Supplemental Master Indenture pursuant to which such Note or obligation is issued, all Notes issued and Outstanding under this Master Indenture are equally and ratably secured by the pledge and assignment of a security interest in the Trust Estate pursuant to the Granting Clauses of this Master Indenture. Any one or more series of Notes or obligations issued hereunder may be secured by additional and separate security (including without limitation letters or lines of credit, property or security interests in debt service reserve funds or debt service, purchase, construction or similar funds or guarantees of payment by third parties). Such security need not extend to any other Debt (including any other Notes or series of Notes) unless so specified and may contain provisions not inconsistent with this Master Indenture which provide for separate realization upon such security. Notes issued hereunder shall be designated as Senior Notes or Subordinate Notes. All Senior Notes issued hereunder shall be equally and ratably secured by any lien created pursuant to or constituting a part of the Trust Estate under this Master Indenture. Subordinate Notes issued hereunder are subordinated and subject in right of payment to the prior payment of all of the Senior Notes issued hereunder.

(b) To the extent that any Debt which is permitted to be issued pursuant to this Master Indenture is not issued directly in the form of a Note, a Note may be issued hereunder and pledged as security for the payment of such Debt in lieu of directly issuing such Debt as a Note hereunder.

Section 211. Mortgage, Pledge and Assignment; Further Assurances.

(a) Subject only to the provisions of this Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein and in order to secure the payment of the Notes and the performance of the duties and obligations of the Company

under the Notes and this Master Indenture, the Company has pledged and assigned unto the Master Trustee and its successors and assigns forever, and granted a security interest thereunto in, among other things, all of the Adjusted Revenues and any other amounts (including proceeds of the sale of Bonds) held in the Revenue Fund to secure the payment of the principal of and interest on the Notes in accordance with their terms and the provisions of this Master Indenture and the Deed of Trust. Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery of the Notes.

Upon the occurrence of an Event of Default, the Master Trustee shall be entitled to, subject to its rights to be indemnified pursuant to Article VII, collect and receive all of the Adjusted Revenues. The Master Trustee also shall be entitled to and shall (1) enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under this Master Indenture and the Deed of Trust and (2) assure compliance with all covenants, agreements and conditions of the Company contained in this Master Indenture with respect to the Adjusted Revenues; provided that, without limiting the generality of any of the provisions of this Master Indenture or the Deed of Trust, the Master Trustee need not foreclose the Deed of Trust (or accept a deed in lieu of foreclosure or otherwise exercise remedies with respect to the Mortgaged Property) if the effect of any such foreclosure (or acceptance of a deed in lieu of foreclosure, or other exercise of remedies with respect to the Mortgaged Property) would be to cause the Master Trustee to: (i) incur financial liability for any then existing environmental contamination at or from the Mortgaged Property or (ii) risk its own funds for the remediation of any such existing environmental contamination.

(b) The Company shall, at its own expense, take all necessary action to maintain and preserve the security interest in the property granted by this Master Indenture and the Deed of Trust so long as any Notes are Outstanding. In addition, the Company shall, immediately after the execution and delivery of this Agreement and thereafter from time to time, cause the Deed of Trust and any financing statements in respect thereof to be filed, registered and recorded in such manner and in such places as may be required by law in order to fully perfect and protect such security interest and from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed and filed as provided herein any and all continuation statements as required for such perfection and protection. Copies of all filings and recordings hereunder shall be promptly filed with the Master Trustee. Except to the extent it is exempt therefrom, the Company shall pay or cause to be paid all filing, registration and recording fees and all expenses incident to the preparation, execution and acknowledgment of such instruments of perfection, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Deed of Trust and such instruments of perfection. The Master Trustee shall not be responsible for the sufficiency of or the recording of this instrument, any supplemental indenture, any mortgage, deed of trust, other security or other instruments of further assurance.

The Master Trustee shall confirm, prior to the fifth anniversary of this Master Indenture and each fifth anniversary thereafter, the filing of continuation statements by the Company required to maintain the perfection and priority of the security interests granted hereby and by the Bond Documents and, if necessary, make such filings as may be required to maintain the perfection and priority of the security interests granted hereby. Notwithstanding the foregoing,

the Master Trustee shall not be responsible for the sufficiency of the proper indexing or recording of any financing or continuation statements.

(c) The Company covenants not to take any action that would create or allow any liens to exist, except any Permitted Encumbrances (as defined in the Deed of Trust), on any real property owned by the Company other than a lien arising in connection with the issuance of additional or subordinate Debt as permitted by Section 212. The Company has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the collateral granted hereunder that ranks on a parity with or prior to the lien granted hereunder that will remain outstanding on the Closing Date. The Company has not described such collateral in a UCC financing statement that will remain effective on the Closing Date. The Company will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral described hereunder that ranks prior to or on parity with the lien granted hereunder, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted by the Bond Documents. The security interest granted hereunder is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Issuer on a simple contract.

(d) The Company covenants that all Adjusted Revenues will be deposited into the account (or accounts) maintained with the depository institution that has been identified to the Texas Education Agency as the Company's depository bank.

Section 212. Additional Debt.

(a) Parity Debt. The Company shall be precluded from incurring additional Debt secured by liens on the Participating Campuses or the Adjusted Revenues that are senior to the Deed of Trust on the Participating Facilities and the security interest in the Adjusted Revenues granted by this Master Indenture. Upon satisfaction of the applicable requirements of Section 202, one or more series of parity Debt payable from the Adjusted Revenues of the Company may be delivered pursuant to this Master Indenture for the purposes provided in the Act, to pay the costs associated with such Debt, and/or for the purpose of refunding any Outstanding Debt if the following conditions are met:

(1) No Default. Delivery of an Officer's Certificate stating that this Master Indenture is in effect and no Event of Default is then existing under this Master Indenture or any Debt Outstanding or any agreement entered into in conjunction with such Debt;

(2) Parity Pledge. Such Debt, such Debt shall be secured on a parity with respect to the Trust Estate and shall be payable by the issuer solely from the Adjusted Revenues and other amounts derived from the loan agreement relating to such debt (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the additional Debt or to income from the temporary investment thereof);

(3) For the purpose of showing sufficient coverage to incur additional Debt, as discussed in subsections (A) and (B) below, sufficient funds must be evidenced as follows:

(A) Historical Coverage on Outstanding Debt. Delivery of an Officer's Certificate stating that, for either the Company's most recently completed Fiscal Year or for any consecutive 12 months out of the most recent 18 months immediately preceding the issuance of the additional Debt, the Available Revenues equal at least 1.20 times Maximum Annual Debt Service on all Debt then Outstanding prior to the issuance of the additional Debt; and

(B) Projected Coverage for Additional Debt. An Independent Management Consultant selected by the Company provides a written report setting forth projections which indicate that the estimated Available Revenues are equal to at least 1.00 times Maximum Annual Debt Service for all Debt then Outstanding, including the proposed additional Debt, in the Fiscal Year immediately following the completion of the Project being financed. The report of the Independent consultant shall take into account (i) the audited results of operations and verified enrollment of the Project for the most recently completed Fiscal Year and (ii) the projected enrollment for the Fiscal Year immediately following the completion of the new Project, and shall assume that the proposed additional Debt shall have been outstanding for the entire year;

(4) Alternate Coverage for Additional Debt. In lieu of the requirements described in Section 212(a)(3) above, the Company may deliver an Officer's Certificate stating that, based on the audited results of the operations for the most recently completed Fiscal Year, the Available Revenues equal at least 1.10 times Maximum Annual Debt Service on all Debt then Outstanding as well as the additional Debt;

(5) Reserve Fund Deposits. For the purpose of calculating Maximum Annual Debt Service in Sections 212(a)(3) and 212(a)(4) above, the principal and interest payable upon final maturity for any outstanding Debt for which a reserve fund has been established shall be reduced by the amounts held in such reserve fund(s).

(6) Title Insurance. So long as the Trust Estate contains the lien of the Deed of Trust upon any real property of the Company, the Company shall obtain and provide to the Master Trustee an endorsement of the title insurance policy issued in connection with the Debt increasing the coverage thereunder by an amount equal to the aggregate principal amount of the additional Debt.

The satisfaction of the conditions set forth in paragraphs (1) through (6) above shall be evidenced to the Master Trustee. The Master Trustee may rely on an Opinion of Counsel that items (1) through (5) were completed.

(b) Refunding. If additional Debt is being issued for the purpose of refunding any Outstanding Debt, the report required by Section 212(a)(3) to be delivered shall not apply so long as both the total and Maximum Annual Debt Service Requirements on all Outstanding Debt after issuance of the additional Debt will not exceed both the total and the Maximum Annual Debt Service Requirements on all Outstanding Debt prior to the issuance of such additional Debt.

(c) Completion Debt. In the event such additional Debt is being issued or incurred for the purpose of completing any Project (as that term is defined from time to time in connection with the issuance of additional Debt) for which additional Debt is issued or incurred, such series of completion bonds may be issued in amounts not to exceed 10% of the principal amount of the Debt originally issued for such Project upon delivery of an Officer's Certificate that such additional Debt is required to fund the costs of completion; provided that, such additional Debt must comply with any applicable requirements imposed by the Related Bond Indenture and Related Loan Documents.

(d) Interim Construction Financing. The Company reserves the right to issue and incur Short-Term Debt; provided further, that Sections 212(a)(3) and (4) shall not apply to such additional Debt.

(e) Subordinate Debt. The Company may incur Debt subordinate to the obligations of the Borrower under this Master Indenture and may grant liens on the Participating Campuses, Adjusted Revenues or other assets of the Borrower securing such subordinate Debt, so long as same are subordinate to the Deed of Trust and obligations under this Master Indenture.

(f) Exemption. The Series 2010 Notes and related Series 2010 Bonds shall not be considered additional Debt hereunder and are exempt from compliance with the provisions of this Section 212.

ARTICLE III

REDEMPTION OR PREPAYMENT OF NOTES

Section 301. Redemption or Prepayment. Notes of each series shall be subject to optional and mandatory redemption or prepayment (subject to Section 602) in whole or in part and may be redeemed prior to Stated Maturity only as provided in the Supplemental Master Indenture creating such series. Unless otherwise provided by the Supplemental Master Indenture creating a series of Notes, the provisions of Sections 302 through 305 of this Master Indenture shall also apply to the redemption of Notes.

Section 302. Election to Redeem or Prepay; Notice to Master Trustee. The Company shall notify the Master Trustee in writing of the election of the Company to redeem or prepay all or any portion of the Notes of any series, together with the redemption or prepayment date and the principal amount of Notes of each Stated Maturity and series to be redeemed or prepaid, at least 60 days prior to the redemption or prepayment date fixed by the Company, unless a shorter notice shall be satisfactory to the Master Trustee.

Section 303. Deposit of Redemption or Prepayment Price. Prior to any redemption or prepayment date, the Company shall deposit with the Master Trustee or its designated agent an amount of money sufficient to pay the redemption or prepayment price of all the Notes which are to be redeemed or prepaid on such date.

Section 304. Notes Payable on Redemption or Prepayment Date.

(a) Notice of redemption or prepayment having been given as aforesaid, and the monies for redemption or prepayment having been deposited as described in Section 303, the Notes to be redeemed or prepaid shall become due and payable on the redemption or prepayment date at the redemption or prepayment price therein specified, and from and after such date such Notes shall cease to bear interest. Upon surrender of any such Note for redemption or prepayment in accordance with said notice, such Note shall be paid by the Company at the redemption or prepayment price. Installments of interest whose Stated Maturity is on or prior to the redemption date shall be payable to the registered Note Holders on the relevant Record Dates according to their terms.

(b) If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the redemption date at the rate borne by the Note.

Section 305. Notes Redeemed or Prepaid in Part. Any Note which is to be redeemed or prepaid only in part shall be surrendered at a Place of Payment (with, if the Company or the Master Trustee so requires, due endorsement by, or a written instrument of transfer satisfactory in form to, the Company and the Master Trustee, and duly executed by the Holder thereof or by his attorney who has been duly authorized in writing) and the Company shall execute and the Master Trustee shall authenticate and deliver without service charge a new Note or Notes of the same series, interest rate and maturity, and of any Authorized Denomination, to the Holder of such Note as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed or unpaid portion of the principal of the Note so surrendered.

ARTICLE IV

COVENANTS OF THE COMPANY

Section 401. Payment of Debt Service. The Company 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 this Master Indenture at any time at the place, on the dates and in the manner provided in said Notes according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Notes set forth in the Notes, the Company unconditionally and irrevocably covenants and agrees to make payments upon each Note and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, or purchase price, if any, upon any Notes or Related Bonds from time to time outstanding.

Section 402. Money for Note Payments to be Held in Trust; Appointment of Paying Agents.

(a) The Company may appoint a Paying Agent for each series of the Notes.

(b) Each such Paying Agent appointed by the Company shall be (i) a corporation organized and doing business under the laws of the United States of America or of any state, (ii) authorized under such laws to exercise corporate trust powers, (iii) have a combined capital and surplus of at least $50,000,000, and (iv) be subject to supervision or examination by federal or state authority.

(c) Subject to Section 207 hereof, the Company will, on or prior to each due date of the principal of (and premium, if any) or interest or any other amounts on any Notes, deposit with the Master Trustee which shall thereupon deposit such with the Paying Agent, a sum sufficient to pay the principal (and premium, if any) or interest or purchase price so becoming due and any other amounts due in accordance with the terms of the Notes and this Master Indenture, such sum to be held in trust for the benefit of the Holders of such Notes, and the Company will promptly notify the Master Trustee of its action or failure so to act unless such Paying Agent is the Master Trustee.

(d) The Company will cause each Paying Agent other than the Master Trustee to execute and deliver to the Master Trustee an instrument in which such Paying Agent shall agree with the Master Trustee, subject to the provisions of this subsection, that such Paying Agent will

(1) hold all sums held by it for the payment of principal of (and premium, if any) or interest or any other amounts on the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Master Trustee notice of any default by the Company or any other obligor upon the Notes in the making of any such payment of principal (and premium, if any) or interest or any other amounts; and

(3) upon request by the Master Trustee, pay to the Master Trustee all sums so held in trust by such Paying Agent forthwith at any time during the continuance of such default.

(e) For the purpose of obtaining the satisfaction and discharge of this Master Indenture or for any other purpose, the Company may at any time by Order direct any Paying Agent to pay to the Master Trustee all sums held in trust by such Paying Agent, such sums to be held by the Master Trustee upon the same trusts as those upon which such sums were held by such Paying Agent. Upon such payment by any Paying Agent to the Master Trustee, such Paying Agent shall be released from all further liability with respect to such money.

(f) Subject to applicable escheat laws of the State, any money deposited in trust with the Master Trustee or any Paying Agent for the payment of the principal of (and premium, if any) or interest on any Notes and remaining unclaimed for the later of (i) the first anniversary of the Stated Maturity of the Notes or the installment of interest for the payment of which such money is held or (ii) two years after such principal (and premium, if any) or interest has become due and payable shall to the extent permitted by law be paid to the Company on its Request (which Request shall include the Company's representation that it is entitled to such funds under applicable escheatment laws and its agreement to comply with such laws) and the Holder of such

Note shall thereafter, to the extent of any legal right or claim, be deemed to be an unsecured general creditor, and shall look only to the Company for payment thereof, and all liability of the Master Trustee or such Paying Agent with respect to such trust money, and all liability of the Company, shall thereupon cease; provided, however, that the Master Trustee or such Paying Agent, before being required to make any such repayment, may publish notice in an Authorized Newspaper at the expense of the Company that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company; provided further, notwithstanding the foregoing, the Master Trustee shall be entitled to deliver any such funds to any escheatment authority in accordance with the Master Trustee's customary procedures. The Master Trustee shall hold any such funds in trust uninvested (without liability for interest accrued after the date of deposit or other compensation) for the benefit of holders entitled thereto.

Section 403. Notice of Non-Compliance. Promptly upon the discovery of any default, the Company will deliver to the Master Trustee a written statement describing each default and status thereof which has not been cured or waived under any Note. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

Section 404. Corporate Existence. Subject to Sections 501 and 502, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory), and franchises; provided, however, that the Company shall not be required to preserve any right or franchise if the Governing Body shall determine that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders of the Notes.

Section 405. Revenue Fund.

(a) There is hereby created by the Company and established with the Master Trustee the special fund of the Company designated the "Evolution Academy Education Revenue Fund" (herein referred to as the "Revenue Fund"). The Revenue Fund shall contain a principal account (the "Principal Account") and an interest account (the "Interest Account") and such other accounts as the Master Trustee finds necessary or desirable, provided, the Master Trustee shall have no duty to establish and maintain the Revenue Fund prior to the occurrence and continuance of an Event of Default. The money deposited to the Revenue Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section and in Section 606.

(b) If, and only if, an Event of Default under this Master Indenture shall occur, the Company shall deposit, within five (5) business days from the date of receipt, with the Master Trustee, for credit to the Revenue Fund all of its Adjusted Revenues (except to the extent otherwise provided by or inconsistent with any permitted instrument creating any mortgage, lien, charge, encumbrance, pledge or other security interest granted, created, assumed, incurred or existing), as well as any insurance and condemnation proceeds, beginning on the first day of such Event of Default thereof and on each day thereafter, until no default under Section 601(a) of this Indenture then exists.

(c) Immediately upon receipt of any payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee shall withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

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

(2) equally and ratably to the Holder of each instrument evidencing a Senior Note on which there has been a default pursuant to Section 601(a) an amount equal first to all defaulted interest on such Senior Note and second to all defaulted principal of (or premium, if any, on) such Senior Note;

(3) equally and ratably to the Holder of each instrument evidencing a Subordinate Note on which there has been a default pursuant to Section 601(a) an amount equal first to all defaulted interest on such Subordinate Note and second to all defaulted principal of (or premium, if any, on) such Note;

(4) a transfer to the Interest Account of an amount necessary to accumulate in equal monthly installments the interest on the Senior 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 each 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 Senior 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 a Senior Note the amount of interest on each Senior Note as such interest becomes due;

(5) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Senior 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 Master 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 a Senior Note the amount of principal payments due on each Senior 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;

(6) to the Holder of any Senior Note entitled to maintain a reserve fund for the payment of such Senior Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in 12 equal monthly installments or as otherwise in such amounts required by the applicable Related Bond Documents;

(7) a transfer to the Interest Account of an amount necessary to accumulate in equal monthly installments the interest on the Subordinate 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 each 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 Subordinate 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 a Subordinate Note the amount of interest on each Subordinate Note as such interest becomes due;

(8) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Subordinate 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 Master 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 a Subordinate Note the amount of principal payments due on each Subordinate 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;

(9) to the Holder of any Subordinate Note entitled to maintain a reserve fund for the payment of such Subordinate Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in 12 equal monthly installments or as otherwise in such amounts required by the applicable Related Bond Documents; and

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

(d) Any amounts remaining on deposit in the Revenue Fund on the day following the end of the month in which all Events of Default under Section 601(a) of this Master Indenture have been cured or waived shall be paid to the Company upon Request, for deposit in a deposit account of the Company, which may be used for any lawful purpose.

(e) Pending disbursements of the amounts on deposit in the Revenue Fund, the Master Trustee shall promptly invest and reinvest such amounts in the Defeasance Obligations specified in any Order. All such investments shall have a maturity not greater than 91 days from date of purchase.

Section 406. Insurance and Condemnation Proceeds Fund.

(a) There is hereby created by the Company and established with the Master Trustee the special fund of the Company designated the "Evolution Academy Education Insurance and Condemnation Proceeds Fund" (herein referred to as the "Insurance and Condemnation Fund"). The Master Trustee is hereby authorized to create any accounts within such Insurance and Condemnation Fund as the Master Trustee finds necessary or desirable, provided, the Master Trustee shall have no duty to establish the Insurance and Condemnation Fund prior to the first occurring receipt of proceeds under an insurance policy held pursuant to Section 409 hereof or a condemnation of all or a portion of any Related Project. The money deposited to the Insurance and Condemnation Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section.

(b) Immediately upon receipt of any payments to the Master Trustee for deposit into the Insurance and Condemnation Fund and direction from the Company designating the Related Indenture to which such insurance or condemnation proceeds relate, the Master Trustee shall transfer such amounts to the Related Bond Trustee in accordance with the Related Indenture to which such insurance or condemnation proceeds relate for use pursuant to such Related Indenture and the Related Loan Documents for such Related Project.

Section 407. Title Insurance. The Company shall obtain and deliver to the Master Trustee on or prior to the closing date of any Debt a standard Texas form T-1 owner's policy of title insurance and a standard Texas form T-2 lender's policy of title insurance issued by a title insurance company selected by the Company, showing the Master Trustee as an insured party, as its interests may appear, with respect to the Mortgaged Property, in an aggregate amount not less than the principal amount of the Debt outstanding (including the Debt to be issued) secured by the Mortgaged Property (as defined in the Deed of Trust). The policies shall insure that the Company has fee title in the Mortgaged Property and the Master Trustee has a valid first lien on the Company's interest in the Mortgaged Property described in the Deed of Trust; subject to Permitted Encumbrances and subject to the Master Trustee's protection in Section 703(l) hereof. There shall be deleted in such policies the standard exceptions for discrepancies, encroachments, overlaps, conflicts in boundary lines, servitudes or such other matters that would be disclosed by an accurate survey and inspection of the Mortgaged Property, for mechanics' and materialmens' liens, or for rights or claims of parties in possession and easements and claims of easements not shown on the public records.

Section 408. Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 402 through 406 hereof if before or after the time for such compliance the Holders of the same percentage in principal amount of all Notes then Outstanding the consent of which would be required to amend the provisions hereof to permit such noncompliance, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the Company and the duties of the Master Trustee in respect of any such covenant or condition shall remain in full force and effect.

Section 409. Insurance. (a) The Company shall at all times following completion of any Related Project, keep and maintain such Related Project insured against such risks and in

such amounts, with such deductible provisions, as are customary in connection with the operation of facilities of the type and size comparable to the Related Project and consistent with the requirements of state law. Subject to subsection (c) hereof, the Company shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for, at least the following insurance with respect to the Related Project and the Company:

(1) insurance coverage for buildings and contents, including steam boilers, fired pressure vessels and certain other machinery for fire, lightning, windstorm and hail, explosion, aircraft and vehicles, sprinkler leakage, elevator, and all other risks of direct physical loss, at all times in an amount not less than the replacement cost of the Related Project as originally determined on the Closing Date of the Series 2010 Bonds and subsequently determined after construction is completed on any properties covered under the Deed of Trust;

(2) during the course of any construction, reconstruction, remodeling or repair of the Related Project, builders' all risk extended coverage insurance (non-reporting Completed Value with Special Cause of Loss form) in amounts based upon the completed replacement value of the Related Project and insurance coverage for lost gross revenues due to damage or destruction of the Related Project prior to construction in an amount sufficient to provide temporary or interim facilities and equipment during the period of replacement or repair of the damaged or destroyed facility, and endorsed to provide that occupancy by any person shall not void such coverage;

(3) general liability (other than as set forth in subsection (4) of this subsection (a));

(4) comprehensive professional liability insurance (other than as set forth in subparagraph (3) of this subsection (a));

(5) business interruption insurance; and

(6) worker's compensation insurance as required by the laws of the State.

If it is ever determined that any structure within the Related Project is located in a flood plain (as defined by federal regulations), the Company shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for flood insurance for the Related Project. Such flood insurance shall constitute the type of such insurance that is available at the time and as is customary in connection with the operation of facilities of the type and size comparable to the Related Project.

(b) Insurers and Policies. Each insurance policy required by subparagraph (a) above (i) shall be issued or written by such insurer (or insurers) acceptable to the Company, or by an insurance fund established by the United States or State or an agency or instrumentality thereof unless such insurance is not otherwise available on commercially reasonable terms from an insurer rated at least "A" by S&P or "Excellent (A or A-)" by A.M. Best Company, Inc., (ii) shall be in such form and with such provisions (including, without limitation and where applicable, loss payable clauses payable to the Master Trustee, waiver of subrogation clauses,

provisions relieving the insurer of liability to the extent of minor claims and the designation of the named insureds) as are generally considered standard provisions for the type of insurance involved, (iii) shall prohibit cancellation or substantial modification by the insurer without at least thirty days' prior written notice to the Master Trustee and the Company and (iv) shall name the Master Trustee as additional insured. Without limiting the generality of the foregoing, all insurance policies carried pursuant to clause (a)(1) of this Section 409 contain a standard NY Mortgagee clause in favor of the Master Trustee (as mortgagee/loss payee) shall name the Master Trustee and the Company as parties insured thereunder as the respective interest of each of such parties may appear, and loss thereunder shall be made payable and shall be applied as provided in the Related Loan Documents.

(c) Insurance Consultant. The Company covenants to review each year the insurance carried by the Company with respect to the Company and the Related Project and, to the extent feasible, will carry insurance insuring against risks and hazards specified in Section 409(a) to the same extent that other entities comparable to the Company and owning or operating facilities of the size and type comparable to the Related Project carry such insurance. At least once every two years, from and after the Closing Date, the Company shall retain an Independent Insurance Consultant, for the purpose of reviewing the insurance coverage of, and the insurance required for, the Company and the Related Project and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to the Company and the Related Project and their operation, maintenance and administration.

(d) Certifications. The Company shall, on the closing date for any Debt and thereafter within 120 days after the end of each of its Fiscal Years submit to the Master Trustee an Officer's Certificate substantially in the form of Exhibit A attached hereto verifying that (i) all insurance required by this Master Indenture is in full force and effect as of the date of such Officer's Certificate and (ii) all Impositions (as defined in Section 4.1(k) of the Deed of Trust) have been paid. The Master Trustee shall have no responsibility for monitoring the existence of or maintaining any insurance policies other than to receive the certificate required by this Section 409(d).

ARTICLE V

CONSOLIDATION, MERGER, CONVEYANCE AND TRANSFER

Section 501. Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms. In addition to any other requirements set forth in the Related Bond Documents, the Company covenants and agrees that it will not consolidate with or merge into any corporation or convey or transfer its properties substantially as an entirety to any Person, unless:

(a) all of the following conditions exist:

(1) the Person formed by such consolidation or into which the Company merges or the Person which acquires substantially all of the properties of the Company as an entirety shall be a Person organized and existing under the laws of the United States of America or any state or the District of Columbia and shall expressly assume by instrument supplemental hereto executed and delivered to the Master Trustee, the due and

punctual payment of the principal (and premium, if any) and interest on the Notes and any other amounts due thereunder or in accordance with this Master Indenture and the performance and observance of every covenant and condition hereof on the part of the Company to be performed or observed;

(2) an Officer's Certificate shall be delivered to the Master Trustee to the effect that such consolidation, merger or transfer shall not, immediately after giving effect to such transaction, cause a default hereunder to occur and be continuing; and

(3) the Company shall have delivered to the Master Trustee an Officer's Certificate and Opinion of Counsel, each stating that such consolidation, merger, conveyance, or transfer and such supplemental instrument comply with this Article and that all conditions precedent relating to such transaction provided for herein have been complied with, and a Favorable Opinion of Bond Counsel.

Section 502. Successor Corporation Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 501, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company hereunder with the same effect as if such successor Person had been named as the Company herein.

ARTICLE VI

REMEDIES OF THE MASTER TRUSTEE AND HOLDERS OF NOTES IN EVENT OF DEFAULT

Section 601. Events of Default. "Event of Default," whenever used herein means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of the principal of (premium, if any) or interest or any other amount due on any Note when due (giving effect to any applicable period of grace, if any); or

(b) default in the performance, or breach, of any covenant or agreement on the part of the Company contained in this Master Indenture (other than a covenant or agreement the default in the performance or observance of which is elsewhere in this Section specifically addressed) and continuance of such default or breach for a period of 30 days after a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder has been given by registered or certified mail by (i) the Holders of at least 25% in principal amount of Notes then Outstanding, or (ii) the Master Trustee to the Company (with a copy to the Master Trustee in the case of notice by the Holders); provided that if such default under this Section 601(b) can be cured by the Company but cannot be cured

within the 30-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by the Company within such 30-day period and diligently pursued until the default is corrected; or

(c) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Company under the federal Bankruptcy Code of 1978, as amended (the "Bankruptcy Code"), or any other similar applicable federal or state law, and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Company or the Company's property, or for the winding up or liquidation of the Company or the Company's affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(d) the Company shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes;

(e) an event of default, as therein defined, under any Related Bond Documents, occurs and is continuing beyond any applicable period of grace, if any;

(f) a Qualified Provider under a Financial Products Agreement which is secured by a Note notifies the Master Trustee that an event of default under such Financial Products Agreement, as therein defined, has occurred and is continuing beyond the applicable grace period, if any.

Section 602. Acceleration of Maturity In Certain Cases; Rescission and Annulment.

(a) If an Event of Default occurs and is continuing, then and in every such case the Master Trustee may, and upon the request of the Holders of not less than 25% in principal amount of the Notes Outstanding (or, in the case of any Event of Default described in clause (e) above resulting in the loss of any exclusion from gross income of interest on, or the invalidity of, Related Bonds, the Holders of not less than 25% in principal amount of the Notes Outstanding of the affected series), shall, by a notice in writing to the Company, accelerate the Maturity of the Notes, and upon any such declaration such principal (premium, if any) and interest and any other amount due on any Note shall become immediately due and payable.

(b) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Master Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Notes

Outstanding, by written notice to the Company and the Master Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has caused to be paid or deposited with the Master Trustee a sum sufficient to pay:

(i) all overdue installments of interest on all Notes;

(ii) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes as well as any other amounts due and owing as provided in such Notes; and

(iii) all sums paid or advanced by the Master Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and

(2) all Events of Default, other than the non-payment of the principal of Notes which have become due solely by such acceleration, have been cured or waived as provided in Section 613.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

(c) Acceleration of Notes pursuant to this Section 602 may be declared separately and independently with or without an acceleration of the Related Bonds.

Section 603. Collection of Indebtedness and Suits for Enforcement by Master Trustee.

(a) The Company covenants that if:

(1) default is made in the payment of any installment of interest on any Note when such interest becomes due and payable;

(2) default is made in the payment of the principal of (or premium, if any, on) any Note when such principal (or premium, if any) becomes due and payable; or

(3) default is made in the payment of any other amount when such amount is due and payable;

the Company will, subject to Section 401 hereof, upon demand of the Master Trustee, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal (and premium, if any) and interest, with interest upon the overdue principal (and premium, if any) and any other amount due; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel.

(b) If the Company fails to pay any of the foregoing amounts forthwith upon demand, the Master Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same, against the Company and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the Property of the Company.

(c) If an Event of Default occurs and is continuing, the Master Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Notes and other obligations secured hereunder by such appropriate judicial proceedings as the Master Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Master Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including without limitation proceeding under the UCC as to all or any part of the Trust Estate, and the Company hereby covenants and agrees with the Master Trustee that the Master Trustee shall have and may exercise with respect to the Trust Estate all the rights, remedies and powers of a secured party under the UCC as in effect in the State of Texas.

(d) If an Event of Default occurs and is continuing, the Master Trustee shall provide a Notice of Exclusive Control to the Company's Depository Bank.

(e) If an Event of Default occurs and is continuing, the Mortgage Trustee may foreclose on any property subject to the Deed of Trust subject, to the extent applicable, to Section 12.128 of the Texas Education Code, as amended,.

Section 604. Master Trustee May File Proofs of Claim.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or Property of the Company or of such other obligor or their creditors, the Master Trustee (irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Master Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(1) to file and prove a claim for the whole amount of principal (and premium, if any) and interest and any other amounts owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel) and of the Holders of Notes allowed in such judicial proceeding; and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Notes to make such payments to the

Master Trustee, and in the event that the Master Trustee shall consent to the making of such payments directly to the Holders of Notes, to pay to the Master Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, and any other amounts due the Master Trustee under this Master Indenture.

(b) Nothing herein contained shall be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder of Notes any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any Holder of Notes in any such proceeding.

Section 605. Master Trustee May Enforce Claims Without Possession of Notes. All rights of action and claims under this Master Indenture or the Notes may be prosecuted and enforced by the Master Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

Section 606. Application of Money Collected. Any money collected by the Master Trustee pursuant to this Article and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable compensation to the Master Trustee, its agents and counsel, and any taxes, assessments, or liens prior to the lien of this Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, together with, in the case of an entry or sale as otherwise provided herein, any other sums then held by the Master Trustee as part of the Trust Estate, shall be deposited in the Revenue Fund created by this Master Indenture, shall be applied in the order specified in Section 405, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any), upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid.

Section 607. Limitation on Suits. No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Master Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Master Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Notes shall have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee hereunder;

(3) such Holder or Holders have provided to the Master Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Master Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Master Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Notes;

it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Master Indenture to affect, disturb or prejudice the rights of any other Holders of Notes, or to obtain or to seek to obtain priority or preference over any other Holders (except as expressly authorized herein), or to enforce any right under this Master Indenture, except in the manner herein provided and for the benefit of all the Holders of the Notes in the priority of payment set forth herein.

Section 608. Unconditional Right of Holders of Notes to Receive Principal, Premium and Interest. Notwithstanding any other provision in this Master Indenture, the Holder of any Note shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Note, but (without waiving or impairing any rights such Holder may have under any other instrument or agreement) solely from the sources provided in this Master Indenture, on the respective Stated Maturities expressed in such Note (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 609. Restoration of Rights and Remedies. If the Master Trustee or any Holder of Notes has instituted any proceeding to enforce any right or remedy under this Master Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Master Trustee or to such Holder of Notes, then and in every such case the Company, the Master Trustee and the Holders of Notes shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Master Trustee and the Holders of Notes shall continue as though no such proceeding had been instituted.

Section 610. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Master Trustee or to the Holders of Notes is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 611. Delay or Omission Not Waiver. No delay or omission of the Master Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Master Trustee or to the Holders of Notes may be exercised from time to time, and as often as may be deemed expedient, by the Master Trustee or by the Holders of Notes, as the case may be.

Section 612. Control by Holders of Notes. The Holders of a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee or exercising any trust or power conferred on the Master Trustee, provided that such direction shall not be in conflict with any rule of law or with this Master Indenture, and provided further that the Master Trustee shall have the right to decline to comply with any such request in accordance with Section 703(e) hereof or if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the Holders of the Notes not parties to such direction. The Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction.

Section 613. Waiver of Past Defaults.

(a) The Holders of not less than a majority in principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except:

(1) a default in the payment of the principal of (or premium, if any) or interest or any other amount on any Note; or

(2) a default in respect of a covenant or provision hereof which under Article VIII cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

(b) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Master Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 614. Undertaking for Costs. All parties to this Master Indenture agree, and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Master Indenture, or in any suit against the Master Trustee for any action taken or omitted by it as Master Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Master Trustee, to any suit instituted by any Holder of Notes, or group of Holders of Notes, holding in the aggregate more than 10% in principal amount of the Outstanding Notes, or to any suit instituted by any Holder of Notes for the enforcement of the payment of the principal of (or premium, if any) or interest on any Note on or after the respective Stated Maturities expressed in such Note (or, in the case of redemption, on or after the redemption date).

Section 615. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any

manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Master Indenture; and the Company (to the extent that it may lawfully do so), hereby expressly waives all benefit or advantage of any such law, and covenants (to the extent that it may lawfully do so) that it will not hinder, delay or impede the execution of any power herein granted to the Master Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 616. No Recourse Against Others. No recourse under or upon any obligation, covenant or agreement contained in this Master Indenture or any indenture supplemental hereto, or in any Note, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present or future director, officer or employee, as such, of the Master Trustee or the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Master Indenture and the Notes are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, directors, officers or employees, as such, of the Master Trustee or the Company or any successor corporation, or any of them, because of the creation of indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Master Indenture or in any of the Notes or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, director, officer or employee, as such, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Master Indenture and the issue of such Notes.

ARTICLE VII

CONCERNING THE MASTER TRUSTEE

Section 701. Duties and Liabilities of Master Trustee.

(a) The Master Trustee accepts and agrees to execute the trusts imposed upon it by this Master Indenture, but only upon the terms and conditions set forth herein. The Master Trustee shall not be liable for the performance of any duties, except such duties as are specifically set forth in this Master Indenture. No implied covenants or obligations shall be read into this Master Indenture against the Master Trustee.

(b) In case any Event of Default has occurred and is continuing (of which a Responsible Officer of the Master Trustee has actual knowledge or is deemed to have actual knowledge under Section 703(h) hereof), the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in their exercise, as a reasonably prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except, that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section or Section 703 hereof;

(2) the Master Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(3) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with Section 602(a) hereof or otherwise with the direction of the Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Master Indenture; and

(4) no provision of this Master Indenture shall require the Master Trustee to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability or the payment of its fees and expenses is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section and Section 703.

Section 702. Notice of Defaults. Within 60 days after the occurrence of any default of which the Master Trustee is deemed to have knowledge hereunder, the Master Trustee shall transmit by mail to all Holders of Notes notice of such default, unless such default shall have been cured or waived or unless corrective action to cure such default has been instituted and is being pursued such that such default does not constitute an Event of Default; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Notes or in the payment of any sinking or purchase fund installment, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Master Trustee in good faith determine that the withholding of such notice from the Holders of the Notes is in the interest of the Holders of Notes; and provided, further, that in the case of any default of the character specified in Section 601(b), no such notice to Holders of Notes shall be given until at least 30 days after the notice described in Section 601(b) is given and a cure is not forthcoming. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

Section 703. Certain Rights of Master Trustee.

(a) The Master Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be required to verify the accuracy of any information or calculations required to be included therein or attached thereto.

(b) Any request or direction of the Company shall be sufficiently evidenced by a Request; and any resolution of the Governing Body may be evidenced to the Master Trustee by a Board Resolution or certified minutes.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Master Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders of the Notes pursuant to the provisions of this Master Indenture, unless such Holders shall have offered to the Master Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in connection with such request or direction and for the payment of the Master Trustee's fees in connection therewith.

(f) The Master Trustee shall be under no obligation to exercise any of the discretionary rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders of Notes pursuant to the provisions of this Master Indenture, unless such Holders, as applicable shall have offered to the Master Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in connection with such request or direction and for the payment of the Master Trustee's fees in connection therewith. Wherever in this Master Indenture provision is made for the indemnity by the Holder of the Notes, if the Holder providing such indemnity has an aggregate net worth or net asset value of at least $50,000,000 as set forth in its most recent audited financial statements or as otherwise satisfactorily demonstrated to the Master Trustee, the Master Trustee may not require any indemnity bond or other security for such indemnity. In any case where more than one owner is providing indemnity, such indemnity shall be several and not joint and, as to each owner, such indemnity obligations shall not exceed its percentage interest of outstanding Notes.

(g) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document, but the

Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney and to take such memoranda from and in regard thereto as may be reasonably desired. The Master Trustee shall have no obligation to perform any of the duties of the Company under this Master Indenture.

(h) The Master Trustee may execute any of the trusts or powers hereunder either directly or by or through agents or attorneys or may act or refrain from acting in reliance upon the opinion or advice of such agents or attorney, but the Master Trustee shall not be held liable for any negligence or misconduct of any such agent or attorney appointed by it with due care. The Master Trustee may act upon the opinion or advice of an attorney or agent selected by it in the exercise of reasonable care or, if selected or retained by the Company, approved by the Master Trustee in the exercise of such care. The Master Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice. The Master Trustee may in all cases pay reasonable compensation to any attorney or agent retained or employed by it in connection herewith.

(i) The Master Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder unless the Master Trustee shall be specifically notified of such Event of Default in writing by the Company or by the Holder of an Outstanding Note, and in the absence of such notice the Master Trustee may conclusively assume that no Event of Default exists; provided, however, that the Master Trustee shall be required to take and be deemed to have notice of its failure to receive the moneys necessary to make payments when due of principal, premium, if any, or interest on any Note.

(j) The Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction of the Holders of the Outstanding Notes permitted to be given by them under this Master Indenture.

(k) No provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(l) The Master Trustee may seek the approval of the Holders of the Notes by any means it deems appropriate and not inconsistent with the terms of this Master Indenture in connection with the giving of any consent or taking of any action.

(m) The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful misconduct in accordance with the terms of this Master Indenture.

(n) The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(o) The Master Trustee shall not be responsible for monitoring the existence of or determining whether any lien or encumbrance or other charge including without limitation any Permitted Encumbrance (as defined in the Deed of Trust) exists against the Project or the Trust Estate.

(p) The Master Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Company herein or in the Deed of Trust hereunder except as may be expressly provided for herein or therein. The Master Trustee may require of the Company full information and advice as to the performance of the aforesaid covenants, conditions and agreements.

(q) The Master Trustee shall not be liable for an error of judgment made in good faith by its officers unless it shall be proven that the Master Trustee was negligent in ascertaining the pertinent facts.

Section 704. Not Responsible For Recitals or Issuance of Notes. The recitals contained herein and in the Notes (other than the certificate of authentication on such Notes) shall be taken as the statements of the Company and the Master Trustee assumes no responsibility for their correctness. The Master Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof or as to the title of the Company thereto or as to the adequacy, sufficiency or perfection of the security afforded thereby or hereby as to the validity or sufficiency of this Master Indenture or of the Notes; or as to the correctness or sufficiency of any statement made in connection with the offer or sale of any Related Bonds. The Master Trustee shall not be accountable for the use or application by the Company of any of the Notes or of the proceeds of such Notes, for the use or application of any money paid over by the Master Trustee in accordance with the provisions of this Master Indenture or for the use and application of money received by any Paying Agent.

Section 705. Master Trustee May Own Notes. The Master Trustee or other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company with the same rights it would have if it were not Master Trustee or such other agent.

Section 706. Moneys to Be Held in Trust. All moneys received by the Master Trustee shall, until used or applied as herein provided (including payment of moneys to the Company under the next to last paragraph of Section 403), be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Master Trustee shall be under no liability for interest on any moneys received by it hereunder other than such interest as it expressly agrees to pay.

Section 707. Compensation and Expenses of Master Trustee.

(a) The Company hereby agrees:

(1) to pay to the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any

law limiting the compensation of the trustee of an express trust), whether as Master Trustee or as Paying Agent;

(2) except as otherwise expressly provided in this Section 707(a), to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel and securities or transaction charges to the extent not waived by the Master Trustee as a result of its receipt of compensation with respect to such securities or transactions); and

(3) to indemnify the Master Trustee, its directors, employees, agents and affiliates (including without limitation, the Master Trustee as Paying Agent hereunder) (collectively, the "Indemnitees") for, and to defend and hold them harmless against, loss, liability, claims, proceedings, suits, demands, penalties, costs and expenses, including without limitation, the costs and expenses of outside and in house counsel and experts and their staffs and all expenses of document location, duplication and shipment and of preparation to defend and defending any of the foregoing ("Losses"), that may be imposed on, incurred by or asserted against any Indemnitee in respect of (i) any loss, or damage to any property, or injury to or death of any person, asserted by or on behalf of any Person arising out of, resulting from, or in any way connected with the Project, or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Project or from the planning, design, acquisition or construction of any Project facilities or any part thereof, (ii) the issuance of any Notes or Related Bonds, or the Company's or the Issuer's, as the case may be, authority therefore; (iii) this Master Indenture and any instrument related thereto, (iv) the Master Trustee's execution, delivery and performance of the Master Indenture, except in respect of any Indemnitee to the extent such Indemnitee's negligence or bad faith caused such the Loss, and (v) compliance with or attempted compliance with or reliance on any instruction or other direction upon which the Master Trustee may rely under the Master Indenture or any instrument related thereto. The Company further agrees to indemnify the Indemnitees against any Losses as a result of (1) any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a materially fact necessary to make the statements made not misleading in any statement, information or material furnished by the Company to the Master Trustee or the Holder of any Note, including, but not limited to, any disclosure document utilized in connection with the sale of any Related Bonds; or (2) the inaccuracy of the statement contained in any section of any Related Bond Indenture relating to environmental representations and warranties. The foregoing indemnification shall include, without limitation, indemnification for any statement or information concerning the Company or its officer and members or its Property contained in any official statement or other offering document furnished to the Master Trustee or the purchaser of any Notes or Related Bonds that is untrue or incorrect in any material respect, and any omission from such official statement or other offering document of any statement or information which should be contained therein for the purpose for which the same is to be used or which is necessary to make the statements therein concerning the Company, its officers and members and its Property not misleading in any material respect. The foregoing is in addition to any other rights,

including rights to indemnification, to which the Master Trustee may otherwise be entitled, including without limitation, pursuant to the Deed of Trust. The provisions of this Section 707(a)(3) will survive the satisfaction and discharge of this Master Indenture and the payment of all Notes hereunder.

(b) As such security for the performance of the obligations of the Company under this Section the Master Trustee shall have a lien prior to the Notes upon all property and funds held or collected by the Master Trustee as such. The payment obligations set forth above shall include all such fees and expenses of the Master Trustee and its agents under any Supplemental Master Indenture.

Section 708. Corporate Master Trustee Required; Eligibility. There shall at all times be a Master Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by Federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Master Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 709. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Master Trustee under Section 710.

(b) The Master Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Master Trustee shall not have been delivered to the Master Trustee within 30 days after the giving of such notice of resignation, the resigning Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

(c) The Master Trustee may be removed at any time by act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Master Trustee and the Company.

(d) If at any time:

(1) the Master Trustee shall cease to be eligible under Section 708 and shall fail to resign after written request by the Company or by any Holder of Notes; or

(2) the Master Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or conservator or a receiver of the Master Trustee or of its property

shall be appointed or any public officer shall take charge or control of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, (i) the Company by a Request may remove the Master Trustee, or (ii) subject to Section 614, any Holder of Notes who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Master Trustee and the appointment of a successor Master Trustee.

(e) If the Master Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Master Trustee for any cause, the Company shall promptly appoint a successor Master Trustee. If, within six months after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Master Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Master Trustee, the successor Master Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Master Trustee and supersede the successor Master Trustee appointed by the Company. If no successor Master Trustee shall have been so appointed by the Company or the Holders of Notes and accepted appointment in the manner hereinafter provided, the Master Trustee or any Holder of Notes who has been a bona fide Holder of a Note for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

(f) The Company shall give notice of each resignation and each removal of the Master Trustee and each appointment of a successor Master Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Notes at their addresses as shown in the Note Register. Each notice shall include the name and address of the designated corporate trust office of the successor Master Trustee.

Section 710. Acceptance of Appointment by Successor.

(a) Every successor Master Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Master Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Master Trustee shall become effective and such successor Master Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Master Trustee; but, on Request of the Company or the successor Master Trustee, such retiring Master Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of the retiring Master Trustee, and shall duly assign, transfer and deliver to the successor Master Trustee all property and money held by such retiring Master Trustee hereunder. Upon request of any such successor Master Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Master Trustee all such rights, powers and trusts.

(b) No successor Master Trustee shall accept its appointment unless at the time of such acceptance such successor Master Trustee shall be qualified and eligible under this Article.

Section 711. Merger or Consolidation. Any corporation into which the Master Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Master Trustee shall be a party, or any corporation acquiring and succeeding to all or substantially all of the municipal corporate trust business of the Master Trustee, shall be the successor Master Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Master Trustee then in office, any successor by merger or consolidation to such authenticating Master Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Master Trustee had itself authenticated such Notes.

Section 712. Release of Property. At the request of a majority of the Holders of the Notes, the Master Trustee shall execute and deliver in recordable form any releases of Property encumbered hereby or by the Deed of Trust.

Section 713. Partial Release of Real Property Included in Deed of Trust. (a) The Master Trustee shall consent to the release of portions of the real property included in the Deed of Trust upon receipt of a written Request for such release and a Certificate of an Authorized Representative providing that:

(1) the requested release is for a facility funded solely with restricted donations (the "Endowed Facility");

(2) the Endowed Facility is solely owned by the Company;

(3) the Company has no outstanding Debt incurred in connection with the construction of the Endowed Facility;

(4) the real property requested for release is limited to the immediate area occupied by the Endowed Facility and, upon release thereof, does not materially impair the value of the aggregate real property then-securing all outstanding Debt; and

(5) the Endowed Facility is complete.

The Master Trustee shall take the necessary steps to release such portions of the real property subject to the Deed of Trust at the expense of the Company.

(b) Notwithstanding the provisions of Section 713(a) above, the Master Trustee shall consent to the release of portions of the real property included in the Deed of Trust upon receipt of:

(1) a certificate of an Authorized Representative requesting the release;

(2) the identification of the facility and land requested for release (the "Released Facility");

(3) an appraisal of the Facility and land that remain subject to the Deed of Trust (the "Retained Facility");

(4) evidence that cash, letter of credit or securities have been deposited with the Master Trustee that, together with the appraised value of the Retained Facility, equal at least 50% of the principal amount of all Notes Outstanding hereunder; and

(5) a Supplemental Master Indenture, pursuant to Section 801(n) permitting the substitution of cash, letter of credit or securities for real property in the Trust Estate.

ARTICLE VIII

SUPPLEMENTS

Section 801. Supplemental Master Indentures Without Consent of Holders of Notes. Without the consent of the Holders of any Notes, the Company, when authorized by a Board Resolution, and the Master Trustee at any time may enter into or consent to one or more indentures supplemental hereto, subject to Section 803 hereof, for any of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provision herein or therein which may be inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising under this Master Indenture which shall not be inconsistent with this Master Indenture, provided such action shall not adversely affect the interests of the Holder of any Notes;

(b) to grant to or confer upon the Master Trustee for the benefit of the Holders of the Notes any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders of the Notes and the Master Trustee, or either of them, to add to the covenants of the Company for the benefit of the Holders of the Notes or to surrender any right or power conferred hereunder upon the Company;

(c) to assign and pledge under this Master Indenture additional revenues, properties or collateral;

(d) to evidence the succession of another corporation to the agreements of the Master Trustee, or a successor thereof hereunder;

(e) to evidence the succession of another Person to the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Company as permitted by this Master Indenture;

(f) to modify or supplement this Master Indenture in such manner as may be necessary or appropriate to qualify this Master Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute or regulation, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions hereunder and the Company undertakes such covenants, conditions or restrictions additional to those contained in this Master Indenture as would be necessary or appropriate so to qualify this Master Indenture; provided, however, that nothing herein contained shall be deemed to authorize

inclusion in this Master Indenture or in any indenture supplemental hereto, provisions referred to in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect;

(g) to provide for the refunding or advance refunding of any Note, in whole or in part as permitted hereunder;

(h) to provide for the issuance of the Notes or any additional series of Notes as permitted hereunder;

(i) to permit a Note to be secured by new security which may or may not be extended to all Note Holders or to establish special funds or accounts under this Master Indenture;

(j) to allow for the issuance of any series of Notes in uncertificated form;

(k) to make any other change which does not materially adversely affect the Holders of any of the Notes and, in the opinion of Bond Counsel, does not materially adversely affect the owners of the Related Bonds, including without limitation any modification, amendment or supplement to this Master Indenture or any indenture supplemental hereto or any amendment thereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code;

(l) so long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under this Master Indenture has occurred and is continuing, to make any other change herein or therein which, in the judgment of an Independent Management Consultant, if any, a copy of whose report shall be filed with the Master Trustee:

(1) is in the best interest of the Company; and

(2) does not materially adversely affect the Holder of any Note;

provided however, with respect to each applicable series of Related Bonds, the Master Trustee shall be provided with an Opinion of Counsel acceptable to the Master Trustee, and on which the Master Trustee may conclusively rely, to the effect that the amendment proposed to be adopted by such Supplemental Master Indenture will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on such Related Bonds otherwise entitled to such exclusion; and provided further that, no such amendment, directly or indirectly, shall (A) change the provisions of this clause (l), (B) make any modification of the type prohibited by Section 802 hereof, or (C) make a modification intended to subordinate the right to payment of a Holder of any Note to the right of payment of any Holder of any other Note or any other Debt;

(m) to make any amendment to any provision of this Master Indenture or to any supplemental indenture which is only applicable to Notes issued thereafter or which will not apply so long as any Notes then Outstanding remains Outstanding;

(n) to release the Deed of Trust or, pursuant to Section 703(b) herein, portions of property contained therein from the Master Trust Estate upon receipt and deposit with the Master Trustee sufficient assets, cash, letters of credit or other guarantee and written confirmation from each Rating Service that such change will not result in a withdrawal or reduction in its credit rating assigned to any series of Notes or Related Bonds; and

(o) to modify, eliminate or add to the provisions of this Master Indenture if the Master Trustee shall have received (1) written confirmation from each Rating Service then rating the Notes or Related Bonds that such change will not result in a withdrawal or reduction of its credit rating assigned to any series of Notes or Related Bonds, as the case may be, and (2) a Board Resolution to the effect that, in the judgment of the Company, such change is necessary to permit the Company to affiliate or merge with one or more other charter schools on acceptable terms and such change and affirmation are in the best interests of the Holders of the Outstanding Notes.

Section 802. Supplemental Indentures With Consent of Holders of Notes.

(a) With the consent of the Holders of not less than a majority in principal amount of the Outstanding Notes affected by such Supplemental Master Indenture, by Act of said Holders delivered to the Company and the Master Trustee, the Company, when authorized by a Board Resolution, and the Master Trustee may enter into or consent to an indenture or indentures supplemental hereto (subject to Section 803 hereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Master Indenture or of modifying in any manner the rights of the Holders of the Notes under this Master Indenture; provided, however, that no such Supplemental Master Indenture shall, without the consent of the requisite percentage, as required pursuant to the Related Bond Indenture, of Holders of the Outstanding Notes affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Notes or any date for mandatory redemption thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Notes or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date); or

(2) reduce the percentage in principal amount of the Outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Master Indenture or certain defaults hereunder and their consequences) provided for in this Master Indenture; or

(3) modify any of the provisions of this Section or Section 613, except to increase any such percentage or to provide that certain other provisions of this Master Indenture cannot be modified or waived without the consent of the Holder of each Note affected thereby.

(b) It shall not be necessary for any Act of Holders of Notes under this Section to approve the particular form of any proposed Supplemental Master Indenture, but it shall be sufficient if such Act of Holders of Notes shall approve the substance thereof, as presented in written form to the Holders of the Notes by the Company.

Section 803. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any Supplemental Master Indenture permitted by this Article or the modifications thereby of the trusts created by this Master Indenture, the Master Trustee shall be entitled to receive, and (subject to Section 701) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Master Indenture or consent is authorized or permitted by this Master Indenture and all conditions precedent have been satisfied. The Master Trustee may, but shall not (except to the extent required in the case of a Supplemental Master Indenture entered into under Section 801(d)) be obligated to, enter into any such Supplemental Master Indenture or consent which affects the Master Trustee's own rights, duties or immunities under this Master Indenture or otherwise.

Section 804. Effect of Supplemental Master Indentures. Upon the execution of any Supplemental Master Indenture under this Article, this Master Indenture shall, with respect to each series of Notes to which such Supplemental Master Indenture applies, be modified in accordance therewith, and such Supplemental Master Indenture shall form a part of this Master Indenture for all purposes, and every Holder of Notes thereafter or theretofore authenticated and delivered hereunder shall be bound thereby.

Section 805. Notes May Bear Notation of Changes. Notes authenticated and delivered after the execution of any Supplemental Master Indenture pursuant to this Article may bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplemental Master Indenture. If the Company or the Master Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Master Trustee and the Company, to any such Supplemental Master Indenture may be prepared and executed by the Company and authenticated and delivered by the Master Trustee in exchange for Notes then Outstanding.

ARTICLE IX

SATISFACTION AND DISCHARGE OF MASTER INDENTURE

Section 901. Satisfaction and Discharge of Master Indenture.

(a) If at any time the Company shall have paid or caused to be paid the principal of (and premium, if any) and interest and all other amounts due and owing on all the Notes Outstanding hereunder, as and when the same shall have become due and payable, and if the Company shall also pay or provide for the payment of all other sums payable hereunder by the Company and shall have paid all of the Master Trustee's fees and expenses pursuant to Section 707 hereof, then this Master Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, or apparently destroyed, lost or stolen Notes, (iii) rights of Holders to receive payments of principal thereof (and premium, if any) and interest thereon and remaining obligations of the Company to

make mandatory sinking fund payments, (iv) the rights, remaining obligations, if any, and immunities of the Master Trustee hereunder and (v) the rights of the Holders as beneficiaries hereof with respect to the property so deposited with the Master Trustee payable to all or any of them) and the Master Trustee, on the Request accompanied by an Officer's Certificate and an Opinion of Counsel to the effect that the conditions precedent to the satisfaction and discharge of this Master Indenture have been fulfilled and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture.

(b) Notwithstanding the satisfaction and discharge of this Master Indenture, the obligations of the Company to the Master Trustee under Section 707 and, if funds shall have been deposited with the Master Trustee pursuant to Section 902, the obligations of the Master Trustee under Section 903 and Section 402(f) shall survive.

Section 902. Notes Deemed Paid. Unless otherwise provided in the supplemental indenture establishing any such series of Notes, Notes of any series shall be deemed to have been paid if:

(a) in case said Notes are to be redeemed on any date prior to their Stated Maturity, the Company by Request shall have given to the Master Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Notes on said redemption date;

(b) there shall have been deposited with the Master Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment (as established by an Officer's Certificate delivered to the Master Trustee accompanied by a report of an Independent Accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any) and interest due and to become due on said Notes on and prior to the Maturity thereof;

(c) in the event said Notes are not by their terms subject to redemption within the next 45 days, the Company by Request shall have given the Master Trustee in form satisfactory to it irrevocable instructions to give a notice to the Holders of such Notes that the deposit required by clause (b) of this Section 902 above has been made with the Master Trustee and that said Notes are deemed to have been paid in accordance with this Section and stating such Maturity date upon which moneys are to be available for the payment of the principal of (and premium, if any) and interest on said Notes.

Section 903. Application of Trust Money. The Defeasance Obligations and money deposited with the Master Trustee pursuant to Section 902 and principal or interest payments on any such Defeasance Obligations shall be held in trust, shall not be sold or reinvested, and shall be applied by it, in accordance with the provisions of the Notes and this Master Indenture, to the payment, either directly or through any Paying Agent as the Master Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Master Trustee of an Officer's Certificate (accompanied by the report of an Independent Accountant setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in subsection (b) of Section 902,

any money received from principal or interest payments on Defeasance Obligations deposited with the Master Trustee or the proceeds of any sale of such Defeasance Obligations, if not then needed for such purpose, shall, upon Request be reinvested in other Defeasance Obligations or disposed of as requested by the Company. For purposes of any calculation required by this Article, any Defeasance Obligation which is subject to redemption at the option of its issuer, the redemption date for which has not been irrevocably established as of the date of such calculation, shall be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer thereof and the principal of such obligation shall be assumed to be received at its Stated Maturity.

This Master Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Company and the Master Trustee have caused this Master Indenture to be signed on their behalf by their duly authorized representatives as of the date first written above.

EVOLUTION ACADEMY

By:_____
Cynthia Trigg, Chief Executive Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Master Trustee

By:_____
Sandra Y. Jones, Assistant Vice President

Exhibit A
Form of Officer's Certificate

OFFICER'S CERTIFICATE

The undersigned, the duly elected, authorized and acting President of the Board of Directors of Evolution Academy (the "Company") hereby certifies pursuant to Section 409(d) of the Master Trust Indenture and Security Agreement, dated as of October 1, 2010 (the "Master Indenture") between the Company and Wells Fargo Bank, National Association, as Master Trustee (capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Master Indenture):

All insurance required by the Master Indenture is in full force and effect as of the date hereof and all Impositions, as defined in Section 4.1(k) of the Deed of Trust, have been paid.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of _____.

EVOLUTION ACADEMY

By:_____
Name:_____
Title: _____

SUPPLEMENTAL MASTER TRUST INDENTURE NO. 2

Dated as of October 1, 2010

Between

EVOLUTION ACADEMY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Master Trustee

Supplemental to:

Master Trust Indenture
Dated as of October 1, 2010

In connection with the issuance of
Taxable Series 2010Q Master Note

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ARTICLE V

MISCELLANEOUS PROVISIONS

SUPPLEMENTAL MASTER TRUST INDENTURE NO. 2

THIS SUPPLEMENTAL MASTER TRUST INDENTURE NO. 2, dated as of October 1, 2010 (this "Supplemental Master Indenture"), is between **WELLS FARGO BANK, NATIONAL ASSOCIATION,** a national banking association, having a corporate trust office in Dallas, Texas, as master trustee (the "Master Trustee"), and **EVOLUTION ACADEMY**, a non-profit corporation organized and existing under the laws of the State of Texas (the "Company"), amending and supplementing the hereinafter referenced Original Master Indenture.

RECITALS:

WHEREAS, the Company entered into a Master Trust Indenture and Security Agreement, dated as of October 1, 2010 (being referred to herein as the "Original Master Indenture"), with Wells Fargo Bank, National Association, as Master Trustee, for the purpose of providing for the issuance of Notes thereunder to evidence certain Debt of the Company (as such terms are defined in the Original Master Indenture); and

WHEREAS, the Company and the Master Trustee are authorized under Sections 201 and 801(h) of the Original Master Indenture, to amend or supplement the Original Master Indenture, subject to the terms and provisions contained therein, to provide for the issuance of a series of Notes; and

WHEREAS, the Company desires to enter into this Supplemental Master Indenture in order to provide for the issuance of certain Notes, as hereinafter described, to be secured under the Original Master Indenture as amended and supplemented hereby (as so amended and supplemented, the "Master Indenture"); and

WHEREAS, the Company deems it desirable to issue (i) a Taxable Master Indenture Note (Evolution Academy) Series 2010Q (the "Taxable Series 2010Q Master Note") entitled to the security of the Master Indenture in the original principal amount of $1,225,000, and to deliver such Taxable Series 2010Q Master Note to the Texas Public Finance Authority Charter School Finance Corporation (the "Issuer") in order to evidence and secure the obligations of the Company under the Loan Agreement, dated as of October 1, 2010 (the "Related Loan Agreement"), between the Company and the Issuer, relating to the Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay) (the "Series 2010Q Bonds"), issued pursuant to a Trust Indenture and Security Agreement, dated as of October 1, 2010 (the "Related Bond Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (in such capacity, the "Bond Trustee"); and

WHEREAS, all acts and things necessary to make the Taxable Series 2010Q Master Note authorized by this Supplemental Master Indenture, when executed by the Company and authenticated and delivered by the Master Trustee as provided in the Original Master Indenture and this Supplemental Master Indenture, the valid, binding and legal obligations of the Company and to constitute these presents, together with the Original Master Indenture, a valid indenture and agreement according to its terms, have been done and performed, and the execution of this

Supplemental Master Indenture and the issuance of the Taxable Series 2010Q Master Note authorized by this Supplemental Master Indenture have in all respects been duly authorized;

NOW, THEREFORE, in order to declare the terms and conditions upon which the Taxable Series 2010Q Master Note authorized hereby are authenticated, issued and delivered, and in consideration of the premises and the acquisition and acceptance of the Taxable Series 2010Q Master Note by the Holders thereof, and in consideration of the mutual covenants, conditions and agreements which follow, the Company covenants and agrees with the Master Trustee as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions of Words and Terms. Words and terms used in this Supplemental Master Indenture and not otherwise defined herein shall, except as otherwise stated, have the meanings assigned to them in the Original Master Indenture.

ARTICLE II

THE TAXABLE SERIES 2010Q MASTER NOTE

Section 201. Authorization of Taxable Series 2010Q Master Note. Pursuant to Article II and Section 801(h) of the Master Indenture, there is hereby created and authorized to be issued hereunder a Note, described as follows: "Taxable Master Indenture Note (Evolution Academy) Series 2010Q" in the aggregate original principal amount of $1,225,000, dated October 1, 2010, issued by the Company and for the primary benefit of the Issuer. The Taxable Series 2010Q Master Note shall initially be issued and registered in the name of the Issuer, and then endorsed by the Issuer to the order of and registered in the name of the Bond Trustee, or its successors or assigns, and shall be executed, authenticated and delivered in accordance with Article II of the Original Master Indenture.

Section 202. Form of Taxable Series 2010Q Master Note. The Taxable Series 2010Q Master Note shall be issued as a single, fully-registered promissory note, in substantially the form set forth in Exhibit "A" hereto.

Section 203. Payments on Taxable Series 2010Q Master Note. The principal of the Taxable Series 2010Q Master Note shall be payable in the amounts and on the dates, and each of the unpaid installments of principal shall bear interest from the date of such Note at the respective rates, and such Note shall have such other terms and provisions, as are set forth in or incorporated by reference into the Related Loan Agreement.

Section 204. Credits on Taxable Series 2010Q Master Note.

(a) The Company shall receive a credit against amounts due on the Taxable Series 2010Q Master Note on any payment date equal to the amounts paid as principal of (and premium, if any) or interest on, the Series 2010Q Bonds on such payment date, including credit against any mandatory sinking fund redemption payments.

(b) Notwithstanding the provisions of subsection (a) above or any other provision herein or in the Original Master Indenture, in the event that any payment on or with respect to the Series 2010Q Bonds shall have been made by or on behalf of the Company and, by reason of bankruptcy or other act of insolvency, such payment shall be deemed to be a preferential payment, and the Bond Trustee shall be required by a court of competent jurisdiction to surrender such payment, any credit on, the Taxable Series 2010Q Master Note that may have been given as a result of such payment shall be rescinded, and the amount owing on, the Taxable Series 2010Q Master Note shall be calculated as if such payment shall not have been made.

Section 205. Interest on Overdue Installments. The Taxable Series 2010Q Master Note shall bear interest on overdue installments of principal (premium, if any), and interest, to the extent permitted by law, at a rate equal to the applicable interest rate or rates borne by the Series 2010Q Bonds.

Section 206. Registration, Transfer and Exchange. The Taxable Series 2010Q Master Note shall be transferred or exchanged pursuant to Section 205 of the Original Master Indenture.

ARTICLE III

REDEMPTION OR REDUCTION OF TAXABLE SERIES 2010Q MASTER NOTE; SATISFACTION AND RELEASE

Section 301. Redemption. The Taxable Series 2010Q Master Note shall be subject to redemption prior to Stated Maturity to the extent and with respect to the corresponding redemption of the Series 2010Q Bonds, in accordance with the terms of the Related Bond Indenture. Notice of redemption of the Series 2010Q Bonds shall, without further notice or action by the Master Trustee or the Company, constitute notice of redemption of the corresponding amounts of principal due on the Taxable Series 2010Q Master Note, and the same shall, thereby, become due and payable on the redemption date of the Series 2010Q Bonds or at such earlier time as payment is required with respect thereto pursuant to the terms of the Related Bond Indenture.

Section 302. Partial Redemption or Reduction. In the event of a partial redemption of the Taxable Series 2010Q Master Note pursuant to Section 301 hereof, the amount of the principal and interest on such Taxable Series 2010Q Master Note becoming due after such redemption shall, to the extent appropriate and with the approval of the Master Trustee, be adjusted so that the installments of principal and interest thereafter due on the Taxable Series 2010Q Master Note correspond to the payments of the principal of and interest on the Outstanding Series 2010Q Bonds.

Section 303. Effect of Call for Prepayment or Redemption. On the date designated for prepayment or redemption by notice as herein provided, the Taxable Series 2010Q Master Note or the portion thereof so called for prepayment or redemption shall become and be due and payable at the prepayment or redemption price provided for prepayments or redemption of such Taxable Series 2010Q Master Note or portion thereof on such date. If on the date fixed for prepayment or redemption, moneys for payment of the prepayment or redemption price and accrued interest on the Taxable Series 2010Q Master Note are held by the Master Trustee or the

Related Bond Trustee, (i) interest on such Taxable Series 2010Q Master Note or portion thereof so called for prepayment or redemption shall cease to accrue, (ii) such Taxable Series 2010Q Master Note or portion thereof shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Master Trustee or the Related Bond Trustee and (iii) the amount of such Taxable Series 2010Q Master Note or portion thereof so called for prepayment or redemption shall be deemed paid and no longer outstanding.

Section 304. Satisfaction and Release. The Company's obligations with respect to the Taxable Series 2010Q Master Note shall be considered satisfied and the Master Trustee shall release this Supplemental Master Indenture with respect thereto when all amounts due and owing on the Series 2010Q Bonds, have been paid or deemed paid under the Related Bond Indenture.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 401. Representations and Warranties. The Company represents and warrants that (a) it is duly authorized under the laws of the State of Texas and all other applicable provisions of law to execute this Supplemental Master Indenture and to issue the Taxable Series 2010Q Master Note, (b) all corporate action on the part of the Company required by its organizational documents and the Original Master Indenture to establish this Supplemental Master Indenture as the binding obligation of the Company has been duly and effectively taken, and (c) all such action so required for the authorization and issuance of the Taxable Series 2010Q Master Note has been duly and effectively taken.

Section 402. Covenants under the Original Master Indenture and Related Bond Documents. The Company covenants and agrees that so long as any portion of the Taxable Series 2010Q Master Note remains outstanding, it will deliver to the Related Bond Trustee all reports, opinions and other documents required by the Original Master Indenture to be submitted to the Master Trustee at the time said reports, opinions or other documents are required to be submitted to the Master Trustee, and that it will faithfully perform or cause to be performed at all times any and all covenants, agreements and undertakings required on the part of the Company contained in the Master Indenture and the Taxable Series 2010Q Master Note, and the Company hereby confirms its covenants and agrees with its undertakings in the Master Indenture.

Section 403. Business Interruption Insurance. In addition to the covenants contained in Section 409 of the Original Master Indenture, the Company covenants that for such time as the Taxable Series 2010Q Master Note remains Outstanding, the Company will at all times maintain business interruption insurance equal to twelve (12) months' debt service on the Outstanding Taxable Series 2010Q Master Note or the Outstanding Series 2010Q Bonds and twelve (12) months' operating expenses.

Section 404. Additional Debt. So long as the Taxable Series 2010Q Master Note remains outstanding, the Company covenants that it will not incur additional Debt except for the following:

(a) Up to $200,000 of Debt secured in whole or in part on a parity basis with the Senior Notes to be used for working capital purposes.

(b) Up to $100,000 of Debt that is subordinate to the Senior Notes to be used for working capital purposes.

(c) Other Debt approved in writing by the Bondholder Representative.

(d) The Debt permitted under this Section 404 is exempt from compliance with the provisions of Section 212 of the Master Indenture.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 501. Notices. Except as otherwise provided in the Original Master Indenture, it shall be sufficient service of any notice, request, complaint, demand or other paper required by the Original Master Indenture to be given to or filed with the parties if the same shall be delivered in person or duly mailed by certified, registered or first class mail addressed to the addresses provided in the Original Master Indenture. The Master Trustee will be deemed to have received notice upon receipt of such notice by the Responsible Officer of the Master Trustee.

Section 502. Ratification of Original Master Indenture. The Original Master Indenture, as supplemented by this Supplemental Master Indenture, is in all respects ratified and confirmed and the Original Master Indenture as so supplemented shall be read, taken and construed as one and the same instrument. Except as herein otherwise expressly provided, all the provisions, definitions, terms and conditions of the Original Master Indenture, as supplemented by this Supplemental Master Indenture, shall be deemed to be incorporated in, and made a part of, this Supplemental Master Indenture.

Section 503. Limitation of Rights. Nothing in this Supplemental Master Indenture or in the Taxable Series 2010Q Master Note, express or implied, shall give or be construed to give any Person other than the Company, the Master Trustee and the respective registered Holders of the Taxable Series 2010Q Master Note or their assigns, any legal or equitable right, remedy or claim under or in respect of this Supplemental Master Indenture, or under any covenant, condition and provision herein contained, all its covenants, conditions and provisions being for the sole benefit of the Company, the Master Trustee and of the respective Holders of the Taxable Series 2010Q Master Note.

Section 504. Provisions of the Original Master Indenture to Control. The provisions of Section 701 through 713 of the Original Master Indenture shall control the terms under which the Master Trustee shall serve under this Supplemental Master Indenture.

Section 505. Binding Effect. All the covenants, stipulations, promises and agreements in this Supplemental Master Indenture by or on behalf of the Company or the Master Trustee shall inure to the benefit of and shall bind their respective successors and assigns, whether so expressed or not.

Section 506. Severability Clause. If any provision of this Supplemental Master Indenture shall be held or deemed to be, or shall in fact be, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases because of the conflicting of any provision with any constitution or statute or rule of public policy or for any other reasons, such circumstance shall not have the effect of rendering the provision or provisions in question inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy.

Section 507. Execution in Counterparts. This Supplemental Master Indenture may be executed in any number of counterparts, each of which shall be an original; and all of which shall together constitute but one and the same instrument.

Section 508. Governing Law. This Supplemental Master Indenture shall be governed, in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the law of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Master Indenture to be duly executed by the persons thereunto duly authorized, as of the date and year first above written.

EVOLUTION ACADEMY

By:_____
Cynthia Trigg, Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Master Trustee

By:_____
Name: Sandra Y. Jones
Title: Assistant Vice President

EXHIBIT A

FORM OF TAXABLE MASTER INDENTURE NOTE
(EVOLUTION ACADEMY)
SERIES 2010Q

THIS NOTE HAS NOT BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933, AS AMENDED

Registered	UNITED STATES OF AMERICA	Registered
No. MRQ-1	STATE OF TEXAS	$1,225,000

Interest Rate: AS SET FORTH HEREIN Maturity Date: _____

Issue Date: October ___, 2010

Registered Holder: TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION

Principal Amount: ONE MILLION TWO HUNDRED TWENTY-FIVE THOUSAND DOLLARS

Evolution Academy, a Texas non-profit corporation (the "Company"), for value received, hereby promises to pay to the Holder named above, or registered assigns, the Principal Amount set forth above. The Company also promises to pay interest hereon from the Issue Date set forth above, or from the Interest Payment Date (as defined in the Indenture) to which interest has been paid or duly provided for, and on such other dates as may be required by the Loan Agreement referenced below until the principal hereof is paid or made available for payment. Principal of (and premium, if any) and interest on this Note are payable at the times and in the amounts described in Article IV of the Loan Agreement referred to below.

1. Authorization of Note. This Note represents the duly authorized Note of the Company, in the principal amount stated above, designated as "Taxable Master Indenture Note (Evolution Academy) Series 2010Q" (this Note, together with all other Notes issued and secured under the Master Indenture, referred to collectively as the "Notes") issued under and pursuant to the Master Trust Indenture and Security Agreement dated as of October 1, 2010, between the Company, acting in its own behalf, and Wells Fargo Bank, National Association, as trustee (the "Master Trustee"), as supplemented, including the Supplemental Master Trust Indenture No. 2, dated as of October 1, 2010 between the Company, acting on its own behalf and the Master Trustee (collectively, being herein called the "Master Indenture"). This Note is issued for the purpose of securing the obligations of the Company under a Loan Agreement dated as of October 1, 2010 (the "Loan Agreement"), entered into between the Company and the Texas Public Finance Authority Charter School Finance Corporation (the "Issuer") in connection with the issuance and sale of revenue bonds of the Issuer in the principal amount of $1,225,000, designated Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction

Bonds – Direct Pay) (the "Bonds"), issued under and pursuant to the Constitution and laws of the State of Texas, and a Trust Indenture and Security Agreement, dated as of October 1, 2010 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Bond Trustee"). This Note is a Senior Note, as such term is defined in the Master Indenture.

It is provided in the Master Indenture that the Company has and may hereafter issue additional Notes from time to time, and if issued, such additional Notes with this Note and all other Notes heretofore or hereafter issued under the Master Indenture, except as otherwise provided in the Supplemental Master Indenture authorizing such Note and Master Indenture, will rank pari passu.

Copies of the Master Indenture, the Indenture and the Loan Agreement are on file at the Corporate Trust Office of the Master Trustee and reference is hereby made to the Master Indenture, the Indenture and the Loan Agreement for the provisions, among others, with respect to the nature and extent of the security for and the rights of the registered holders of this Note, the terms and conditions on which, and purposes for which, this Note is issued and the rights, duties and obligations of the Company and the Master Trustee under the Master Indenture, to all of which the Holder hereof, by acceptance of this Note assents. The Master Indenture may be modified, amended or supplemented only to the extent and under the circumstances permitted by, and subject to the terms and conditions of, the Master Indenture.

2. Payment. Interest on this Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date, will, as provided in the Master Indenture, be paid to the Person in whose name this Note is registered at the close of business on the regular Record Date for such interest, which shall be the Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such regular Record Date, and shall be paid to the Person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Master Trustee, notice whereof shall be given to Note Holders not less than 10 days prior to such special record date. Any amounts due on this Note and not paid on the due date shall bear interest at a rate of interest per annum equal to the lesser of (i) ten percent (10%) per annum or (ii) the maximum rate of nonusurious interest permitted by applicable law as is in effect on the date hereof or, to the extent allowed by applicable law, such higher rate as may thereafter be in effect.

Interest on this Note shall be paid to the Holder of this Note at its address as it appears on the registration books of the Master Trustee by wire transfer of immediately available funds or in such other manner as may be mutually acceptable to the Bond Trustee and the Registered Holder of this Note.

Principal and the redemption price of this Note shall be payable to the Holder of this Note at the designated payment office of the Master Trustee located in Dallas, Texas (the "Place of Payment") upon the surrender for cancellation of this Note.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than legal moratorium) at the place where payment thereof is to be made, then such payment may be made on the next

succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Redemption. This Note is subject to redemption only in connection with the redemption of a related amount of Series 2010Q Bonds as described in the Indenture referenced above.

4. Defeasance of Note. This Note is subject to defeasance as provided in the Master Indenture.

5. Limitations of Rights. The Holder of this Note shall have no right to enforce the provisions of the Master Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Master Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Master Indenture.

6. Transfer of Note. This Note is transferable by the registered Holder hereof in person or by duly authorized attorney at the principal payment office of the Master Trustee, but only to a successor Bond Trustee for the Holders of the Bonds in the manner, subject to the limitations and upon payment of the charges provided in the Master Indenture, and upon surrender and cancellation of this Note. Upon such transfer a new registered Note or Notes without coupons of the same series and maturity and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Master Trustee may deem and treat the registered Holder hereof as the absolute Holder hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes and the Master Trustee shall not be affected by any notice to the contrary.

7. Certain Rights of Holders. If an Event of Default, as defined in the Master Indenture, shall occur, the principal of this Note and any additional notes may be declared due and payable in the manner and with the effect provided in the Master Indenture. To the extent permitted by law, the indebtedness of the Company under the Loan Agreement and this Note may be separately and independently accelerated with or without an acceleration of the Series 2010Q Bonds.

The Master Indenture permits, with certain exceptions as therein provided, the amendment of the Master Indenture and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes under the Master Indenture at any time with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding, as defined in the Master Indenture. The Master Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, as defined in the Master Indenture, on behalf of the Holders of all the Notes, to waive compliance by the Company or its affiliates with certain provisions of the Master Indenture and certain past defaults under the Master Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder

and upon all future Holders of this Note and of any Note issued upon the transfer hereof or in exchange therefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Master Indenture and no provision of this Note or of the Master Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of this Note at the times, place, and rate, and in the coin or currency, herein prescribed from the sources herein described.

8. Usury. In no event shall the amount of interest (as defined and calculated in accordance with applicable law) contracted for, charged, reserved, received or taken in connection with the loan exceed the amount of interest which could have been contracted for, charged, reserved, received or taken at the Highest Lawful Rate as defined in the Loan Agreement. If the applicable law is ever judicially interpreted so as to render usurious any amount contracted for, charged, reserved, received or taken in connection with the loan, or if the exercise of the option contained in the Master Indenture or otherwise to accelerate the maturity of the loan or if any prepayment of the loan by the Company results in there having been paid or received any interest in excess of that permitted by applicable law, then notwithstanding anything to the contrary contained in the Master Indenture, the Master Indenture provides that all excess amounts theretofore paid or received shall be credited on the principal balance of the loan (or, if the loan has been or would thereby be paid in full, refunded), and the provisions of the Master Indenture shall immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for thereunder.

9. No Recourse. No recourse shall be had for the payment of the principal of or premium or interest on this Note or for any claim based thereon or upon any obligation, covenant or agreement in the Master Indenture contained, against any past, present or future officer, trustee, director, member, employee or agent of the Company, or any incorporator, officer, director, member, employee or agent of any successor corporation, as such, either directly or through any successor corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise and all such liability of any such incorporators, officers, directors, members, employees or agents, as such, is hereby expressly waived and released as a condition of and consideration for the execution of the Master Indenture and the issuance of this Note.

10. Authentication of Note. This Note shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Note shall have been authenticated by execution by the Master Trustee of the Certificate of Authentication inscribed hereon.

11. Waiver of Presentment or Notice. The Company hereby waives presentment for payment, demand, protest, notice of protest, notice of dishonor and all defenses on the grounds of extension of time of payment for the payment hereof which may be given (other than in writing) by the Master Trustee to the Company.

IT IS CERTIFIED that all conditions, acts and things required to exist, happen and be performed under the Master Indenture precedent to and in the issuance of this Note, exist, have happened and have been performed, and that the issuance, authentication and delivery of this Note have been duly authorized by resolutions of the Company.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

EVOLUTION ACADEMY

By:_____

_____

ASSIGNMENT

For value received, the undersigned hereby assigns to Wells Fargo Bank, National Association, as Bond Trustee (the "Bond Trustee") under a Trust Indenture and Security Agreement between the Bond Trustee and the undersigned, the within Note and all its rights thereunder without recourse or warranty, except warranty of good title and warranty that the Issuer has not assigned this Note to a person other than the Bond Trustee and that the principal amount remains unpaid under this Note.

TEXAS PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL FINANCE CORPORATION

By:_____
President, Board of Directors

(Form of Certificate of Authentication to
appear on each Note)

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the Master Indenture.

Date of Authentication:

_____

WELLS FARGO BANK, NATIONAL
ASSOCIATION,
as Master Trustee

By:_____
Authorized Signature

APPENDIX E
SUBSTANTIALLY FINAL FORM OF THE INDENTURE

TRUST INDENTURE AND SECURITY AGREEMENT

between

TEXAS PUBLIC FINANCE AUTHORITY CHARTER
SCHOOL FINANCE CORPORATION

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee

Relating to
$1,225,000
Texas Public Finance Authority Charter School Finance Corporation
(Evolution Academy Charter School)
Taxable Education Revenue Bonds, Series 2010Q
(Qualified School Construction Bonds – Direct Pay)

_____

Dated as of

October 1, 2010

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ARTICLE X

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

ARTICLE XI

MISCELLANEOUS

TRUST INDENTURE AND SECURITY AGREEMENT

THIS TRUST INDENTURE AND SECURITY AGREEMENT (this "Indenture"), dated as of October 1, 2010, is between the **TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION**, a non-profit corporation created and existing under the Act, and **WELLS FARGO BANK, NATIONAL ASSOCIATION,** a national banking association with a corporate trust office in Houston, Texas, not in its individual capacity but solely as Trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, the State of Texas (the "State") has, pursuant to Chapter 53 of the Texas Education Code, as amended (the "Act"), and specifically Section 53.351 thereof, approved and created the Issuer as a nonstock, nonprofit corporation;

WHEREAS, the Issuer is a duly constituted authority and instrumentality (within the meaning of those terms in the Regulations of the Department of the Treasury and the rulings of the Internal Revenue Service (the "IRS") prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"));

WHEREAS, the Issuer, on behalf of the State of Texas, is empowered to issue its revenue bonds in order to enable an accredited or authorized charter school to finance or refinance the acquisition, construction, enlargement, extension, repair, renovation, or other improvements to an educational or housing facility or any facilities incidental, subordinate, or related thereto or appropriate in connection therewith, or for acquiring land to be used for those purposes, or to create operating and debt service reserves for and to pay issuance costs related to the bonds or other obligations;

WHEREAS, Evolution Academy, a Texas nonprofit corporation (the "Company") requests that the Issuer issue, and the Issuer proposes to issue, bonds pursuant to the Board Resolution of the Issuer and this Indenture, which will be designated "Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay)" (the "Series 2010Q Bonds" or the "Bonds");

WHEREAS, the proceeds of the Series 2010Q Bonds will be loaned to the Company to (i) finance the cost of a project consisting of (a) the construction, rehabilitation and repair of public school facilities on campuses of the Company and (b) the acquisition of land on which such a facility is to be constructed with part of the proceeds of the Series 2010Q Bonds; and (ii) pay certain of the costs of issuing the Series 2010Q Bonds;

WHEREAS, pursuant to Sections 54A and 54F of the Code and an allocation of the national qualified school construction bond limitation to the Company approved by the Texas Education Agency, the Issuer is authorized to issue the Series 2010Q Bonds as "qualified school construction bonds" that are "qualified tax credit bonds";

WHEREAS, pursuant to Section 6431 of the Code, the Issuer may irrevocably elect to treat the Series 2010Q Bonds that are "qualified school construction bonds" as "specified tax credit bonds";

WHEREAS, the Issuer and the Company have entered into a Loan Agreement, dated as of even date herewith (the "Agreement"), providing for (i) a loan from the Issuer to the Company of the proceeds of the sale of the Bonds, and (ii) the repayment of such loan by the Company;

WHEREAS, contemporaneously with the execution and delivery of this Indenture, the parties to the Bond Documents have executed and delivered the other Bond Documents for the purposes of effecting the issuance of the Bonds, furthering the public purposes of the Act, and securing to the Holders of the Bonds the payment of the Bond Obligations;

WHEREAS, all things necessary to make the Bonds, when issued, executed and delivered by the Issuer and authenticated by the Trustee pursuant to this Indenture, the valid, legal and binding limited obligations of the Issuer, and to constitute this Indenture a valid pledge of certain income, revenues and assets derived from the proceeds of the Bonds and from the Agreement for the payment of the Bond Obligations have been performed, and the execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds subject to the terms hereof, have in all respects been duly authorized; and

NOW THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits, covenants and agreements set forth below, the parties agree as follows:

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the Bond Obligations and the performance of the covenants herein contained and to declare the terms and conditions on which the Outstanding Bonds are secured, and in consideration of the premises, of the purchase of the Bonds by the Holders thereof, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the Issuer by these presents does grant, bargain, sell, alien, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over, and confirm to the Trustee, forever, all and singular the following described properties, and grant a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All right, title, and interest of the Issuer in and to the Agreement, including all amounts payable thereunder, including but not limited to the Loan Payments, the Note, 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 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 Company pursuant to Sections 4.7, 5.1 and 6.6 of the Agreement (the "Issuer's Unassigned Rights"); and

GRANTING CLAUSE SECOND

All right, title, and interest of the Issuer in and to all money and investments held for the credit of the funds and accounts established by or under this Indenture (except the Rebate Fund) as hereinafter described; and

GRANTING CLAUSE THIRD

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 (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), 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 in its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof.

IN ADDITION, in conjunction with the grant of the security interests hereunder the Company has executed the Deed of Trust (as defined herein), in favor of the Mortgage Trustee named therein, for the benefit of the Master Trustee (as defined herein) under the Master Indenture (as defined herein) and the Holders of Notes issued thereunder from time to time.

TO HAVE AND TO HOLD all said property, rights, privileges, and franchises of every kind and description, real, personal or mixed, hereby and hereafter (by supplemental instrument or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, hypothecated, pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties, rights, privileges, and franchises together with any cash and securities hereafter deposited or required to be deposited with the Trustee being herein collectively referred to as the "Trust Estate") unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Outstanding Bonds without any priority of any such Bonds over any other such Bonds except as herein otherwise expressly provided;

UPON CONDITION that, if the Issuer, or its successors or assigns shall well and truly pay, or cause to be paid, the principal of (and premium, if any) and interest on the Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee such amounts in such form in order that no Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the Bond Documents, then upon the full and final payment of all such sums and amounts secured hereby, this Indenture and the rights, titles, liens, security interests, and assignments herein granted shall cease, determine, and be void and this grant shall be released by the Trustee in due form at the expense of the Company, except only as herein provided; otherwise this grant to be and shall remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that all Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, subject to the further covenants, conditions, and trusts hereinafter set forth, and the Issuer does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit of all Holders of the Bonds, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Construction of Terms; Definitions.

(a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) "Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

(2) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(3) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular. Terms used herein but defined only in the Agreement or the Master Indenture have the meanings assigned to them in the Agreement or in the Master Indenture, as applicable. Reference to any Bond Document means that Bond Document as amended or supplemented from time to time. Reference to any party to a Bond Document means that party and its successors and assigns.

(b) The following terms have the meanings assigned to them below whenever they are used in this Indenture except to the extent otherwise defined in Exhibits "A" or "B" hereto :

"Act" means Chapter 53 of the Texas Education Code, as amended from time to time, including particularly Sections 53.351 of such Chapter.

"Adjusted Revenues" shall have the meaning given to such term in the Master Indenture.

"Agreement" means the Loan Agreement, dated as of the date of this Indenture, between the Issuer and the Company relating to the loan of the proceeds of the Bonds.

"Authenticating Agent" means the Person designated pursuant to Section 812 hereof to perform the duties of such set forth in this Indenture, initially the Trustee.

"Authorized Denominations" means, with respect to the Bonds, $100,000 and any integral multiple thereof.

"Authorized Newspaper" means a newspaper of general circulation in the relevant area, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays. Whenever successive weekly publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or in different Authorized Newspapers.

"Authorized Representative" means the Chief Executive Officer of the Company and the President of the Board of Directors of the Company, or any other person duly appointed by the Board of Directors of the Company to act on behalf of the Company, each as evidenced by a written certificate furnished to the Trustee containing the specimen signature of such person or persons and signed on behalf of the Company by an authorized officer of the Company. The Trustee may rely on such written certificate until it is given written notice to the contrary.

"Available Project Proceeds" means (a) Sale Proceeds of the Series 2010Q Bonds less Costs of Issuance financed by the Series 2010Q Bonds (to the extent such costs do not exceed two percent (2%) of the Sale Proceeds of the Series 2010Q Bonds) plus (b) investment proceeds of the amounts described in (a).

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time.

"Board Resolution" of any specified Person means a copy of a resolution certified by the Person responsible for maintaining the records of the Governing Body of such Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Bond Documents" means this Indenture, the Agreement, the Series 2010Q Master Note, the Bonds, the Master Indenture, the Supplemental Master Trust Indenture, the Deed of Trust and all other agreements, documents and instruments ever delivered pursuant to any of the foregoing and any and all supplements, amendments, future renewals and extensions or restatements of any of the foregoing.

"Bond Obligations" means all principal (and premium, if any) and interest on the Bonds and any other amounts which may be owed by the Company to, or on behalf of, the Issuer or the Trustee under the Bond Documents.

"Bond Register" and "Bond Registrar" have the respective meanings specified in Section 204.

"Bond Year" has the meaning given to such term in the Agreement.

"Bondholder Representative" means, initially, Hamlin Capital Management, LLC, a registered investment advisor under the Investment Advisors Act of 1940, so long as sixty-six and two-thirds percent of all Beneficial Owners of the Bonds Outstanding are Persons for whom Hamlin Capital Management, LLC serves as investment advisor, and the successor or assign thereto designated as Bondholder Representative by a written appointment, delivered to the Trustee, by sixty-six and two-thirds percent of Beneficial Owners. Written appointments designating such Bondholder Representative shall be affirmed to the Trustee on or prior to such time as a Bondholder Representative direction or consent is exercised. Hamlin Capital Management, LLC will provide immediate written notice to the Trustee and the Issuer when it no longer serves as Bondholder Representative.

"Bonds" means the Series 2010Q Bonds and any bonds issued upon transfer thereof or in exchange therefor or in lieu thereof.

"Book-Entry—Only Form" or "Book-Entry-Only System" means, with respect to the Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the Bonds may be transferred only through a book-entry, and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates held in the custody of the Depository.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the cities where the Corporate Trust Office of the Trustee or its payment office are located or are authorized by law or executive order to close.

"Closing Date" means the date on which the Bonds are first authenticated and delivered to the initial purchasers thereof against payment therefor.

"Collateral" shall have the meaning assigned to such term in the Deed of Trust.

"Company" means Evolution Academy, a Texas non-profit corporation, its permitted successors and assigns, and any resulting, surviving or transferee Person permitted hereunder.

"Computation Date" has the meaning given to such term in the Agreement.

"Consent," "Order," and "Request" of any specified Person mean, respectively, a written consent, order, or request signed in the name of such

Person and delivered to the Trustee by the chairman of the Governing Body, president, an executive or senior vice president, chief financial officer or any other Person designated by any of such Persons to execute any such instrument as evidenced by an Officer's Certificate delivered to the Trustee.

"Construction Fund" means the special trust fund created in Section 405 of this Indenture.

"Corporate Trust Office" means the address or addresses of the Trustee designated from time to time in Section 105.

"Costs of Issuance" means issuance costs of the Bonds within the meaning of Section 147(g) of the Code, as further described in Section 1.150-1(b) of the Regulations.

"DTC" means The Depository Trust Company, New York, New York, the initial securities depository of the Book-Entry-Only-System described in Section 211 hereof.

"Debt Service" means as of any particular date of computation, with respect to the Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside by the Issuer as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on the Bonds; assuming in the case of Bonds required to be redeemed or prepaid as to principal prior to maturity that the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Debt Service Fund" means the special trust fund created in Section 403 of this Indenture.

"Deed of Trust" means that certain Deed of Trust and Security Agreement (with Assignment of Rents and Leases), dated as of October 1, 2010, from the Company to the Master Trustee, as such Deed of Trust may be amended, supplemented or restated, and/or any security instrument executed in substitution therefore or in addition thereto, as such substitute or additional security instrument may be amended, supplemented or restated from time to time.

"Default Rate" means a rate of interest per annum equal to the lesser of (i) ten percent (10%) per annum or (ii) the Highest Lawful Rate.

"Defeasance Obligations" means obligations now or hereafter authorized by Section 1207.062(b), Texas Government Code or its recodification.

"Depository" means any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, operating and maintaining,

with its participants or otherwise, a Book-Entry-Only System to record ownership of beneficial interests in the Bonds, and to effect transfers of the Bonds, in Book-Entry-Only Form. The initial Depository for the Bonds shall be DTC.

"Eligible Securities" means, to the extent permitted by law (as determined by the Company but not the Trustee), obligations or securities now or hereafter authorized as investments under the Public Funds Investment Act, Chapter 2256, Texas Government Code, maturing or redeemable at the option of the Trustee, or marketable, prior to the maturities thereof, at such time or times as to enable disbursements to be made from the Debt Service Fund, the Construction Fund and the Rebate Fund in accordance with the terms hereof.

"Event of Default" is defined in Article VII of this Indenture.

"Favorable Opinion of Bond Counsel" means an unqualified opinion from Bond Counsel, delivered to and in form and substance satisfactory to the Trustee and the Issuer to the effect that such action does not violate the laws of the State (including the Act), and the Indenture and does not adversely affect the status of the Series 2010Q Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code, "qualified tax credit bonds" within the meaning of Section 54A of the Code or "specified tax credit bonds" within the meaning of Section 6431 of the Code.

"Federal Subsidy" means a cash subsidy payment from the United States Treasury payable pursuant to Section 6431 of the Code, equal to the lesser of (i) 100% of the interest payable on a Series 2010Q Bond on an interest payment date or (ii) the amount of interest which would have been payable under such Series 2010Q Bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such Series 2010Q Bond.

"Governing Body" of any specified Person means the board of directors or board of trustees of such Person or any duly authorized committee of that board, or if there be no board of trustees or board of directors, then the person or body which pursuant to law or the organizational documents of such Person is vested with powers similar to those vested in a board of trustees or a board of directors.

"Holder" or "Bondholder" or "Registered Holder" means a Person in whose name a Bond is registered in the Bond Register.

"Independent" when used with respect to any specified Person means such a Person who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company, and (iii) is not connected with the Company as an officer, employee, promoter, trustee, partner, director or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by Order and such opinion or certificate

shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Initial Bond" means the initial Series 2010Q Bond authorized in Section 210 herein.

"Interest Payment Date," when used in connection with the Bonds, means each February 1 and August 1, commencing August 1, 2011.

"Issuer" means the Texas Public Finance Authority Charter School Finance Corporation, a non-stock, non-profit corporation organized under the Act.

"Loan" means the loan made by the Issuer to the Company pursuant to the Agreement.

"Management Consultant" means a firm of Independent professional management consultants, or an Independent school management organization, knowledgeable in the operation of public or private schools and having a favorable reputation for skill and experience in the field of public or private school management consultation.

"Master Indenture" means that certain Master Trust Indenture and Security Agreement, dated as of October 1, 2010, between the Company and the Master Trustee, as amended by the Supplemental Master Trust Indenture No. 1, dated as of October 1, 2010, and the Supplemental Master Trust Indenture, and as further amended or supplemented from time to time in accordance with its terms.

"Master Trustee" means Wells Fargo Bank, National Association, with a corporate trust office in Dallas, Texas, serving as master trustee pursuant to the Master Indenture or any successor thereto pursuant to the provisions of the Master Indenture.

"Maturity" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption or otherwise.

"Maximum Annual Debt Service" means, as of any date of calculation, the highest principal and interest payment requirements with respect to all Outstanding Bonds for any succeeding Fiscal Year.

"Note" means the Series 2010Q Master Note.

"Officer's Certificate" of any specified Person means a certificate signed by the chairman of the Governing Body, president, an executive or senior vice president, chief financial officer or any other Person designated by any of such

Persons to execute an Officer's Certificate as evidenced by a certificate of any of such Persons delivered to the Trustee.

"Outstanding" when used with respect to any Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except:

(i) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds for whose payment or redemption money (or Defeasance Obligations to the extent permitted by Section 1002 of this Indenture) in the necessary amount has been theretofore deposited with the Trustee or any paying agent for such Bonds in trust for the Holders of such Bonds pursuant to this Indenture; provided, that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or irrevocable provision therefor satisfactory to the Trustee has been made;

(iii) Bonds upon transfer of or in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to this Indenture; and

(iv) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in Section 205.

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned of record or beneficially by the Company or any other obligor upon the Bonds or the Note or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that the Trustee knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company or any other obligor upon the Bonds or the Note or such other obligor.

"Paying Agent" means initially the Trustee, and any other Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Bonds on behalf of the Issuer.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Place of Payment" for the Bonds means a city or any political subdivision thereof designated as such in the Bonds.

"Proceeds Fund" means the special fund created pursuant to Section 402 of this Indenture.

"Project" means the Project described in Exhibit "A" to the Loan Agreement.

"Qualified Bond" means any bond that is a "qualified school construction bond" pursuant to Section 54F of the Code, a "qualified tax credit bond" pursuant to Section 54A of the Code and a "specified tax credit bond" pursuant to Section 6431 of the Code.

"Rating Service" means each nationally recognized securities rating service which at the time has a credit rating assigned to the Bonds.

"Rebate Fund" means the special trust fund created in Section 404 of this Indenture.

"Record Date" means the close of business for the Trustee on the last business day of the calendar month preceding any Interest Payment Date regardless of whether such day is a Business Day.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Renewal and Replacement Fund" means the special trust fund created in Section 406 of this Indenture.

"Renewal and Replacement Fund Requirement" means $100,000, as calculated pursuant to Section 4.1(b) of the Agreement.

"Requisition Certificate" means any Requisition Certificate in substantially the form attached as Exhibit B to this Indenture.

"Responsible Officer" when used with respect to the Trustee means the officer in the Corporate Trust Office of the Trustee having direct responsibility for administration of this Indenture.

"Series 2010Q Bonds" means the Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay), authorized to be issued pursuant to Section 201 of this Indenture.

"Series 2010Q Master Note" means the promissory note in the form attached to the Supplemental Master Trust Indenture as Exhibit "A," which is secured by the Master Indenture, executed by the Company and dated the Closing Date in the principal amount of the Series 2010Q Bonds.

"Sinking Fund Deposit Account" means the Sinking Fund Deposit Account established pursuant to Section 403(b).

"Sponsoring Entity" means the Texas Public Finance Authority.

"State" means the State of Texas.

"Stated Maturity" when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

"Supplemental Master Trust Indenture" means the Supplemental Master Trust Indenture No. 2 between the Company and the Master Trustee in connection with the issuance of the Series 2010Q Master Note dated October 1, 2010.

"Taxable Interest Rates" shall mean interest rates as set forth in Section 202(a) of this Indenture.

"Trust Estate" is defined in the Granting Clauses of this Indenture.

"Trustee" means Wells Fargo Bank, National Association, a national banking association, with a corporate trust office in Dallas, Texas, serving as Trustee pursuant to this Indenture or any successor thereto pursuant to the provisions of this Indenture.

"Value" means the value of any investments, determined at the end of each month, which shall be calculated as follows:

1. As to Eligible Securities (other than as provided in (2) and (3) below), the market value thereof determined by the Trustee at the end of each month using and relying conclusively and without liability upon any generally accepted industry standards and from a generally accepted pricing information service available to it; and

2. As to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest; and

3. As to any investment not specified above, the value thereof established by the Company and provided to the Trustee.

Section 102. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 103. Form of Documents Delivered to Trustee. Every certificate and every Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include a statement that the person making such certification or opinion has read such covenant or condition and the definitions relating thereto, has made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether such covenant or condition has been complied with, and a statement whether such condition or covenant has been complied with. In any case where several matters are required to be certified by or covered by an opinion of any specified Person, it is not necessary that all such matters be certified by or covered by the opinion of only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of any officer of a Person may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, in so far as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of a specified Person stating that the information with respect to such factual matters is in the possession of such Person, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Bondholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by its agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and (subject to Section 801) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Bonds shall be proved by the Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Bondholder shall bind every holder of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

Section 105. Notice Addresses. Any request, demand, authorization, direction, notice, consent, waiver or act of Bondholders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Bondholder or by any specified Person shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with and actually received by a Responsible Officer of the Trustee at its Corporate Trust Office located at 1445 Ross Avenue, 2nd Floor, MAC T5303-022, Dallas, Texas 75202, Attention: Corporate Trust, or at any other address subsequently furnished in writing to the Bondholders and the other parties to the Bond Documents by the Trustee;

(2) the Issuer by any Bondholder or by any specified Person shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage

prepaid, to the Issuer addressed to it at 300 W. 15th Street, Suite 411, Austin, Texas 78701, Attention: General Counsel, or at any other address subsequently furnished in writing to the Trustee and the Company by the Issuer;

(3) the Company by any Bondholder or by any specified Person shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Company addressed to it at Evolution Academy, 1101 South Sherman Street, Richardson, Texas 75081, Attention: Ms. Cynthia Trigg, or at any other address subsequently furnished in writing to the Trustee and the Issuer by the Company;

(4) the Rating Service shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to Standard and Poor's Ratings Group, 500 N. Akard Street, Lincoln Plaza, Suite 3200, Dallas, Texas 75201, or at such other address subsequently furnished in writing to the Trustee by such Rating Service; and

(5) the Bondholder Representative shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Bondholder Representative addressed to it at Hamlin Capital Management, L.L.C., 477 Madison Avenue, Suite 520, New York, New York 10022, Attention: Joseph J. Bridy.

Section 106. Notices to Bondholders; Waiver. Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at his address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Bonds shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 107. Successors and Assigns. All covenants and agreements in this Indenture by the Issuer and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 108. Severability Clause. In case any provision in this Indenture or in the Bonds or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

Section 109. Benefits of Indenture. Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder, any

separate trustee or co-trustee appointed hereunder, the Company and the Holders of Bonds, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 110. Governing Law. This Indenture shall be governed, in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the State.

Section 111. Directors, Officers, Employees, and Agents Exempt from Personal Liability. No recourse under or upon any obligation, covenant, or agreement contained in this Indenture, or in any Bond, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present, or future director, officer, or employee, as such, of the Issuer or the Trustee, or of any successor corporation, either directly or through the Issuer or the Trustee, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment, judgment, or penalty, or otherwise; it being expressly understood that this Indenture and the Bonds are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, directors, officers, or employees, as such, of the Issuer, the Trustee, or any other successor corporation, or any of them, because of the creation of indebtedness hereby authorized, or under or by reason of the obligations, covenants, or agreements contained in this Indenture or the Bonds or implied therefrom, and that any and all such personal liability either at common law or equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, director, officer, or employee, as such, are hereby expressly waived and released as a condition of, and in consideration for, the execution of this Indenture and the issuance of the Bonds.

Section 112. Bondholder Representative. Notwithstanding any provision to the contrary contained therein, any notice, request, consent, direction, waiver, approval, agreement, or other action of the Bondholder Representative shall constitute and have the same effect as a notice, request, consent, direction, waiver, approval, agreement, or other action of the Beneficial Owners of all of the Bonds, as represented by the Bondholder Representative. A copy of any notice given to or sent by the Trustee shall also be provided to the Bondholder Representative.

The initial Bondholder Representative shall remain the Bondholder Representative until such time as the holders holding more than 33 1/3 percent in aggregate principal amount of the Outstanding Bonds provide written notice to the Trustee in a form acceptable to the Trustee objecting to the person then serving as the Bondholder Representative or upon the removal or replacement of such Bondholder Representative as set forth herein. Upon receipt of the foregoing written notice, the Bondholder Representative then serving in such capacity shall no longer be the Bondholder Representative and the provisions herein relating to the Bondholder Representative shall no longer be applicable unless and until a new Bondholder Representative is appointed as provided herein. The holders of not less than 66 2/3 percent of the aggregate principal amount of the Outstanding Bonds may remove or replace the Bondholder Representative by providing written notice to the Trustee in a form acceptable to the Trustee. So long as the Bondholder Representative is acting as such, the Trustee shall have no duty to investigate the appointment of the Bondholder Representative and may assume that the Bondholder Representative is acting in such capacity unless the Trustee shall have received written notice from holders of Bonds holding the requisite percentage that the Bondholder

Representative is no longer acting in such capacity or that the then acting Bondholder Representative has been removed or replaced as provided herein.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS; ISSUANCE AND FORM OF BONDS

Section 201. Authorization and Form of Bonds. (a) The Series 2010Q Bonds shall be designated "Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay)." The aggregate principal amount of Series 2010Q Bonds that may be issued under this Indenture is limited to $1,225,000. Each of the Series 2010Q Bonds shall be numbered separately from RQ-1 upwards. The Series 2010Q Bonds shall be issued only in fully registered form in Authorized Denominations. The Series 2010Q Bonds shall be issued for the purposes stated in the Recitals hereto.

(b) The Bonds shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate variations, omissions, and insertions as are permitted or required by this Indenture and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto. The Bonds may be typewritten, printed, lithographed, engraved or produced in similar manner. If any Bond is printed, any portion of the text of the Bond may be printed on the back of the Bond with an appropriate reference placed on the front of the Bond.

Section 202. Terms of Bonds.

(a) The Series 2010Q Bonds shall be dated as of October 1, 2010, shall mature on August 1 in the year and in the amount set forth below, and shall bear interest at the Taxable Interest Rate below from the later of (i) the date of delivery or (ii) the most recent Interest Payment Date to which interest has been provided for:

Maturity Date	**Amount**	**Interest Rate**
2027	$1,225,000	9.0%

The Bonds shall be subject to optional, extraordinary optional, and special mandatory redemption prior to maturity in the manner provided in the form of Bonds set forth in Exhibit A, attached hereto.

(b) Interest on the Bonds shall be paid on each Interest Payment Date until the principal thereof shall have been paid or provided for. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(c) Amounts due with respect to the Bonds shall be payable in lawful money of the United States. Payment of principal, premium, if any, and interest on the Bonds shall be paid by check mailed to the registered Owner thereof at his or her address as it appears on the Bond Register on the Record Date. Upon written request of a registered Owner of at least $1,000,000 in principal amount of Bonds or all of any series of the Bonds, all payments of principal, premium, if any, and interest on the Bonds shall be paid by wire transfer (at the risk and expense of such registered Owner) in immediately available funds to an account in the United States designated by such registered Owner upon written notice before a Record Date to the Trustee. CUSIP number identification with appropriate dollar amounts for each CUSIP number must accompany all payments of principal, premium, if any, and interest, whether by check or by wire transfer.

Section 203. Execution, Authentication and Delivery. The Bonds shall be executed on behalf of the Issuer by its President or its Vice President and attested to by its Secretary. The signature of any of these officers on the Bonds may be manual or facsimile.

Bonds bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Bonds or did not hold such offices at the date of such Bonds.

The Initial Bond issued hereunder shall be registered by the Comptroller of Public Accounts of the State of Texas or by one of the Comptroller's deputies.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Bonds executed by the Issuer to the Authenticating Agent; the Authenticating Agent shall authenticate such Bonds; and the Bond Registrar shall register and deliver such Bonds as in this Indenture provided and not otherwise.

Prior to the initial delivery by the Trustee (in its capacity as Bond Registrar) of the Bonds, there shall be delivered to the Trustee:

(a) a Board Resolution of the Issuer authorizing the issuance, execution and delivery of the Bonds;

(b) an Issuer Order (i) to register the Bonds with the Stated Maturity, principal amount and other terms provided in the Order, and (ii) to authenticate and deliver the Bonds to the original purchasers upon payment to the Trustee for deposit or payment in accordance with the provisions of this Indenture of the sum specified in such Order;

(c) the Series 2010Q Master Note of the Company, duly executed by the Company on behalf of itself and duly authenticated by the Master Trustee, payable to the Trustee or properly endorsed or assigned to the Trustee;

(d) executed counterparts of each of the Bond Documents;

(e) an Opinion of Counsel to each party to a Bond Document to the effect that each such Bond Document has been duly authorized, executed and delivered by that party and that the Bond Document as amended or supplemented constitutes a legal, valid, binding and enforceable obligation of that party subject to customary exceptions;

(f) the Opinion of Counsel specified in Section 202(c) of the Master Indenture;

(g) A certificate of the Bondholder Representative regarding the Series 2010 Bonds in the form attached hereto as Exhibit C, acceptable to the Issuer and the Underwriter;

(h) an Officer's Certificate of the Company (i) approving the issuance and delivery of the Bonds, and (ii) certifying that there then exists no event of default under the Bond Documents or any outstanding documents by which the Company is bound;

(i) an opinion of Bond Counsel with respect to the Series 2010Q Bonds to the effect that (i) this Indenture has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Series 2010Q Bonds have occurred, (ii) the Series 2010Q Bonds have been duly authorized, executed, issued and delivered by the Issuer, are the legal and valid limited obligations of the Issuer, and are entitled to the benefits and security of this Indenture, and (iii) the Series 2010Q Bonds and the offering or sale of the Series 2010Q Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939; and

(j) the Initial Bond, together with the approval of the Bonds by the Attorney General of Texas as evidenced by his approving opinion thereon and initial registration of the Bonds by the Comptroller of Public Accounts of the State of Texas.

Section 204. Registration, Transfer and Exchange. The Trustee is hereby appointed as Bond Registrar (the "Bond Registrar") for the purpose of registering Bonds and transfers of Bonds as herein provided. The Issuer shall cause to be kept at a corporate trust office or the principal payment office of the Bond Registrar or Bond Registrars for the Bonds, a register or registers (sometimes herein referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Bonds and of transfers of Bonds. The Bond Registrar shall keep the Bond Register with respect to the Bonds at its principal payment office in Dallas, Texas.

Upon surrender for transfer of any Bond at the office or agency of the Trustee in a Place of Payment, the Issuer shall execute, the Authenticating Agent shall authenticate, and the Bond

Registrar shall register and deliver, in the name of the designated transferee, one or more new Bonds of any Authorized Denomination, of a like aggregate principal amount, maturity and interest rate.

At the option of the Holder, Bonds may be exchanged for Bonds of any Authorized Denomination, of a like aggregate principal amount, series, Stated Maturity and interest rate, upon the surrender of the Bonds to be exchanged at such office or agency. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Bond Registrar shall authenticate and deliver, the Bonds that the Bondholder making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall (if so required by the Issuer or the Bond Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Bond Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the Issuer and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, other than exchanges expressly provided in this Indenture to be made without expense or without charge to Holders.

The Issuer and the Bond Registrar shall not be required (1) to issue, transfer or exchange any Bonds during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Bonds selected for redemption under Section 303 and ending at the close of business on the day of such mailing or (2) to transfer or exchange any Bond selected for redemption in whole or in part.

Section 205. Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Bond Registrar, or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Bond Registrar such security or indemnity as may be required by it to save each of the Issuer and the Bond Registrar harmless, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and upon its request the Bond Registrar shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor, series, interest rate and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer in its discretion may (and upon Company Order shall), instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this Section, the Issuer and the Bond Registrar may require the payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Bond Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits and security of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

Section 206. Payment of Interest on Bonds; Interest Rights Preserved. Interest on any Bond that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond is registered at the close of business on the Record Date for such interest.

Any interest on any Bond that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder thereof on the relevant Date by virtue of having been such Holder; and such Defaulted Interest shall be paid by the Issuer (but only from the sources provided herein), to the Persons in whose names the Bonds are registered at the close of business on a special record date ("Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Trustee, as agent of the Issuer, shall determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Issuer shall deposit (but only from the sources provided herein) with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of Persons entitled to such Defaulted Interest. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer and the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the date and amount of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Bondholder at his address as it appears in the Bond Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds are registered on such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Bonds.

Section 207. Persons Deemed Owners. The Issuer, the Trustee, the Authenticating Agent, the Bond Registrar, and any of their respective agents may treat the Person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of (and premium, if any), and (subject to Section 206) interest on, such Bond and for all other purposes whatsoever whether or not such Bond be overdue, and except as otherwise provided in this Indenture, neither the Issuer, the Trustee, nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Section 208. Cancellation. All Bonds surrendered for payment, redemption, transfer or exchange shall, if delivered to any Person other than the Bond Registrar be delivered to the Bond Registrar and, if not already canceled, shall be promptly canceled by it. The Issuer or the Company may at any time deliver to the Bond Registrar for cancellation any Bonds previously authenticated and delivered hereunder that the Issuer or the Company may have acquired in any lawful manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Bond Registrar. No Bonds shall be authenticated in lieu of or in exchange for any Bonds canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Bonds held by the Bond Registrar shall be maintained or disposed of according to the retention policies of the Bond Registrar in effect from time to time.

Section 209. Limited Liability of Issuer. THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER. NEITHER THE STATE, NOR A STATE AGENCY, 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 STATE AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE STATE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

Section 210. Initial Bond. Pending the preparation of definitive Bonds, the Issuer will execute, and the Bond Registrar shall deliver the Initial Bond, which may be printed, lithographed, typewritten, mimeographed or otherwise produced, substantially of the tenor of the definitive Bonds in lieu of which it is issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Initial Bond may determine, as evidenced by their execution of such Initial Bond.

Upon the issuance of the Initial Bond, the Issuer will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the Initial Bond shall be exchangeable for definitive Bonds upon surrender of the Initial Bond at the office of the Trustee in a Place of Payment, without charge to the Holder. Upon surrender for cancellation of the Initial Bond, the Issuer shall execute and the Bond Registrar shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the Initial Bond shall in all respects be entitled to the same benefits under this Indenture as definitive Bonds.

Section 211. Book-Entry-Only System.

(a) The Bonds may and initially shall be registered under a Book-Entry-Only System maintained by a Depository. Notwithstanding any inconsistent provisions in this Indenture to the contrary, the provisions of this Section 211 shall govern at any time the Bonds are issued and Outstanding in Book-Entry-Only Form.

(b) Under the Book-Entry-Only System, the Bonds shall be issued in the form of a separate, single, fully registered and immobilized bond certificate representing the aggregate principal amount of the Bonds. Except as provided herein, the ownership of such Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of The Depository Trust Company, which will serve as initial Depository for the Bonds. Ownership of beneficial interests in the Bonds shall be shown by book-entry on the system maintained and operated by the Depository and its participants and indirect participants (such participants and indirect participants being collectively referred to as the "Participants"), and transfers of ownership of beneficial interests shall be made only by the Depository and its Participants by book-entry, and the Issuer, the Company and the Trustee shall have no responsibility therefor. The Depository will be required to maintain records of the positions of Participants in the Bonds, and the Participants and persons acting through Participants will be required to maintain records of the purchasers of beneficial interests in the Bonds (the "Beneficial Owners"). Except as provided in subsection (e) of this Section 211, the Bonds shall not be transferable or exchangeable, except for transfer to another Depository or to another nominee of a Depository.

(c) With respect to Bonds registered in the Bond Register in the name of the Depository or its nominee, the Issuer, the Company and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner for whom a Participant acquires an interest in the Bonds. NEITHER THE ISSUER, THE COMPANY, NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, OR INTEREST, AND PREMIUM, IF ANY, ON OR REDEMPTION PRICE OF THE BONDS; (iii) THE DELIVERY BY THE DEPOSITORY OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO HOLDERS UNDER THE TERMS OF THIS INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS. NEITHER THE ISSUER, THE COMPANY NOR THE TRUSTEE HAS ANY DIRECT OBLIGATION OR RESPONSIBILITY TO PARTICIPANTS OR BENEFICIAL OWNERS.

(d) So long as the Bonds or any portions thereof are registered in the name of a Depository or any nominee thereof, all payments of principal of (premium, if any) or

interest on the Bonds or redemption price of such Bonds shall be made only to or upon the order of such Depository on the dates and at the times provided for such payment under this Indenture and at the address indicated for such Depository in the Bond Register kept by the Bond Registrar by transfer of immediately available funds; provided that the Trustee has received sufficient funds from the sources described in the Indenture and the Agreement to make such payment. Each such payment to the Depository or its nominee shall be valid and effective to fully satisfy and discharge all liability of the Issuer or the Trustee with respect to the principal of (premium, if any) or interest on the Bonds and redemption price with respect to the Bonds so registered to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any Stated Maturity, the Trustee shall not require surrender by the Depository or its nominee of the Bonds so purchased or redeemed, and the Depository may retain such Bonds. In the event of partial redemption of the Bonds, the Depository shall make an appropriate notation on the Bonds as to the amount of such partial redemption; provided that the Depository shall deliver to the Trustee, upon request, a written confirmation of such partial redemption and thereafter the records maintained by the Trustee shall be conclusive as to the amount of the Bonds of such Stated Maturity which have been redeemed. The Issuer, the Company and the Trustee shall not be liable for the failure of the Depository to properly indicate on the Bonds the payment of such principal or redemption price.

(e) All transfers of beneficial ownership interests in the Bonds when issued in Book-Entry-Only Form shall be effected by procedures promulgated by the Depository with its Participants for recording and transferring the ownership of beneficial interest in each of such Bonds.

(f) The Issuer, the Company, the Bond Registrar, and the Trustee and any of their respective agents may treat the Depository (or its nominee) as the sole and exclusive Bondholder of the Bonds registered in its name for the purposes of payment of the principal of (premium, if any) or interest on the Bonds or redemption price with respect to the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and the Issuer, the Company and the Trustee shall not be affected by any notice to the contrary.

(g) So long as the Bonds are registered in the name of the Depository or any nominee thereof, all notices required or permitted to be given to the Holders of such Bonds under this Indenture shall be given to the Depository. In connection with any notice or other communication to be provided to Holders pursuant to this Indenture by the Issuer, the Company or the Trustee with respect to any consent or other action to be taken by Holders, the Depository shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the Issuer or the Trustee may establish a special record date for such consent or other action. The Issuer or the Trustee shall give the Depository notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(h) Any successor Trustee, in its written acceptance of its duties under this Indenture, shall agree to take any actions necessary from time to time to comply with the requirements of such Depository.

(i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the Trustee and the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstance (if there is not a successor Depository), Bond certificates will be delivered as described elsewhere in Article II of this Indenture. Upon receipt of such notice from the Depository, the Trustee shall provide a copy of the notice to the Company. The Company, in its sole discretion, and without the consent of any other Person, may terminate the services of the Depository with respect to the Bonds if the Company determines that: (i) the Depository is unable to discharge its responsibilities with respect to the Bonds; or (ii) a continuation of the requirement that all of the Bonds be registered in the Bond Register in the name of the nominee of the Depository is not in the best interest of the Beneficial Owners. In the event that no substitute Depository is found by the Company or restricted registration is no longer in effect, Bond certificates will be delivered as described in Article II of this Indenture. Upon the termination of the services of the Depository with respect to the Bonds pursuant to this Section 211(i), after which no successor Depository willing to undertake the functions of the Depository hereunder can be found that, in the opinion of the Company, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the nominee of the Depository, but may be registered in the name or names and in such maturities and principal amounts as the Depository shall designate in writing to the Bond Registrar in accordance with the provisions elsewhere in Article II of this Indenture, but without any liability on the part of the Issuer or the Bond Registrar for the accuracy of such designation. Upon the termination of the services of the Depository with respect to the Bonds for any reason and the appointment of a successor Depository, all references in this Indenture to the Depository shall refer to such successor Depository. Whenever the Depository requests the Issuer, the Company and the Trustee to do so, the Issuer, the Company and the Trustee shall cooperate with the Depository in taking appropriate action after reasonable notice to arrange for another Depository to maintain custody of certificates evidencing the Bonds.

(j) So long as any Bonds are registered in the name of the nominee of the Depository, a legend prescribed by the Depository to that effect may be printed on such Bond certificate.

ARTICLE III

REDEMPTION OF BONDS

Section 301. Redemption. The Bonds shall be subject to redemption as set forth in the Form of Bond in Exhibit A hereto. In the event less than 100% of the Bonds is redeemed, and to the extent required by the Code, the Issuer and the Trustee shall, at the written direction of the Company, enter into a Supplemental Indenture providing for an amendment to the schedule of

annual principal deposits into the Sinking Fund Deposit Account to ensure that the annual deposits do not exceed the limits set forth in Section 54A of the Code.

Section 302. Election to Redeem; Notice to Trustee. Upon the occurrence of an event which triggers an extraordinary mandatory redemption, as described in the forms of Bonds attached hereto, the election of the Company to redeem any Bonds shall be evidenced by a Board Resolution delivered to the Issuer. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the redemption date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such redemption date and of the principal amount of Bonds of each Stated Maturity to be redeemed.

Section 303. Selection by Trustee of Bonds to be Redeemed. If less than all of the Series 2010Q Bonds of a particular Stated Maturity are called for redemption, the particular Series 2010Q Bonds or portions thereof to be redeemed shall be redeemed by the Trustee in accordance with the written direction of the Company; provided, however, that portions of Series 2010Q Bonds shall be redeemed in Authorized Denominations and that no redemption shall result in a 2010Q Bond being held in less than an Authorized Denomination and provided further that if the Company fails to give such written direction, such Bonds shall be selected by lot.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Series 2010Q Bonds shall relate, in the case of any Series 2010Q Bond redeemed or to be redeemed only in part, to the portion of the principal of such Series 2010Q Bond that has been or is to be redeemed.

Section 304. Notice of Redemption. Not less than 30 days prior to any redemption date, but not more than 60 days prior to any redemption date, the Trustee shall cause notice of the call for any redemption identifying the Bonds or portions thereof to be redeemed to be given in the name of the Issuer by first class mail, postage prepaid, to the Holders of each Bond to be redeemed at the address shown on the Bond Register on the date such notices are mailed. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, irrespective of whether received.

Each notice of redemption shall state at a minimum, the complete official name of the issue, including series designation, CUSIP number, amounts called of each Stated Maturity (for partial calls), date of the notice, the date of issue, interest rate, maturity date of the Bonds called for redemption, the redemption date, the redemption price, the place or places of redemption, and appropriate address or addresses and telephone number. Unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Section 305. Deposit of Redemption Price. Subject to any condition to such redemption, on or prior to any redemption date, the Company shall deposit with the Trustee or

with a Paying Agent an amount of money sufficient to pay the redemption price, premium, if any, and interest accrued thereon to the date fixed for redemption of all the Bonds which are to be redeemed on such date.

Section 306. Bonds Payable on Redemption Date. Notice of redemption having been given as aforesaid, and the deposit described in Section 305 having been made, and all conditions to such redemption having been fulfilled, the Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date such Bonds shall cease to bear interest. If, however, funds available to pay the redemption price have not been so deposited on the redemption date, the redemption will be cancelled. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Issuer at the redemption price. Installments of interest whose Stated Maturity is on or prior to the redemption date shall be payable to the Holders of such Bonds registered as such on the relevant Record Dates according to their terms.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by the Bond.

Section 307. Bonds Redeemed in Part. Any Series 2010Q Bond which is to be redeemed only in part shall be surrendered at a Place of Payment (with, if the Issuer or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Series 2010Q Bond without service charge, a new Series 2010Q Bond or Bonds of the same interest rate and Stated Maturity and of any Authorized Denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Series 2010Q Bond so surrendered.

ARTICLE IV

FUNDS AND INVESTMENTS

Section 401. Establishment of Funds; Source of Payment of the Bonds. (a) The Issuer hereby establishes with the Trustee the Proceeds Fund, the Debt Service Fund, the Construction Fund, the Rebate Fund and the Renewal and Replacement Fund (collectively, the "Funds"). The Issuer reserves the right to establish additional trust funds or accounts from time to time.

(b) The Bonds and all payments by the Issuer hereunder are not and shall never become general obligations of the Issuer, but are special and limited obligations payable solely from the Loan Payments and other payments made by the Company under the Agreement. Loan Payments made pursuant to the Agreement by the Company are to be made directly to the Trustee for the account of the Issuer and shall be deposited pursuant to the provisions of Section 4.1 of the Agreement. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any officer, director, agent, or employee of the Issuer in his or her individual capacity and neither the members of the Board of Directors of the Issuer nor

any official executing or authenticating the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability, by reason of the issuance or authentication thereof.

Section 402. Proceeds Fund. There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Evolution Academy Charter School Taxable Education Revenue Bonds Series 2010Q Proceeds Fund" (herein referred to as the "Proceeds Fund"). The proceeds of the sale of the Series 2010Q Bonds shall be deposited into the Proceeds Fund and immediately transferred by Trustee to the Construction Fund (as established under this Indenture), all as specified in the Issuer Order to authenticate and deliver the Series 2010Q Bonds.

Section 403. Debt Service Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Evolution Academy Charter School Taxable Education Revenue Bonds Series 2010Q Debt Service Fund" (herein referred to as the "Debt Service Fund"). The Trustee shall create an Interest Account within the Debt Service Fund. The money deposited to the Debt Service Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section and Section 706.

(b) Within the Debt Service Fund, there shall be established a "Sinking Fund Deposit Account." As shown in the table below, the following amounts will be deposited in the Sinking Fund Deposit Account on the corresponding dates; provided that, in no event will the Sinking Fund Deposit Account, taking into account investment earnings thereon and any redemption of the Series 2010Q Bonds, be funded (i) at a rate more rapid than equal annual installments or (ii) in a manner that is reasonably expected to result in an amount greater than an amount necessary to repay the Bonds.

Date of Sinking Fund Deposit (February 1)	Sinking Fund Deposit
2012	76,562.50
2013	76,562.50
2014	76,562.50
2015	76,562.50
2016	76,562.50
2017	76,562.50
2018	76,562.50
2019	76,562.50
2020	76,562.50
2021	76,562.50
2022	76,562.50
2023	76,562.50

Date of Sinking Fund Deposit (February 1)	Sinking Fund Deposit
2024	76,562.50
2025	76,562.50
2026	76,562.50
2027	76,562.50
Total Balance	$1,225,000.00

Funds deposited in the Sinking Fund Deposit Account in accordance with the preceding schedule shall be used to pay the principal of the Series 2010Q Bonds at maturity. Interest and earnings from the investment of funds deposited in the Sinking Fund Deposit Account accrued in any year shall be applied as a credit against the next occurring Sinking Fund Deposit requirement. Moneys in the Sinking Fund Deposit Account may not be invested at a yield in excess of 3.76%. No amounts held in the Sinking Fund Deposit Account will be paid from proceeds of the Series 2010Q Bonds.

(c) The Trustee shall deposit to the credit of the corresponding account of the Debt Service Fund, as specified in the remittance, immediately upon receipt (1) amounts due and payable by the Company pursuant to Section 4.1 of the Agreement and the terms of the Note; and (2) any other amounts delivered to the Trustee specifically for deposit thereto.

(d) On each Interest Payment Date, the Trustee shall withdraw money from the Interest Account of the Debt Service Fund, an amount sufficient to pay the Bondholders interest and premium, if any, on the Bonds. On the Stated Maturity of the Bonds, the Trustee shall pay the bondholders the principal portion of the Series 2010Q Bonds from the Sinking Fund Deposit Account.

Section 404. Rebate Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated as its "Evolution Academy Charter School Taxable Education Revenue Bonds Series 2010Q Rebate Fund" (herein referred to as the "Rebate Fund"). The money deposited to the Rebate Fund, together with all investments thereof and investment income therefrom shall be held in trust and applied solely as provided in this Section.

(b) The Trustee shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Trustee by the Company for deposit thereto and each amount directed by the Company to be transferred thereto.

(c) (i) Within five days after each receipt or transfer of funds to the Rebate Fund in accordance with Section 5.3(e)(i)(B) of the Agreement (and in any event within 60 days after each Computation Date), the Trustee shall withdraw from the Rebate Fund and pay to the United States of America the balance of the Rebate Fund.

(ii) Within five days after receipt from the Company of any amount pursuant to Section 5.3(e)(ii) of the Agreement, the Trustee shall withdraw such amount from the Rebate Fund and pay such amount to the United States of America.

(iii) All payments to the United States of America pursuant to this Section shall be made by the Trustee for the account and in the name of the Issuer and shall be paid by draft posted by registered United States Mail (return receipt requested), addressed to the appropriate IRS address accompanied by the relevant IRS Form 8038-T (or to such other applicable successor information return specified by the IRS) described in Section 5.3(e)(i)(C) or Section 5.3(e)(ii) of the Agreement, as the case may be.

(d) The Trustee shall preserve copies of all statements and forms received from the Company pursuant to Section 5.3(e) of the Agreement and all records maintained by it of transactions in the Rebate Fund and shall deliver such materials to the Company and, if requested, shall deliver copies thereof to the Issuer within 60 days following the retirement of all of the Bonds.

(e) The Trustee may conclusively rely on the instructions of the Company with regard to any actions to be taken by it pursuant to this Section and shall have no liability for any consequences of any failure of the Company to supply accurate or sufficient instructions.

If at any time during the term of this Indenture the Issuer, the Trustee, or the Company desires to take any action which would otherwise be prohibited by the terms of this Section, such Person shall be permitted to take such action if it shall first obtain and provide to the other Persons named herein a Favorable Opinion of Bond Counsel.

Section 405. Construction Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Evolution Academy Charter School Taxable Education Revenue Bonds Series 2010Q Construction Fund" (herein referred to as the "Construction Fund"). The money deposited in the Construction Fund, including all money therein and all investments thereof, shall be held in trust and applied solely as provided in this Section. The Construction Fund shall contain a Project Account, a Costs of Issuance Account and an Insurance Proceeds Account. The Trustee shall have the authority to create subaccounts within the Project Account of the Construction Fund as is necessary and convenient for the administration of such Account. The Trustee may transfer funds between subaccounts in the Project Account as directed by the Company pursuant to an Officer's Certificate.

(b) The Trustee shall deposit to the credit of the Construction Fund or any account or subaccount therein all amounts paid to the Trustee by the Issuer or the Company specifically for deposit to the credit of the Construction Fund or any account of subaccount therein and the proceeds of the Bonds to the extent specified by the Issuer Order.

(c) At Closing and without the consent of any Construction Consultant, the Trustee shall disburse amounts from the Project Account as specified in the Issuer Order.

(d) The Trustee shall disburse amounts in the Insurance Proceeds Account on or after the Closing Date upon receipt of a Requisition Certificate. Such amounts may be disbursed without the consent of any Construction Consultant.

(e) The Trustee shall disburse amounts in the applicable subaccount of the Project Account of the Construction Fund to pay or reimburse the Company for all other Project Costs no later than three Business Days following receipt of and in accordance with a Requisition Certificate in substantially the form of Exhibit B to this Indenture, specifying the applicable subaccount. The Trustee may rely fully on any Requisition Certificate in substantially the form of Exhibit B to this Indenture, and shall not be required to make any investigation in connection therewith. The Trustee shall keep and maintain adequate records pertaining to the applicable subaccount of the Project Account of the Construction Fund and all disbursements therefrom, and shall provide monthly statements of transactions to the Borrower and the Bondholder Representative, upon request therefor.

(f) Any funds remaining in the Construction Fund or any account or subaccount therein after any Project is certified or deemed "complete" pursuant to Section 3.4 of the Agreement shall, at the written instruction of the Company, be transferred to any other subaccount within the Project Account to pay Project Costs or to the Debt Service Fund to redeem Bonds pursuant to the procedures set forth in Exhibit A hereto regarding "Mandatory Redemption with Excess Proceeds." If no such written instructions are given before the third anniversary Closing Date, then any of such remaining funds shall be transferred to the Debt Service Fund to redeem Bonds as herein provided.

(g) The Trustee shall disburse amounts in the Costs of Issuance Account on or after the Closing Date upon receipt of a Requisition Certificate in substantially the form of Exhibit B to this Indenture. The Trustee may rely fully on any Requisition Certificate in substantially the form of Exhibit B to this Indenture, and shall not be required to make any investigation in connection therewith. Such amounts may be disbursed without the consent of any Construction Consultant.

(h) Any moneys remaining in the Costs of Issuance Account ninety (90) days after the Closing Date shall be transferred to the Project Account of the Construction Fund. Upon final disbursement and/or transfer, the Trustee shall close the Costs of Issuance Account.

(i) In furtherance and not in limitation of this Section 405, all payments made from the Project Account or the Costs of Issuance Account pursuant to a written requisition from the Company in the form required hereunder shall be presumed to be made properly and the Trustee shall not be required to see the application of any payments made from the Project Account or the Costs of Issuance Account or to inquire into the purposes for which withdrawals are being made from such Accounts.

(j) On the earlier of three years from the Closing Date (unless extended pursuant to the Code) or receipt of the Officer's Certificate required by Section 3.4 of the Agreement, the Trustee shall transfer any amount then on deposit in the Construction Fund to the Debt Service Fund unless the Trustee has received from the Company a Requisition Certificate for all or any portion of such amounts for payment of incurred but unpaid Project Costs. To the extent the amounts are transferred to the Debt Service Fund, such amounts will be used to redeem Bonds in Authorized Denominations, to the maximum degree permissible, within ninety (90) days of such transfer.

Section 406. Renewal and Replacement Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Evolution Academy Education Revenue Bonds Series 2010Q Renewal and Replacement Fund (herein referred to as the "Renewal and Replacement Fund"). There shall be deposited into the Renewal and Replacement Fund as and when received (a) all payments pursuant to the Agreement, and (b) all other moneys deposited into the Renewal and Replacement Fund pursuant this Indenture. There shall also be retained in the Renewal and Replacement Fund, interest and other income received on investment of moneys in the Renewal and Replacement Fund to the extent provided in Section 408 hereof. Any amounts on deposit in the Renewal and Replacement Fund in excess of the Renewal and Replacement Fund Requirement shall be transferred by the Trustee to the Company; provided, however, that the amount remaining in the Renewal and Replacement Fund immediately after such transfer shall not be less than the Renewal and Replacement Fund Requirement. Bondholders shall have no rights in or claims to money held in the Renewal and Replacement Fund.

(b) The Renewal and Replacement Fund shall be in the custody of the Trustee, but in the name of the Company. Absent an Event of Default hereunder, the Company hereby authorizes and directs the Trustee to make each disbursement authorized or required by the provisions of this Section and to issue its checks therefor. The Trustee shall keep and maintain adequate records pertaining to the Renewal and Replacement Fund and all disbursements there from and shall annually file an accounting thereof with the Company and the Bondholder Representative.

(c) Absent an Event of Default hereunder, payments shall be made from the Renewal and Replacement Fund upon receipt by the Trustee of a written requisition from an Authorized Representative of the Company setting forth the amount and the payee for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Project in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto.

Section 407. Investment of Bond Proceeds. Pending the disbursement of any amounts deposited from the proceeds of the Bonds to any Fund, such proceeds may only be invested in direct obligations or obligations unconditionally guaranteed by the United States of America as

more particularly described in Section 2256.009, Texas Government Code, upon the written directions of the Company in a Company Order delivered to the Trustee.

Section 408. Investment of Funds.

(a) Except as provided in Section 407, pending disbursement of the amounts on deposit in any Fund, the Trustee shall promptly invest and reinvest such amounts in the particular Eligible Securities specified in any Company Order; provided that, if no such Company Order is delivered to the Trustee, the Trustee shall invest and reinvest such amount in the Wells Fargo Advantage Funds Treasury Plus Money Market Fund. All such investments shall be credited to the fund, account or subaccount from which the money used to acquire such investments shall have come.

(b) All income and profits on investments in the Debt Service Fund, the Construction Fund and the Rebate Fund shall be credited to those respective Funds. All losses on investments shall be charged against the fund and account to which such investments are credited. The Trustee may make any investment through its own trust department. As amounts invested are needed for disbursement from any fund or account, the Trustee shall cause a sufficient amount of the investments credited to that fund to be redeemed or sold and converted into cash to the credit of that fund. The Trustee may rely on the written instructions of the Company in investing money in any Fund or account, and shall not be accountable for any depreciation in the value of the investments made in accordance with the provisions of this Article IV or for any losses incurred upon any authorized disposition thereof.

(c) The Company by its execution of the Agreement covenants to restrict the investment of money in the Funds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and the Regulations, as modified by Section 54A(d) of the Code.

(d) The Issuer and the Company (by its execution of the Agreement) acknowledge that to the extent that regulation of the Comptroller of the Currency or other applicable regulatory agency grant the Issuer or the Company the right to receive brokerage confirmation of security transactions as they occur, the Issuer and the Company waive receipt of such confirmations. The Trustee shall furnish to the Company a periodic statement, made at least yearly, that includes details of all investment transactions made by the Trustee.

Section 409. Trustee and Issuer Relieved From Responsibility. The Trustee and the Issuer shall be fully protected in relying upon any Company Order relating to investments and disbursements from any Fund, and shall not be liable for any losses as a result of complying with any such Company Order, and shall not be required to ascertain any facts with respect to any such Order.

ARTICLE V

COVENANTS OF THE ISSUER

Section 501. Payment of Debt Service; Limited Obligations. The Issuer will duly and punctually pay the principal of (and premium, if any) and interest on the Bonds in accordance with the terms of the Bonds and this Indenture; provided, however, that the Bonds and the other obligations of the Issuer provided for herein shall be limited obligations of the Issuer and shall be payable by the Issuer solely out of the Trust Estate and the revenues derived therefrom or in connection with the Bond Documents. The Bonds and the other expense reimbursement obligations of the Issuer provided for herein shall never be payable out of any other funds of the Issuer except the Trust Estate and such revenues.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than a moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Section 502. Limited Obligations. The obligations of the Issuer provided for herein shall be limited obligations of the Issuer and shall be payable by the Issuer solely out of the Trust Estate and the revenues therefrom or in connection with the Bond Proceeds.

Section 503. Money for Bond Payments to be Held in Trust; Appointment of Paying Agents. The Issuer shall appoint a Paying Agent in each Place of Payment for the Bonds. Each such Paying Agent appointed by the Issuer shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $10,000,000 and subject to supervision or examination by federal or state authority. The Issuer will, prior to each due date of the principal of (and premium, if any) or interest on any Bonds, deposit or cause to be deposited (but only from the sources provided herein) with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Holders of such Bonds. Each Paying Agent for the Bonds shall provide the CUSIP number for the Bond with each payment of interest on and the principal or the redemption price of any Bond, specifying the amount paid in respect of each CUSIP number. The Paying Agents shall make payment of interest or the redemption price of any Bond, upon written request of a registered Owner of at least $1,000,000 in principal amount of Bonds, by wire transfer (at the risk and expense of such registered Owner) in immediately available funds to an account in the United States designated by such registered Owner upon written notice to the Trustee prior to the Record Date.

The Issuer hereby appoints the Trustee as the initial Paying Agent for the Bonds. The Trustee shall accept such appointment by executing this Indenture in such capacity on the signature page hereto.

The Issuer will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee and the Company an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will

(1) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Issuer (or any other obligor upon the Bonds) in the making of any such payment of principal (and premium, if any) or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order, direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable escheat laws of the State, any money deposited in trust with the Trustee or any Paying Agent in trust for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for the later of (i) the first anniversary of the Stated Maturity of the Bond or the installment of interest for the payment of which such money is held or (ii) two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request (which Request shall include the Company's representation that it is entitled to such funds under applicable escheatment laws and its agreement to comply with such laws) and the Holder of such Bond shall thereafter, to the extent of any legal right or claim, be deemed to be an unsecured general creditor, and shall look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuer, shall thereupon cease; provided, however, that the Trustee, the Issuer or such Paying Agent, before being required to make any such repayment, shall, upon receipt of a Company Order at the expense of the Company, cause to be published once, in an Authorized Newspaper, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company; and provided further, notwithstanding the foregoing, the Trustee shall be entitled to deliver any such funds to any escheatment authority in accordance with the Trustee's customary procedures. The Trustee shall hold any such funds in trust uninvested (without liability for interest accrued from the date deposited) for the benefit of Holders entitled thereto.

Any bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be

deemed the successor of such Paying Agent for the purposes of this Indenture. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint such bank or trust company as shall be specified by the Company and the Trustee and located in the same city as such Paying Agent to fill such vacancy; provided, however, that if the Issuer shall fail to appoint a successor Paying Agent within said period, the Trustee shall make such appointment. No removal, resignation or termination of the Paying Agent shall take effect until a successor shall be appointed.

Section 504. Instruments of Further Assurance. The Issuer covenants that to the extent of its power to do so, it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assigning, pledging and confirming unto the Trustee of the Trust Estate assigned and the revenues pledged hereunder all at the expense of the Company. The Issuer has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the collateral granted hereunder that ranks on a parity with or prior to the lien granted hereunder that will remain outstanding on the Closing Date. The Issuer has not described such collateral in a UCC financing statement that will remain effective on the Closing Date. The Issuer will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral described hereunder that ranks prior to or on parity with the lien granted hereunder, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted by the Bond Documents. The security interest granted hereunder is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Issuer on a simple contract.

Section 505. Maintenance of Rights. The Issuer will use its best efforts to perform and observe all obligations to be performed by it under the Bond Documents. The Issuer will maintain the validity and effectiveness of the Bond Documents and, except as permitted hereby, take no action, and not knowingly omit to take any reasonable action, the taking or omission of which might release any party from its liabilities or obligations under the Bond Documents, or result in the surrender, termination, amendment, or modification of, or impair the validity of, any Bond Document. The Issuer agrees that the Trustee, subject to the conditions thereof, may enforce for and on behalf of the Holders all of the covenants and agreements of the parties to the Bond Documents (other than the Trustee) as set forth in the Bond Documents, whether or not the Issuer is in default hereunder. The Trustee shall either (i) file continuation statements as may be required to maintain the perfection and priority of the security interests granted hereby and by the Bond Documents, or (ii) confirm, prior to the fifth anniversary of the Closing Date and each fifth anniversary thereafter, the filing of continuation statements by the Issuer required to maintain the perfection and priority of the security interests granted hereby and by the Bond Documents and, if necessary, make such filings as may be required to maintain the perfection and priority of the security interests granted hereby and by the Bond Documents.

Section 506. Corporate Existence. Subject to Article VI, the Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights (charter and statutory); provided, however, that the Issuer shall not be required to preserve any right if its Governing Body shall determine that the preservation thereof is no

longer desirable in the conduct of the affairs of the Issuer and that the loss thereof is not disadvantageous in any material respect to the Bondholders.

Section 507. Limitations on Liens, Debt and Disposition of Assets. Except as permitted or contemplated in this Indenture, the Issuer covenants that it will not: (i) create any mortgage, lien, encumbrance, pledge, charge or other exception to title (other than those created by this Indenture) upon or against any of the properties or assets constituting the Trust Estate, or any revenues derived therefrom or any other funds held by the Trustee for the benefit of the Holders superior to or ranking on parity with the lien created by this Indenture; (ii) sell, lease, transfer, convey or otherwise dispose of all or any part of the Trust Estate or its interest therein except subject to the interests of the Trustee created by this Indenture; (iii) create, incur or assume any debt secured by the Trust Estate or the Issuer's interest therein or the revenues pledged herein; or (iv) knowingly take any other action that will impair the lien of this Indenture on the Trust Estate.

Section 508. Tax Covenants for the Series 2010Q Bonds.

(a) General. The Issuer hereby designates the Series 2010Q Bonds as "qualified school construction bonds" pursuant to section 54F of the Code and makes an irrevocable election pursuant to section 6431 of the Code to treat the Series 2010Q Bonds as "specified tax credit bonds" and thereby be eligible to receive the Federal Subsidy. The Issuer covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Series 2010Q Bonds to fail to qualify as Qualified Bonds. In particular, the Issuer covenants and agrees to comply with each requirement of this Section 508; provided, however, that the Issuer shall not be required to comply with any particular requirement of this Section 508 if the Issuer has received a Favorable Opinion of Bond Counsel or an opinion of Bond Counsel to the effect that compliance with some other requirement set forth in this Section 508 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such opinion of Bond Counsel shall constitute compliance with the corresponding requirement specified in this Section 508.

(b) Special Mandatory Redemption. To the extent that any amount of Available Project Proceeds has not been expended as of the last day of the three-year period beginning on the Closing Date (or if an extension of the expenditure period has been received by the Issuer for the benefit of the Company from the Secretary of the Treasury Department, before the close of the extended period), the Issuer covenants to take all actions necessary to enable the Company to redeem the Bonds in accordance with the redemption provisions in the form of Bond set forth in Exhibit A hereto under "Special Mandatory Redemption – Excess Proceeds."

(c) No Arbitrage Bonds. The Issuer agrees that it will not knowingly use or direct the use of any money on deposit in any fund or account maintained in connection with the Series 2010Q Bonds, whether or not such money was derived from the proceeds of the sale of such series or from any other source, in a manner that would cause the Series 2010Q Bonds to be "arbitrage bonds," within the meaning of Section 148 of the

Code, as modified by Section 54A(d) of the Code. In the event the Company notifies the Issuer that it is necessary to restrict or limit the yield on the investment of moneys held by the Trustee pursuant to this Indenture, or to use such moneys in any certain manner to avoid the Series 2010Q Bonds being considered "arbitrage bonds," the Issuer at the direction of the Company shall instruct the Trustee to take such action as is necessary to restrict or limit the yield on such investment or to use such moneys in accordance with such written direction.

(d) Qualification. The Issuer will not knowingly use or direct the use of any proceeds of the Series 2010Q Bonds or any other funds of the Issuer, directly or indirectly, in any manner, and will not itself take or knowingly permit to be taken any other action or actions, which would result in any of the Series 2010Q Bonds no longer qualifying as Qualified Bonds.

(e) Information Reporting. The Issuer covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Series 2010Q Bonds are issued, an information statement concerning the Series 2010Q Bonds, all under and in accordance with Notice 2010-35, 2010-19 IRB 660, Section 54A(d)(3), section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(f) Continuing Obligation. Notwithstanding any other provision of this Indenture, the Issuer's obligations under the covenants and provisions of this Section 508 shall survive the defeasance and discharge of the Series 2010Q Bonds.

(g) Compliance. For purposes of this Section 508, the Issuer's compliance shall be based solely on acts or omissions by the Issuer and no acts or omissions of, or directed by, the Company, the Trustee or any other Persons shall be attributed to the Issuer.

All officers, employees and agents of the Issuer are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Issuer as of the date of delivery of the Series 2010Q Bonds. In complying with the foregoing covenants, the Issuer may rely from time to time upon a Favorable Opinion of Bond Counsel.

Section 509. Change in Law. To the extent that published rulings of the IRS, or amendments to the Code or the Regulations modify the covenants of the Issuer or the Trustee which are set forth in this Indenture or which are necessary to maintain the qualification of the Series 2010Q Bonds as Qualified Bonds, the Trustee and the Issuer will comply with such modifications, as described in an Opinion of Counsel delivered to the Issuer and the Trustee.

ARTICLE VI

CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

Section 601. Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms. The Issuer shall not consolidate with or merge into any other corporation or convey or transfer the Trust Estate substantially as an entirety to any Person, unless:

(a) such consolidation, merger, conveyance, or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Trustee and the Holders of the Bonds hereunder;

(b) the corporation formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or transfer the Trust Estate substantially as an entirety shall be organized and existing under the laws of the United States of America or any state or the District of Columbia and shall execute and deliver to the Trustee an indenture supplemental hereto in form satisfactory to the Trustee, meeting the requirements of Section 602 and containing:

(1) an assumption by such surviving or successor corporation or such transferee of the due and punctual payment of the principal of (and premium, if any) and interest on all the Bonds and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Issuer, subject, however, to the same limitations and conditions as are herein or in the Bonds provided, and

(2) a grant, conveyance and transfer complying with Section 602;

(c) immediately after giving effect to such transaction, no Event of Default hereunder (nor any event which, with the giving of notice or the elapse of time or both, would become an Event of Default as a result of such transaction) shall have occurred and be continuing;

(d) the Trustee shall have received a Favorable Opinion of Bond Counsel; and

(e) the Issuer, at the expense of the Company, shall have delivered to the Trustee and an Officers' Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance, or transfer and such supplemental indenture comply with this Article and all conditions precedent herein provided for relating to such transaction.

Section 602. Successor Issuer Substituted. Upon any consolidation or merger or any conveyance or transfer of the Trust Estate substantially as an entirety in accordance with Section 601, the successor corporation formed by such consolidation or into which the Issuer is merged or the Person to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such successor had been named as the Issuer herein, if the supplemental indenture

required by Section 601 shall contain a grant, conveyance and transfer, in terms sufficient to include and subject to the lien of this Indenture all and singular the properties described in the granting clauses hereof, whereupon such successor may cause to be executed, in its own name or in the name of the Issuer prior to such succession, and delivered to the Trustee for authentication, any Bonds issuable hereunder; and upon request of such successor, and subject to all the terms of this Indenture, the Trustee shall authenticate and deliver any Bonds which shall have been previously executed and delivered by the Issuer to the Trustee for authentication, and any Bonds which such successor shall thereafter, in accordance with this Indenture, cause to be executed and delivered to the Trustee for such purpose. Such changes in phraseology and form (but not in substance) may be made in such Bonds as may be appropriate in view of such consolidation, merger, conveyance, or transfer.

ARTICLE VII

REMEDIES OF THE TRUSTEE AND HOLDERS OF BONDS IN EVENT OF DEFAULT

Section 701. Events of Default. "Event of Default," whenever used herein means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of (i) the principal of (and premium, if any) any Bond at its Maturity or (ii) an installment of interest on any Bond at the Stated Maturity for such installment; or

(2) default in the performance, or breach, of any covenant or agreement on the part of the Issuer contained in this Indenture (other than a covenant or agreement whose performance or observance is specifically dealt with elsewhere in this Section) and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Issuer, the Company and the Bondholder Representative by the Trustee, or to the Issuer, the Company, the Bondholder Representative and the Trustee by the Holders of at least 25% in principal amount of Bonds then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; provided that if such default can be cured by the Issuer but cannot be cured within the 30-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such 30-day period and diligently pursued until the default is corrected, but in no instance shall it last longer than 90 days; or

(3) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Company under the federal Bankruptcy Code or any other similar applicable federal or state law, and such decree or order shall have continued undischarged

and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Company or of the Company's property, or for the winding up or liquidation of the Company's affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(4) the Company shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes; or

(5) the maturity of any Note issued under the Master Indenture shall be accelerated unless such acceleration has been rescinded and annulled pursuant to the Master Indenture; or

(6) receipt by the Trustee of written notice from the Master Trustee that the Notes have been accelerated under the Master Indenture.

(7) an "Event of Default" has occurred under any of the Bond Documents as the term "Event of Default" is therein defined.

If any portion of a Loan Payment shall not be paid at the time therein specified, the Trustee shall promptly give telephonic or facsimile notice to any Person that may execute an Officer's Certificate on behalf of the Company of such failure and shall promptly thereafter confirm such notice by telex, facsimile or letter to the other parties to the Bond Documents unless such amount is immediately thereafter paid.

Section 702. Acceleration of Maturity; Rescission and Annulment.

(a) If an Event of Default occurs and is continuing, then and in every such case the Trustee shall, at the direction of 25% of the Bondholders (or the Bondholder Representative, if applicable), give written notice to the Issuer, the Company, the Bondholder Representative and the Holders of the Bonds declaring the principal of the Outstanding Bonds to be due and payable immediately. The Trustee having given such notice, the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding.

(b) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the

Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Bonds Outstanding (or the Bondholder Representative, if applicable), by written notice to the Issuer and the Trustee, in the case of any acceleration of maturity of the Bonds may direct the Trustee to rescind and annul such declaration and its consequences if:

(1) the Issuer has caused to be paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of interest on all Bonds;

(B) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Bonds;

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(D) all Events of Default, other than the nonpayment of the principal of Bonds which have become due solely by such acceleration, have been cured or waived as provided in Section 713.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 703. Collection of Indebtedness and Suits for Enforcement by Trustee. The Issuer covenants that if

(1) default is made in the payment of any installment of interest on any Bond when such interest becomes due and payable, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Bond when such principal becomes due and payable,

the Issuer will, upon demand of the Trustee, pay (but solely from the Trust Estate and the revenues pledged by this Indenture to such payment) to it, for the benefit of the Holders of such Bonds, the whole amount then due and payable on such Bonds for principal (and premium, if any) and interest, with interest upon the overdue principal (and premium, if any); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Issuer fails to pay any of the foregoing amounts forthwith upon demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Issuer or any other obligor upon the Bonds

and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property constituting a part of the Trust Estate of the Issuer or any other obligor upon the Bonds, wherever situated.

If an Event of Default occurs and is continuing, subject, to the extent applicable, to Section 12.128 of the Texas Education Code, as amended, the Trustee may proceed to protect and enforce its rights and the rights of the Holders of Bonds by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

In addition, if an Event of Default occurs and is continuing, and subject to State and Federal law and regulations, including without limitation the Act and the laws governing corporations of the State, and subject to any available cure periods, the Bondholder Representative shall have the right to retain on behalf of the Bondholders a consultant experienced in the management of charter schools to provide recommendations to the Company until the earlier of such time as (i) the Event of Default has been cured or (ii) the Bondholder Representative determines the consultant is no longer necessary.

Section 704. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer, the Company or any other obligor upon the Bonds or property of the Issuer, of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer, the Company or such other Obligor for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of Bonds allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Bonds to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders of Bonds, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under this Indenture.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of Bonds any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of Bonds in any such proceeding.

Section 705. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered to the extent of the obligations then owing to such Persons.

Section 706. Application of Money Collected. Any money collected by the Trustee pursuant to this Article and any other sums then held by the Trustee as part of the Trust Estate shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys, including the costs and expenses of the Registered or Beneficial Owners and the Bondholder Representative and the expenses, liabilities and advances incurred or made by the Trustee, be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) First: To the payment of all amounts due the Trustee under this Indenture;

(b) Second: To the payment of the amounts then due and unpaid upon the Bonds, for accrued interest, then current interest, in respect of which or for the benefit of which such money has been collected; ratably without preference or priority of any kind, according to the amounts due and payable on such Bonds for interest;

(c) Third: To the payment of the amounts then due and unpaid upon the Bonds, for principal (and premium, if any), in respect of which or for the benefit of which such money has been collected; ratably without preference or priority of any kind, according to the amounts due and payable on such Bonds for principal (and premium, if any);

(d) Fourth: To the Company, any remaining amounts of money so collected.

Section 707. Limitation on Suits. Subject to Section 712(a) hereof, the Holder of any Bond shall have no right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or the Bondholder Representative, if applicable) shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) the Holders have offered to the satisfaction of the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding;

it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Bonds, or to obtain or to seek to obtain priority or preference over any other Holders, to take any action that would affect the validity of the lien of this Indenture on the Trust Estate, or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Bonds to the extent of the amounts then owing to such Persons.

Section 708. Unconditional Right of Holders of Bonds to Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond, but solely from the sources provided in this Indenture, on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 709. Restoration of Rights and Remedies. If the Trustee or any Holder of Bonds has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Holder of Bonds, then and in every such case the Issuer, the Trustee, the Company, and the Holders of Bonds shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders of Bonds shall continue as though no such proceeding had been instituted.

Section 710. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or the Holders of Bonds is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 711. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Holder of any Bond to exercise any right or remedy accruing upon any Event of Default

shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Holders of Bonds may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Holders of Bonds, as the case may be.

Section 712. Control by Holders of Bonds.

(a) The Beneficial Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or the Bondholder Representative, if applicable) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that:

(i) such direction shall not be in conflict with any rule of law or with this Indenture, and

(ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 713. Waiver of Past Defaults. Each of the Holders of not less than a majority in principal amount of the Outstanding Bonds may waive any past default hereunder and its consequences, except:

(a) a default in the payment of the principal of (or premium, if any) or interest on any Bond, or

(b) a default in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 714. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder of Bonds, or group of Holders of Bonds, holding in the aggregate more than 10% in principal amount of the Outstanding Bonds, or to any suit instituted by any Holder of Bonds for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the

respective Stated Maturities expressed in such Bond (or, in the case of redemption, on or after the redemption date).

Section 715. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants (to the extent it may lawfully do so) that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 716. No Recourse Against Others. No recourse under or upon any obligation, covenant or agreement contained in this Indenture or any indenture supplemental hereto, or in the Agreement, or in any Bond or any Note, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present or future director, officer or employee, as such, of the Issuer, the Company or the Sponsoring Entity or of any successor corporation, either directly or through the Issuer, the Company or the Sponsoring Entity, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Agreement and the Bonds and the Notes are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, directors, officers or employees, as such, of the Issuer, the Company or the Sponsoring Entity or any successor corporation, or any of them, because of the creation of indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in the Agreement or in any of the Bonds or any of the Notes or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, director, officer or employee, as such, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of such Bonds or any of the Notes.

Section 717. Expenses Payable under Indenture. All expenses incurred in carrying out this Indenture shall be payable solely from funds derived by the Issuer from the Company. Anything in this Indenture to the contrary notwithstanding, the performance by the Issuer of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and liability of the Issuer for all warranties and other covenants herein shall be limited solely to the money and revenues received from the payments by the Company in respect to the Notes and under the Agreement, and from moneys attributable to the proceeds of Bonds, or the income from the temporary investment thereof, and, to the extent herein or in the Agreement provided, the proceeds of insurance, sale and condemnation awards; and the Issuer shall not be required to effectuate any of its duties, obligations, powers or covenants except from, and to the extent of, such moneys, revenues, proceeds, and payments.

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 801. Duties and Liabilities of Trustee.

(a) The Trustee accepts and agrees to execute the specific trusts imposed upon it by this Indenture, but only upon the terms and conditions set forth herein. The Trustee shall not be liable for the performance of any duties, except such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(b) In case any Event of Default (of which the Trustee has actual knowledge or is deemed to have actual knowledge under Section 803(h) hereof) has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonably prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except, that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section or Section 803;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction given to the Trustee under Section 702 of this Indenture or at the direction of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability or the payment of its fees and expenses is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and Sections 803 and 813.

Section 802. Notice of Defaults. Within 60 days after the occurrence of any default hereunder of which the Trustee has knowledge of hereunder, the Trustee shall transmit by mail to all Holders of Bonds, notice of such default, unless, with respect to notice to the Holders of the Bonds, such default shall have been cured or waived or unless corrective action to cure such default has been instituted and is being pursued such that such default does not constitute an Event of Default; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Bonds or in the payment of any sinking or purchase fund installment, the Trustee shall be protected in withholding such notice from the Holders of Bonds if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Bonds; provided, further, that in the case of any default of the character specified in Section 701(2) hereof no such notice to Holders of Bonds shall be given until at least 30 days after the occurrence thereof; and provided that in the case of acceleration pursuant to Section 702, the Trustee shall give immediate notice as provided therein. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

The Trustee shall mail, first-class postage prepaid, to each Rating Service then rating the Bonds notice of any of the following events, whenever:

(a) the Trustee, pursuant to the Indenture, has resigned or been removed and a successor Trustee has been appointed, such notice to be mailed within ten Business Days after the appointment of such successor Trustee;

(b) an amendment or supplement to the Bond Documents executed or consented to by the Trustee or of which the Trustee has received written notice is to be entered into, such notice and a copy of such amendment or supplement to such Rating Service to be mailed at least ten Business Days prior to the effective date of such amendment or supplement and within three Business Days after the receipt of such written notice by the Trustee;

(c) the Trustee either (1) receives a Company Request pursuant to Section 302 which directs the Trustee to redeem all the Outstanding Bonds or (2) declares the principal of all Outstanding Bonds to be immediately due and payable pursuant to Section 702, such notice to be mailed within ten Business Days after the receipt of such Company Request (and to specify the Redemption Date requested thereby) or after such declaration; or

(d) all Bonds shall be deemed to have been paid or defeased as provided in Article X hereof.

Section 803. Certain Rights of Trustee.

(a) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be required to verify the accuracy of any information or calculations required to be included therein or attached thereto;

(b) Any request or direction of any Person mentioned herein shall be sufficiently evidenced by a Request of such Person; and any resolution of the Governing Body of any Person may be evidenced to the Trustee by a Board Resolution or certified minutes of such Person;

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) The Trustee shall be under no obligation to exercise any of the discretionary rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Bonds pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in connection with such request or direction and for the payment of the Trustee's fees in connection therewith;

(f) The Trustee shall be under no obligation to exercise any of the discretionary rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Bonds pursuant to the provisions of this Indenture, unless such Holders, as applicable, shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in connection with such request or direction and for the payment of the Trustee's fees in connection therewith. Wherever in this Indenture provision is made for indemnity by the Holder of the Bonds, if the Holder providing such indemnity has an aggregate net worth or net asset value of at least $50,000,000, as set forth in its most recent audited financial statements or as otherwise satisfactorily demonstrated to the Trustee, the Trustee may not require any indemnity bond or other security for such indemnity. In any case where more than one Holder is providing indemnity, such indemnity shall be several and not joint and, as to each Holder, such indemnity obligations shall not exceed its percentage interest of outstanding Bonds;

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney and to take copies of such memoranda from and in regard thereto as may be reasonably be desired; provided that, the Trustee shall have no obligation to perform any of the duties of the Issuer under this Indenture or of the Company under any of the Bond Documents;

(h) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, but the Trustee shall not be held liable for any negligence or misconduct of any such agent or attorney appointed with due care;

(i) The Trustee may act upon the opinion or advice of attorney or agent selected by it in the exercise of reasonable care or, if selected or retained by the Company, approved by the Trustee in the exercise of such care. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice. The Trustee may in all cases pay reasonable compensation to any attorney or agent retained or employed by it in connection herewith.

(j) The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder unless the Trustee shall be specifically notified of such default or Event of Default in writing by the Issuer or the Company or by the Registered Owners or Beneficial Owners of at least a majority in aggregate principal amount of Bonds then Outstanding (or the Bondholder Representative, if applicable), and in the absence of such notice the Trustee may conclusively assume that no default or Event of Default exists; provided, however, that the Trustee shall be required to take and be deemed to have notice of its failure to receive the moneys necessary to make payments when due of debt service;

(k) The Trustee shall not be liable for any errors of judgment made in good faith by its officers unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(l) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction of the Holders of the applicable percentage of the Holders of Outstanding Bonds permitted to be given by them under this Indenture;

(m) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have

reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(n) The Trustee may seek the approval of the Holders of the Bonds by any means it deems appropriate and not inconsistent with the terms of this Indenture in connection with the giving of any consent or taking of any action in its capacity as Holder of any Note;

(o) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty to take such action and the Trustee shall not be answerable for other than its negligence or willful misconduct in accordance with the terms of this Indenture;

(p) The Trustee shall not be required to give any bond or surety in respect of the execution of the trusts and powers established by this Indenture;

(q) The Trustee shall not be responsible for monitoring the existence of or determining whether any lien or encumbrance or other charge including without limitation any Permitted Encumbrance (as defined in the Deed of Trust) exists against the Project or the Trust Estate;

(r) The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer herein except as may be expressly provided for herein. The Trustee may require of the Issuer full information and advice as to the performance of the aforesaid covenants, conditions and agreements;

(s) Any action taken by the Trustee pursuant to this Indenture upon the request or the consent of the Issuer or any person who at the time of making such request or giving such consent is the Registered Owner or Beneficial Owner of any Bonds, as applicable, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof and upon the future owners of the Bonds represented by the Bondholder Representative, as applicable.

Notwithstanding the aforesaid, the Trustee shall be required to pay the Holders of the Bonds at the times required under this Indenture without the requirement of any indemnity therefor but solely from funds held in the Trust Estate.

Section 804. Not Responsible For Recitals or Issuance of Bonds. The recitals contained herein and in the Bonds (other than the certificate of authentication on such Bonds) shall be taken as the statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the adequacy, sufficiency or perfection of the security afforded thereby or hereby; as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder; as to the validity or sufficiency of this Indenture or of the Bonds; or as to the correctness or sufficiency of any statement made in connection with the offer or sale of the Bonds. The Trustee shall not be

accountable for the use or application by the Issuer or the Company of any of the Bonds or of the proceeds of such Bonds.

Section 805. Trustee May Own Bonds. The Trustee or any other agent appointed hereunder, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee or such other agent.

Section 806. Moneys to Be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided (including payment of moneys to the Company under Section 1002), be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder other than such interest as it expressly agrees in writing with the Issuer or the Company to pay.

Section 807. Compensation and Expenses of Trustee and Paying Agent. The Issuer agrees, but solely from the Trust Estate and the revenues pledged by this Indenture to such payment,

(1) to pay to the Trustee, Bond Registrar, Authenticating Agent, and Paying Agent from time to time, when due, reasonable compensation for all services rendered by them hereunder, including extraordinary services during the existence of a default, which shall not be limited by any law limiting the compensation of the trustee of an express trust; and

(2) except as otherwise expressly provided herein, to reimburse the Trustee and the Paying Agent upon their request for all reasonable expenses, disbursements and advances incurred or made by the Trustee or such Paying Agent in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of their agents and counsel and securities or transaction charges to the extent not waived by the Trustee as a result of its receipt of compensation with respect to such securities or transactions) except any such expense, disbursement or advance as may be attributable to the negligence or bad faith of such Person.

Nothing in this Section 807 shall affect or otherwise diminish the obligations of the Company to pay compensation and indemnification to the Trustee in accordance with the Agreement as security for the performance of the obligations of the Issuer under this Section and the obligations of the Company under Sections 4.7(b) and 5.1(h) of the Agreement. As such security for the performance of the obligations of the Issuer under this Section, the Trustee shall have a lien prior to the Bonds upon all property and funds held or collected by the Trustee as such.

When the Trustee incurs expenses or renders services in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors' rights generally.

Section 808. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 809. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 810.

(b) The Trustee may resign at any time by giving written notice thereof to the Issuer, the Company and the Bondholder Representative, if applicable,. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by an act of the Registered Owners of a majority in aggregate principal amount of the Bonds Outstanding (or the Bondholder Representative, if applicable), delivered to the Trustee and the Issuer.

(d) If at any time:

(1) the Trustee shall cease to be eligible under Section 808 and shall fail to resign after written request therefor by the Issuer or by any such Holder of Bonds, or

(2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Issuer by an Issuer Request may remove the Trustee or (ii) subject to Section 714, any Holder of Bonds who has been a bona fide Holder of a Bond for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Issuer, by an Issuer Request, at the direction of the Company, shall promptly appoint a successor Trustee. If,

within 3 months after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Bonds delivered to the Issuer and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer. If no successor Trustee shall have been so appointed by the Issuer or the Holders of Bonds and accepted appointment in the manner hereinafter provided, the Trustee or any Holder of Bonds who has been a bona fide Holder of a Bond for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) So long as no default or Event of Default has occurred and is continuing hereunder, the Company at any time may request that the Issuer remove the Trustee and appoint a substitute Trustee and the Issuer shall promptly comply with such request.

(g) The Company shall give, or cause to be given, notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Bonds at their addresses as shown in the Bond Register. Each notice shall include the name and address of the applicable corporate trust office or payment office of the successor Trustee.

Section 810. Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to the successor Trustee, any and all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 811. Merger or Consolidation. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the municipal corporate trust business of the Trustee, shall be the successor Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. If applicable, the Trustee shall provide notice of any such conversion, consolidation or merger of the Trustee to the Bondholder Representative and the Company within ten (10) days of occurrence of such event. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger or consolidation to such authenticating Trustee may adopt such authentication and deliver the

Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

Section 812. Authenticating Agent. There may (and whenever the Trustee shall not maintain an office or agent in each Place of Payment there shall) be an Authenticating Agent appointed by the Trustee with power to act on its behalf and subject to its direction in the authentication and delivery of the Bonds in connection with delivery of Bonds pursuant to Section 203 and transfers and exchanges under Sections 204, 205 and 307, as fully to all intents and purposes as though the Authenticating Agent had been expressly authorized by those Sections to authenticate and deliver the Bonds. For all purposes of this Indenture, the authentication and delivery of the Bonds by the Authenticating Agent pursuant to this Section shall be deemed to be the authentication and delivery of the Bonds "by the Trustee".

The Trustee is hereby appointed Authenticating Agent with respect to the Bonds.

Each Authenticating Agent shall at all times be a bank or trust company having an office or agent in a Place of Payment, and shall at all times be a corporation organized and doing business under the laws of the United States or of any state with a combined capital and surplus of at least $50,000,000 and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, the Issuer and the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Issuer and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Authenticating Agent and shall give written notice of such appointment to the Issuer and the Company.

The Trustee shall be entitled to be reimbursed for any reasonable compensation paid by the Trustee to the Authenticating Agent for its service subject to Section 803 and 807. The provisions of Sections 207, 803, 804, and 805 of this Indenture shall be applicable to any Authenticating Agent.

Section 813. Trustee Liability for Agents. Notwithstanding anything contained herein to the contrary, the Trustee shall not be liable for any failure of the Paying Agent or the Authenticating Agent to perform in accordance with the Indenture any duty required or authorized herein to be performed by such Person or for any other acts or omissions of such Person.

ARTICLE IX

SUPPLEMENTS AND AMENDMENTS

Section 901. Supplemental Indentures and Amendatory Agreements Without Consent of Holders of Bonds. Without the consent of the Holders of any Bonds, but with notice to the Bondholder Representative, the Issuer, when authorized by a Board Resolution, and the Trustee at any time upon receipt of Company Consent, may enter into or consent to one or more indentures supplemental hereto, subject to Section 903 hereof, or amendments to the Agreement, and the Company may enter into or consent to amendments to the Agreement for any of the following purposes:

(1) to evidence the succession of another Person to the Issuer or the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer as permitted by this Indenture or the Company as permitted by the Agreement;

(2) to add to the covenants of the Issuer or the Company for the benefit of the Holders of Bonds, or to surrender any right or power herein or therein conferred upon the Issuer or the Company;

(3) to cure any ambiguity or to correct or supplement any provision herein or therein which may be inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising under this Indenture or the Agreement which shall not be inconsistent with this Indenture, provided such action shall not adversely affect the interests of the Holders of Bonds;

(4) to modify or supplement this Indenture in such manner as may be necessary to qualify this Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute or regulation, including provisions whereby the Trustee accepts such powers, duties, conditions and restrictions hereunder and the Issuer or the Company undertakes such covenants, conditions or restrictions additional to those contained in this Indenture as would be necessary or appropriate so to qualify this Indenture; provided, however, that nothing herein contained shall be deemed to authorize inclusion in this Indenture or in any indenture supplemental hereto, provisions referred to in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect;

(5) in connection with any other change herein or therein which, in the judgment of a Management Consultant, a copy of whose report shall be filed with the Trustee, (a) is in the best interest of the Company and (b) does not materially adversely affect the Holder of any Bond; provided that no such change shall be made if within 30 days of its receipt of such Management Consultant's report, the Trustee shall have obtained a report from another Management Consultant indicating that in its opinion either clause (a) or clause (b) of this subsection (5) is not satisfied; provided further, that the Trustee shall be under no duty to retain another such Management Consultant;

(6) to modify or supplement this Indenture in such manner as may be necessary or appropriate to cause each Rating Service then rating the Bonds to maintain an investment grade rating on the Bonds; or

(7) To modify, amend or supplement this Indenture in such manner as may be required to comply with Section 301 hereof.

Section 902. Supplemental Indentures and Amendatory Agreements With Consent of Holders of Bonds. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Bonds affected by such supplemental indenture (or the Bondholder Representative), by Act of such Holders or Bondholder Representative delivered to the Issuer, the Company, the Trustee and the Rating Service, the Issuer, when authorized by a Board Resolution, and the Trustee may, upon receipt of a Company Consent, enter into or consent to an indenture or indentures supplemental hereto (subject to Section 903 hereof) or amendments to the Agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or the Agreement or of modifying in any manner the rights of the Holders of the Bonds under this Indenture or the Agreement; provided, however, that no such supplemental indenture or amendment shall, without the consent of the Holder of each Bond affected thereby (or the Bondholder Representative):

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Bonds or any date for mandatory or optional redemption thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Bonds or the interest thereon is payable, or impair or subordinate the lien of this Indenture on the Trust Estate or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date), or

(2) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section or Section 713, except to increase any such percentage or to provide that certain other provisions of this

Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

It shall not be necessary for any act of Holders of Bonds under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act of Holders of Bonds shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture and in consenting to any amendment to the Agreement or to any indenture supplemental to this Indenture, the Trustee shall be entitled to receive, and (subject to Section 801) shall be fully protected in relying upon, a Favorable Opinion of Bond Counsel and an Opinion of Counsel stating that the execution of such supplemental indenture or consent is authorized or permitted by this Indenture and all conditions precedent have been satisfied. The Trustee may, but shall not (except to the extent required in the case of a supplemental indenture entered into under Section 901(4)) be obligated to, enter into any such supplemental indenture or consent which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise. The Trustee shall not execute any supplemental indenture without the consent of the Company.

Section 904. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes, and every Holder of Bonds thereafter or theretofore authenticated and delivered hereunder shall be bound thereby.

Section 905. Bonds May Bear Notation of Changes. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Bonds then Outstanding.

ARTICLE X

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

Section 1001. Satisfaction and Discharge of Indenture. Whenever the following conditions shall exist, namely:

(a) all Bonds theretofore authenticated and delivered have been cancelled by the Trustee or delivered to the Trustee for cancellation, excluding, however:

(1) Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 205, except for any such Bond

which, prior to the satisfaction and discharge of this Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction,

(2) Bonds, other than those referred to in paragraph (1) above, for the payment or redemption of which the Issuer or the Company has deposited or caused to be deposited with the Trustee at the Maturity thereof in trust for such purpose funds (which shall be immediately available for payment) in an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal (and premium, if any) and interest to such Maturity, and

(3) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Defeasance Obligations or both as described in Section 1002;

(b) the Issuer or the Company has paid or caused to be paid all other sums payable by the Issuer or the Company hereunder and under the Agreement (except amounts due and payable by the Company pursuant to Section 4.1(a) or (b) of the Agreement and the terms of the Series 2010Q Master Note); and

(c) there has been delivered to the Trustee an Opinion of Counsel stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with;

then, upon Issuer Request (which the Issuer shall make upon Company Order), this Indenture and the lien, rights, and interests created hereby shall cease, determine, and become null and void (except as to any surviving rights of transfer, exchange, or tender of Bonds herein or therein provided for) and the Trustee and each co-trustee and separate trustee, if any, then acting as such hereunder shall, at the expense of the Company, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary (in form and substance satisfactory to Company) and pay, assign, transfer, and deliver to the Company or upon Company Order all cash, securities, and other property then held by it hereunder as a part of the Trust Estate.

In the absence of an Issuer Request as aforesaid, the payment of all Outstanding Bonds shall not render this Indenture inoperative.

Notwithstanding the satisfaction and discharge of this Indenture the obligations of the Issuer and the Company to the Trustee under Section 807 shall survive unless otherwise agreed by the Trustee in writing.

Section 1002. Payment of Bonds.

(a) All of the Bonds shall be deemed to have been paid for purposes of this Indenture if (A) there has been deposited with the Trustee in trust in a segregated account either (i) moneys in an amount, or (ii) Defeasance Obligations, the principal of and interest on which will, when due, without further investment or reinvestment of either the

principal amount thereof or the interest earnings thereon, (as established by a report of an independent certified public accountant setting forth the calculations upon which such report is based) provide moneys in an amount, which, together with any moneys deposited with or held by the Trustee at the same time and available for such purpose pursuant to this Indenture, will be sufficient to pay when due and payable the principal, premium, if any, and interest due and payable and to become due and payable on and prior to the respective redemption dates or Maturity dates on all of the Bonds, or (iii) a combination of (i) and (ii), and (B) in case any of such Bonds are to be redeemed on any date prior to their Stated Maturity, the Company has given to the Trustee irrevocable written instructions instructing the Trustee to effect the redemption of such Bonds on such date and to give notice of such redemption to Holders prior to said date as provided in Exhibit A to this Indenture; (C) in the event such Bonds are not to be redeemed within the 60 days next succeeding the date of such deposit with the Trustee, the Issuer has given irrevocable written instructions to the Trustee to give notice to the Holders of such Bonds advising that the deposit required by clause (a) of this paragraph above has been made with the Trustee and that the Bonds are deemed to have been paid in accordance with this Article and stating such Maturity or redemption date or dates upon which money is to be available for the payment of the principal, premium, if any, and interest on such Bonds. The Trustee shall not be required to accept any deposit of Defeasance Obligations pursuant to clause (ii) or (iii) during the continuance of an Event of Default. For purposes of this Section, Government Obligations issued or held in the name of the Trustee in book-entry form on the books of the Department of Treasury of the United States of America shall be deemed to be deposited with the Trustee.

Any Defeasance Obligations deposited with the Trustee pursuant to this Section shall mature on such dates as shall be required for the aforesaid purpose. Such Defeasance Obligations shall not contain provisions permitting the redemption thereof at the option of the issuer thereof.

(b) Any release under this Section shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under this Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts created by this Indenture and the performance of its powers and duties under this Indenture.

Section 1003. Application of Trust Money. The Defeasance Obligations and money deposited with the Trustee pursuant to Section 1002 and principal or interest payments on any such Defeasance Obligations shall be held in trust, shall not be sold or reinvested, and shall be applied by it, in accordance with the provisions of the Bonds and this Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Trustee of an Officer's Certificate (accompanied by the report of an Independent certified public accountant setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in Section 1002(a), any money received from principal or interest payments on Defeasance Obligations deposited with the Trustee or the proceeds of

any sale of such Defeasance Obligations, if not then needed for such purpose, shall, upon Company Request be reinvested in other Defeasance Obligations or disposed of as requested by the Company. For purposes of any calculation required by this Article, any Defeasance Obligation which is subject to redemption at the option of its issuer, the redemption date for which has not been irrevocably established as of the date of such calculation, shall be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer thereof and the principal of such obligation shall be assumed to be received at its stated maturity.

ARTICLE XI

MISCELLANEOUS

Section 1101. Execution in Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 1102. Final Agreement. This written Indenture represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be signed on their behalf by their duly authorized representatives as of the date first written above.

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION

By:_____
President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By:_____
Sandra Y. Jones, Assistant Vice President

ACCEPTED AND AGREED TO BY:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent and Bond Registrar

By:_____
Sandra Y. Jones, Assistant Vice President

EXHIBIT A

FORM OF SERIES 2010Q BONDS

EXCEPT AS MAY OTHERWISE BE PROVIDED HEREIN, THIS BOND OR ANY PORTION HEREOF MAY BE TRANSFERRED ONLY IN MINIMUM DENOMINATIONS OF $5,000 OR ANY INTEGRAL MULTIPLE THEREOF ("AUTHORIZED DENOMINATIONS").

1. Form of Definitive Series 2010Q Bonds.

REGISTERED

NO. RQ-___ $1,225,000

UNITED STATES OF AMERICA
STATE OF TEXAS
TEXAS PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL FINANCE CORPORATION
(EVOLUTION ACADEMY CHARTER SCHOOL)
TAXABLE EDUCATION REVENUE BOND,
SERIES 2010Q
(QUALIFIED SCHOOL CONSTRUCTION BOND – DIRECT PAY)

Maturity Date	Dated Date	Interest Rate	CUSIP NO.
August 1, 2027	October 1, 2010	9.0%	

Texas Public Finance Authority Charter School Finance Corporation (the "Issuer"), a nonstock, nonprofit higher education facilities corporation organized and existing pursuant to the laws of the State of Texas (the "State"), including Chapter 53 of the Texas Education Code, as amended, and particularly Section 53.351 thereof (the "Act"), hereby promises to pay to _____, or registered assigns, at the principal payment office of Wells Fargo Bank, National Association, in Dallas, Texas (the "Place of Payment"), the aggregate principal amount of One Million Two Hundred Twenty-Five Thousand Dollars on the Maturity Date set forth above (or earlier as hereinafter provided) and to pay interest thereon, calculated on the basis of a 360-day year of twelve 30-day months at the per annum rate set forth above, from the date of delivery or the most recent interest payment date to which interest has been paid or provided for; provided that such principal and interest are payable solely from the sources and in the manner hereinafter described, and solely as authorized and provided in the Act. Principal shall be deposited in the Sinking Fund Deposit Account on February 15 of each of the years and in the principal amounts identified in Section 403(a) of the Indenture. At the Maturity Date, such amounts, when combined with amounts held therein and interest earnings thereon, compounded annually, shall equal the principal amount due on the Series 2010Q Bonds. Moneys in the Sinking Fund Deposit Account may not be invested at a yield in excess of 3.76%.

THE OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation or from any source whatsoever except the payments and amounts described in the Indenture, the Note, the Agreement (all as defined herein), and this Bond. The Bonds are special and limited obligations of the Issuer payable solely as provided herein. NEITHER THE STATE, NOR A STATE AGENCY, 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, ANY STATE AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

THE PRINCIPAL of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. Amounts due on this Bond shall be paid by check drawn upon by Wells Fargo Bank, National Association (the "Trustee," "Paying Agent" and "Bond Registrar" for this series of Bonds) and mailed to the Owner hereof at its address as it appears on the bond registration books of the Issuer, kept by the Bond Registrar (the "Bond Register") on the last business day of the calendar month next preceding 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 or all of the Bonds, all payments of principal, premium and interest on the Bonds shall be paid by wire transfer at the risk and expense of such registered owner in immediately available funds to an account in the United States designated by such registered owner upon fifteen (15) days prior written notice to the Trustee.

THE INTEREST on this Bond shall be paid on each August 1 and February 1, commencing August 1, 2011, until the principal thereof shall have been paid or provided for. Any amounts due on this Bond and not paid on the due date shall bear interest at the Default Rate, as defined in the Indenture.

THIS BOND is one of a series of bonds (the "Bonds") authorized and issued in the aggregate principal amount of $1,225,000 for the purpose of financing the cost of certain educational facilities (as that term is defined in the Act) for Evolution Academy (the "Company") on its campuses located in Dallas County, Texas and paying a portion of the costs of issuance of the Bonds, under and pursuant to authority conferred by the Act, a resolution adopted by the Board of Directors of the Issuer, and a Trust Indenture and Security Agreement, dated as of October 1, 2010 (the "Indenture"), by and between the Issuer and the Trustee. The proceeds of the sale of the Bonds will be loaned to the Company pursuant to a Loan Agreement, dated as of October 1, 2010 (the "Agreement"), between the Issuer and the Company, and the Company's obligations under the Agreement are further evidenced by the Company's execution and issuance of a promissory note (the "Note"), dated as of the Dated Date set forth above, in an amount equal to the aggregate principal amount of the Bonds. The Note is a "Note" as defined in, and is entitled to the security of, the Master Trust Indenture and Security Agreement, dated as of October 1, 2010, (the "Master Indenture") as supplemented by Supplemental Master Trust Indenture No. 2, dated as of October 1, 2010 (the "Supplemental Indenture"), between the Company on behalf of itself and Wells Fargo Bank, National Association, as Master Trustee.

SUBJECT TO the limitations set forth in the Master Indenture, the Company may from time to time issue additional notes authorized by and entitled to the security of the Master Indenture for the purposes set forth in the Master Indenture ("Master Notes"), which shall rank equally and on a parity with the Note and all other Master Notes except as set forth in any supplemental master indenture authorizing issuance of any Master Note.

THE TRANSFER of this Bond may be registered by the owner hereof in person or by his attorney or legal representative at the corporate trust office or principal payment office of the Bond Registrar as set forth in the Indenture, but only in the manner and subject to the limitations and conditions provided in the Indenture and upon surrender and cancellation of this Bond and execution of the Assignment hereon. Upon any such surrender for transfer of the Bond at the office or agency of the Trustee in a Place of Payment, the Issuer shall execute, the Trustee shall authenticate, and the Bond Registrar shall register and deliver, in the name of the designated transferee, one or more new Bonds of any Authorized Denomination, of a like aggregate principal amount, maturity and interest rate. The Issuer and the Bond Register shall not be required (1) to issue, transfer or exchange any Bonds during a period beginning at the opening of business 15 days before the day of mailing a notice of redemption of the Bonds selected for redemption under the Indenture and ending at the close of business on the day of such mailing or (2) to transfer or exchange any Bond selected for redemption in whole or in part.

EXCEPT AS hereinafter set forth, the Bonds are not subject to redemption.

Optional Redemption.

Upon written notice of the exercise of the option to redeem Bonds delivered to the Trustee by the Company at least 30 days prior to the date fixed for redemption but not more than 60 days prior to the date of redemption, the Bonds are subject to optional redemption in whole or in part, prior to scheduled maturity on or on any date after the dates set forth in the table below, at the option of the Company upon a written notice of the exercise of the option to redeem Bonds delivered to the Trustee by the Company not less than 60 days prior to the redemption date or such shorter period acceptable to the Trustee, at a price equal to the applicable percentage of par set forth opposite such date:

Date	**Percentage of Par**
On or after August 1, 2018	102%
On or after August 1, 2019	101%
On or after August 1, 2020	100%

Bonds optionally redeemed pursuant to (i) above will be considered to have satisfied in whole or in part the next succeeding sinking fund payment required pursuant to the Indenture.

Special Mandatory Redemption

Excess Proceeds. To the extent that less than 100% of the available project proceeds (as defined in section 54A(e)(4) of the Code) of the Bonds are expended for qualified purposes by the close of the 3-year period beginning on the Closing Date (or if an extension of such expenditure period has been received by the Issuer for the benefit of the Company from the

Secretary of the Treasury Department, by the close of the extended period) (the "Expenditure Period") the Issuer shall redeem nonqualified bonds (determined in the same manner as section 142 of the Code) within 90 days after the end of such Expenditure Period at a redemption price equal to the principal amount thereof, plus any accrued but unpaid interest on the Bonds to the date fixed for redemption, payable from such unexpended proceeds held by the Company. The Company shall pay any redemption price in excess of the aggregate principal amount of the nonqualified bonds to be redeemed from sources other than any proceeds of the Bonds. A redemption of the Bonds as described in this paragraph shall reduce the annual Sinking Fund Deposit Account payments on a pro rata basis.

Extraordinary Optional Redemption - Tax.

The Bonds are subject to redemption prior to their maturity, in whole or in part, at any time at the option of the Company on the occurrence of an Extraordinary Event, at the Extraordinary Optional Redemption Price, as such terms are defined below.

"*Extraordinary Event*" means a determination by the Company that a material adverse change has occurred to the provisions of the Code pertaining to Qualified Bonds, or there is guidance published by the Internal Revenue Service or the United States Treasury with respect to such provisions, or there is any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the cash subsidy payment from the United States Treasury with respect to the Bonds is reduced or eliminated.

"*Extraordinary Optional Redemption Price*" means a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds to be redeemed and (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Bonds to be redeemed to the maturity date thereof, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of 12 30-day months, at the Treasury Rate plus one hundred basis points (1.0%), plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two business days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Optional Redemption – Property Loss

The Bonds are subject to extraordinary redemption, at the option of the Issuer upon a Company Request, 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 Agreement, the Project is not reconstructed, repaired or replaced upon the change or destruction thereof, from insurance or condemnation proceeds transferred from the Construction Fund to the Debt Service Fund which, together with an amount required to be paid by the Company pursuant to the 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 Agreement, from excess insurance or condemnation proceeds transferred from the Construction Fund to the Debt Service Fund for such purpose.

IF LESS THAN ALL of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be redeemed by the Trustee in accordance with the written direction of the Company; provided, however, that portions of Bonds shall be redeemed in Authorized Denominations and that no redemption shall result in a Bond being held in less than an Authorized Denomination.

IN CASE PART, but not all, of this Bond shall be selected for redemption, the owner hereof or his attorney or legal representative shall present and surrender this Bond to the Trustee for payment of the redemption price, and the Issuer shall cause to be executed, authenticated and delivered to or upon the order of such owner or his attorney or legal representative, without charge therefor, in exchange for the unredeemed portion of the principal amount of this Bond so surrendered, a Bond of the same maturity and bearing interest at the same rate.

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 shall cause a written notice of such redemption to be mailed by first class mail, postage prepaid, to each Holder of the Bonds to be redeemed, at the address appearing on the Bond Register on the date such notice is mailed by the Trustee. Any redemption may be conditioned upon the occurrence of events occurring after the mailing of the notice of redemption. Any notice mailed as provided herein shall be conclusively presumed to have been given, irrespective of whether received. By the date fixed for any such redemption, due provision shall be made with the Trustee and the Paying Agent for the payment of the appropriate redemption price, premium, if any, and interest accrued hereon. If such written notice of redemption is made, due provision for payment of the redemption price is made and all conditions to the redemption have been fulfilled, all as provided above and in the Indenture, the Bonds which are to be redeemed shall become due and payable at the redemption price and from and after such date shall cease to bear interest. If any Bond shall not be paid upon the surrender thereof for redemption, the principal shall, until paid, bear interest at the rate borne by this Bond.

IF THE DATE for any such payment on this Bond shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than a moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

IT IS HEREBY CERTIFIED AND COVENANTED that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper

to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, exist, and been done in accordance with law; that this Bond is a special limited revenue obligation of the Issuer, and that the principal of, premium, if any, and interest on this Bond are payable from and secured by a lien on and pledge of the payments designated as Loan Payments (the "Loan Payments") to be paid, or caused to be paid, to the Trustee, pursuant to the Agreement, as evidenced by a promissory note issued by the Company to the Issuer (the "Note"), and by an assignment by the Issuer to the Trustee of the Note to evidence the Company's obligations to make Loan Payments under the Agreement to the Trustee. The Company is unconditionally obligated (subject only to the provisions of the Agreement relating to merger, consolidation, and transfer of assets) to the Issuer and the Trustee to pay, or cause to be paid, without set off, recoupment, or counterclaim, to the Trustee each Loan Payment for deposit into the Debt Service Fund created for the benefit of the owners of the Bonds by the Indenture, in aggregate amounts sufficient to pay and redeem, and provide for the payment and redemption of, the principal of, premium, if any, and interest on the Bonds, when due, and to make certain other deposits as required by the Indenture, subject to and as required by the provisions of the Agreement, the Note, and the Indenture.

THE BONDS are secured by the Indenture whereunder the Trustee is custodian of the Debt Service Fund and is obligated to enforce the rights of the owners of the Bonds and to perform other duties in the manner and under the conditions stated in the Indenture. In case an "Event of Default," as defined in the Indenture, shall occur, the principal of the Bonds then Outstanding may be declared to be due and payable immediately upon the conditions and in the manner provided in the Indenture. The Trustee shall, upon written request of the owners of at least a majority in principal amount of the Bonds then Outstanding, waive, as permitted by the Indenture, any Event of Default and its consequences except a default in the payment of the principal of (or premium, if any) or interest on any Bond or a default in respect of a covenant or provision of the Indenture which under the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected. The Holder of this Bond shall have no right to institute any action, suit, or proceeding at law or in equity to enforce the Indenture except as provided in the Indenture; provided that nothing in the Indenture shall affect or impair the rights of the owner hereof to enforce the payment of the principal of, premium, if any, and interest on this Bond from the source and in the manner herein expressed. Reference is hereby made to the Indenture for additional provisions with respect to the nature and extent of the security for the Bonds; the rights, duties, and obligations of the Company, the Issuer, the Trustee, and the Holders of the Bonds; the terms upon which the Bonds are issued and secured; and the modification of any of the foregoing.

THE ISSUER has reserved the right to amend the Indenture, as provided therein; and, under some (but not all) circumstances, amendments thereto must be approved by the owners of at least a majority in aggregate principal amount of the Outstanding Bonds and Additional Bonds.

[To appear on Initial Series 2010Q Bond only]

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture until the certificate of registration hereon shall have been manually executed

by the Comptroller of Public Accounts of the State of Texas (or his duly authorized deputy), as provided by the Indenture.

[To appear on each exchange or replacement Bond]

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture until the certificate of authentication hereon shall have been executed by the Trustee.

IN WITNESS WHEREOF, Texas Public Finance Authority Charter School Finance Corporation has caused this Bond to be executed with the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above.

TEXAS PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL FINANCE CORPORATION

By:_____
President

ATTEST:

By:_____
Secretary

2. Form of Trustee's Certificate of Authentication.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of the within mentioned Indenture which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Authorized Signature

Date of authentication:

_____

3. Form of Assignment.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____

_____

Please insert Social Security or Taxpayer Identification number of Transferee_____

_____

(Please print or typewrite name and address, including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____

_____,

attorney, to register the transfer of the within Bonds on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____

Signature Guaranteed:_____

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company that is a medallion guarantor. The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatsoever.

4. Initial Series 2010Q Bond.

The initial Series 2010Q Bond shall be in the form set forth in "Form of Series 2010Q Bonds" above except for the following alterations:

(a) The Initial Series 2010Q Bond shall be numbered IQ-1 and shall be payable to the initial purchaser of the Series 2010Q Bonds.

(b) immediately under the name of the Bond, the word "CUSIP" shall be deleted;

5. Form of Comptroller's Registration Certificate to appear on the Initial Series 2010Q Bond only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF COMPTROLLER	§	
	§	REGISTER NO. _____
STATE OF TEXAS	§	

I HEREBY CERTIFY that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal this _____.

_____
Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

EXHIBIT B

FORM OF REQUISITION CERTIFICATE

Company Request No.: _____

_____, 20__

Wells Fargo Bank, National Association, as Trustee
1445 Ross Avenue
2nd Floor
MAC T5303-022
Dallas, Texas 75202
Attention: Corporate Trust

Re: Disbursement from Construction Fund

Ladies and Gentlemen:

This Request is provided to you pursuant to Section 405 of the Trust Indenture and Security Agreement, dated as of October 1, 2010 (the "Indenture"), between the Texas Public Finance Authority Charter School Finance Corporation (the "Issuer") and you, as Trustee for requesting payment as provided herein. The capitalized terms used in this Request have the same meanings given such terms in the Indenture or the Loan Agreement, dated as of October 1, 2010 (the "Loan Agreement"), between the Issuer and Evolution Academy (the "Company").

(a) Pay to (name and address):

_____
_____
_____
_____

(b) (i) There has been expended, or is being expended concurrently with the delivery of this certificate, on account of [Project Costs, as defined in the Loan Agreement] [Costs of Issuance, as defined in the Loan Agreement] an amount at least equal to the amount requisitioned below for disbursement;

(ii) No Event of Default under the Indenture has occurred and is continuing;

(iii) No other Request in respect of the expenditures set forth in clause (i) above is being or has previously been delivered to the Trustee;

[(iv) The portion of the amount of the proceeds of the Series 2010Q Bonds requested that will be used to pay Costs of Issuance plus all previous

amounts requested for Costs of Issuance does not exceed 2 percent of the proceeds of the Bonds deposited into the Proceeds Fund;]

[(v) The portion of the amount representing Proceeds of the Series 2010Q Bonds requested to pay costs of the Project are all Project Costs.]

[You are hereby directed to pay the amount of $_____ from the Project Account of the Construction Fund in the amounts and to the parties as set forth in the attached schedule. Of such amount, $_____ shall be held as retainage, resulting in a disbursement amount of $_____.]

[You are hereby directed to pay the amount of $_____ from the Insurance Proceeds Account of the Construction Fund in the amounts and to the parties as set forth in the attached schedule. Of such amount, $_____ shall be held as retainage, resulting in a disbursement amount of $_____.]

[You are hereby directed to pay the amount of $_____ from the Renewal and Replacement Fund Account of the Construction Fund in the amounts and to the parties as set forth in the attached schedule. Of such amount, $_____ shall be held as retainage, resulting in a disbursement amount of $_____.]

[You are hereby directed to pay the amount of $_____ from the Cost of Issuance Account of the Construction Fund in the amounts and to the parties as set forth in the attached schedule. Such amount, in addition to amounts previously paid from the Cost of Issuance Account of the Construction Fund pursuant to the terms of this Indenture does not exceed $_____.]

[You are hereby directed to pay the amount of $_____ from the Insurance Proceeds Account of the Construction Fund in the amounts and to the parties as set forth in the attached schedule.]

EVOLUTION ACADEMY

By:_____
Authorized Representative

CONSTRUCTION CONSULTANT'S APPROVAL
[required for Project Costs Only]

By:_____
Name:_____
Title:_____

EXHIBIT C

FORM OF
CERTIFICATE OF BONDHOLDER REPRESENTATIVE

The undersigned, an Officer of _____, (the "Bondholder Representative"), does hereby represent and agree, as of _____, 2010, as follows:

1. The Bondholder Representative is the duly appointed representative of 100% in outstanding aggregate principal amount of the $_____ Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay) (the "Series 2010Q Bonds"), which Series 2010 Bonds have been issued and delivered on the date of this Certificate.

2. The Series 2010 Bonds are currently Outstanding in the aggregate principal amount of $_____. The Bondholder Representative represents the owners of all of the Series 2010Q Bonds Outstanding. The Bondholder Representative is delivering this Certificate on behalf of such owners and all other owners from time to time represented by the Bondholder Representative (the "Owner" or "Owners").

3. Each Owner is informed that the Series 2010Q Bonds are not general obligations of the Texas Public Finance Authority Charter School Finance Corporation (the "Issuer"), but are special, limited obligations payable and secured solely as provided for in certain legal documents to which reference is made in Schedule I attached hereto and made a part hereof (the "Bond Documents").

4. Each Owner is (a) a bank as defined in section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), or a savings and loan association or other institution as defined in Section 3(a)(5) of the Securities Act whether acting in its individual or fiduciary capacity; or (b) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); or (c) an insurance company as defined in Section 2(13) of the Exchange Act; or (d) an investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"); (e) or a business development company as defined in Section 2(a)(48) of the Investment Company Act; or (f) a Small Business Investment Company licensed by the Small Business Administration under Section 301(c) or Section 301(d) of the Small Business Investment Act of 1958, as amended; or (g) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivision for the benefit or its employees, if investment decisions are made by a plan fiduciary which is a bank, savings and loan association, insurance company, or registered investment advisor and the plan establishes fiduciary principles the same as or similar to those contained in Sections 404-407 of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); or (h) an employee benefit plan within the meaning of ERISA if investment decisions are made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total

assets in excess of $5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors; or (i) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000; or (j) the trustee of a trust whose securities are registered pursuant to an effective registration statement under the Securities Act.

5. Each Owner has retained the Bondholder Representative to advise and represent the Owner regarding the purchase and sale of securities of entities such as Evolution Academy (the "Borrower") and of securities such as the Series 2010Q Bonds. Each Owner has the ability to bear the economic risks of an investment in the Series 2010Q Bonds and is an "accredited investor" as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act, or a "qualified institutional buyer" as that term is defined under Rule 144A of the Securities and Exchange Commission.

6. Each Owner is not now and has never been controlled by, or under common control with, the Borrower. The Borrower has never been and is not now controlled by any Owner. No Owner has entered into any arrangements with the Borrower or with any affiliate of the Borrower in connection with the Series 2010/q Bonds, other than as disclosed to the Issuer, the Underwriter or the Trustee.

7. The Issuer, the State of Texas, and the Trustee have not undertaken and will not undertake steps to ascertain the accuracy or completeness of the information furnished to any Owner with respect to the Borrower, the Series 2010Q Bonds or the Project (as defined in the Bond Documents listed on Schedule I attached hereto). No Owner has relied or will rely upon the Issuer, the State of Texas or the Trustee in any way with regard to the accuracy or completeness of the information furnished to any Owner in connection with its purchase of the Series 2010Q Bonds, nor have any such parties made any representation to any Owner with respect to that information.

8. The Bondholder Representative is sufficiently knowledgeable and experienced in financial and business matters, including the purchase and ownership of municipal and other tax-exempt debt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Series 2010Q Bonds, and it is capable of and has made its own investigation of the Borrower and the Project in connection with its decision to purchase the Series 2010Q Bonds on behalf of the Owners.

9. The Series 2010Q Bonds are purchased by every Owner for the purpose of investment and each Owner intends to hold the Series 2010Q Bonds for its own account as a long term investment, without a current view to any distribution or sale of the Series 2010Q Bonds. Each Owner is informed that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

10. Each Owner is informed that the Series 2010Q Bonds will not be listed on any stock or other securities exchange and were issued without registration under the provisions of the Securities Act, or any state securities laws, and the Series 2010Q Bonds may not be resold, transferred, pledged or hypothecated, in whole or in part, unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from registration is

available. Each Owner is informed that the Series 2010Q Bonds will not carry any rating from any rating service. Each Owner is informed that, unless the Issuer is informed that the Series 2010 Bonds have an investment grade rating, the Series 2010Q Bonds may be transferred only to an "accredited investor" as that term is defined in Rule 501 of Regulation D under the Securities Act, a "qualified institutional buyer" as that term is defined under Rule 144A of the Securities and Exchange Commission, or a broker-dealer of securities.

11. The undersigned hereby agrees to provide immediate written notice to the Issuer, the Borrower and the Trustee at such time as such entity no longer serves as Bondholder Representative.

Dated as of the date first written above.

_____

By:_____
Name: _____
Its:_____

SCHEDULE I

BOND DOCUMENTS

APPENDIX F
SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT

LOAN AGREEMENT

between

TEXAS PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL FINANCE CORPORATION

and

EVOLUTION ACADEMY

Relating to

$1,225,000

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION
(EVOLUTION ACADEMY CHARTER SCHOOL)
TAXABLE EDUCATION REVENUE BONDS, SERIES 2010Q
(QUALIFIED SCHOOL CONSTRUCTION BONDS – DIRECT PAY)

_____

Dated as of

October 1, 2010

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ARTICLE V

COVENANTS OF THE COMPANY

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

ARTICLE VII

MISCELLANEOUS

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement"), dated as of October 1, 2010, is between the **TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION**, a non-profit, corporation created and existing under the Act (the "Issuer"), and **EVOLUTION ACADEMY**, a Texas non-profit corporation (the "Company").

W I T N E S S E T H:

WHEREAS, the Texas Public Finance Authority (the "Sponsoring Entity"), has, pursuant to Chapters 53 of the Texas Education Code, as amended (collectively, the "Act"), and specifically Section 53.351 thereof, approved and created the Issuer as a non-stock, nonprofit corporation;

WHEREAS, the Issuer is a constituted authority and instrumentality (within the meaning of those terms in the Regulations of the Department of the Treasury and the rulings of the Internal Revenue Service (the "IRS") prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended);

WHEREAS, the Issuer, on behalf of the Sponsoring Entity, is empowered to issue its revenue bonds in order to enable an accredited or authorized charter school to acquire, to construct, enlarge, extend, repair, renovate, or otherwise improve an educational or housing facility or any facilities incidental, subordinate, or related thereto or appropriate in connection therewith, or for acquiring land to be used for those purposes, or to create operating and debt service reserves for and to pay issuance costs related to the bonds or other obligations;

WHEREAS, in furtherance of the purposes of the Act, the Issuer proposes to issue its revenue bonds in the aggregate principal amount of $1,225,000, which will be designated "Texas Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay)" (the "Series 2010Q Bonds"), the proceeds of which will be loaned to the Company to be used to finance the cost of a project consisting of the construction, rehabilitation and repair of public school facilities on campuses of the Company and the acquisition of land on which such a facility is to be constructed with part of the proceeds of the Series 2010Q Bonds, and to pay certain of the costs of issuing the Series 2010Q Bonds;

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the Issuer has entered into the Trust Indenture and Security Agreement (the "Indenture") dated as of October 1, 2010, between the Issuer and Wells Fargo Bank, National Association, as trustee (in such capacity, the "Trustee") for the purposes of effecting the issuance of the Series 2010Q Bonds, furthering the public purposes of the Act and securing to the Holders of the Series 2010Q Bonds the payment of the Series 2010Q Bonds;

WHEREAS, the Company is a party to that certain Master Trust Indenture and Security Agreement (the "Master Indenture") dated as of October 1, 2010 and the Supplemental Master Trust Indenture No. 2, dated as of October 1, 2010, between the Company, on behalf of itself and Wells Fargo Bank, National Association, as Master Trustee (the "Master Trustee"), which

secures payment of certain Debt (as defined in the Master Indenture) of the Company including the Series 2010Q Note which evidences the Loan made hereby (the "Loan");

WHEREAS, the Issuer shall issue the Series 2010Q Bonds in order to loan the proceeds thereof to the Company and the Company agrees to repay the Loan on the terms set forth herein;

WHEREAS, pursuant to the provisions of this Agreement, the Company is executing and delivering to the Series 2010Q Note to evidence the loan of the proceeds of the Series 2010Q Bonds to the Company and the obligation of the Company under this Agreement to repay the same, which note is "Master Note" under the Master Indenture;

WHEREAS, pursuant to the provisions of this Agreement, the Issuer is collaterally assigning to the Trustee all of the Issuer's right, title and interest in the Series 2010Q Note and the Loan Payments (each as hereinafter defined) to be made by the Company pursuant to this Agreement; and

NOW THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits, covenants and agreements set forth below, the parties agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.1 Construction of Terms; Definitions.

(a) For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) "Agreement" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more agreements supplemental hereto entered into pursuant to the applicable provisions hereof.

(2) All references in this instrument designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

(3) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular. The terms used herein but defined in the Indenture or the Master Indenture and not defined herein have the meanings assigned to them in the Indenture or the Master Indenture, as applicable. Reference to any Bond Document means that Bond Document as amended or supplemented from time to time. Reference to any party to a Bond Document means that party and its permitted successors and assigns.

(4) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(b) The following terms have the meanings assigned to them below whenever they are used in this Agreement:

"Additions" means any and all real or personal property or any interest therein wherever located or used (i) which is desirable in the business of the Company; (ii) the cost of construction, acquisition or development of which is properly chargeable to the property accounts of the Company, in accordance with generally accepted accounting principles; and (iii) which is deemed for federal income tax purposes to be owned by the Company.

"Adjusted Revenues" shall have the meaning given to such term in the Master Indenture.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Architect Agreement" means that certain Agreement dated as of August 18, 2010 by and between the Company and The Romack Company.

"Available Revenues" has the meaning assigned to such term in the Master Indenture.

"Beneficial Owner(s)" means the person or entity for whom the Bonds were deposited with DTC in the name of its nominee, Cede & Co.

"Bond Counsel" means an attorney or firm of attorneys nationally recognized as experienced in the field of bonds of governmental issuers appointed by the Issuer and satisfactory to the Trustee.

"Bondholder Representative" means, initially, Hamlin Capital Management, LLC, a registered investment advisor under the Investment Advisors Act of 1940, so long as sixty-six and two-thirds percent of all Beneficial Owners of the Bonds Outstanding are Persons for whom Hamlin Capital Management, LLC serves as investment advisor, and the successor or assign thereto designated as Bondholder Representative by a written appointment, delivered to the Trustee, by sixty-six and two-thirds percent of Beneficial Owners. Written appointments designating the Bondholder Representative shall be affirmed to the Trustee on or prior to such time as a Bondholder Representative direction or consent is exercised. Pursuant to the certificate of the Bondholder Representative, substantially in the form of Exhibit C to the Indenture, Hamlin Capital Management, LLC has agreed to provide immediate written notice to the Trustee and the Issuer when it no longer serves as Bondholder Representative.

"Capital Expenditures" means, as of the date of determination thereof, the aggregate of the costs paid (otherwise than by incurring or acquiring Property subject to purchase money

obligations) prior to such date by the Company in connection with the construction, acquisition or development of the Project or Additions, as the case may be, and properly chargeable to the property accounts of the owner thereof in accordance with generally accepted accounting principles and so charged, including, without limitation, payments made for labor, salaries, overhead, materials, interest, taxes, engineering, accounting, legal expenses, superintendence, insurance, casualty liabilities, rentals, start-up expenses, financing charges and expenses and all other items (other than operating or maintenance expenses) in connection with such construction, acquisition or development and so properly chargeable and, in the case of Capital Expenditures for Additions consisting of an acquired facility, including the cost of any franchises, rights or property, other than Additions, acquired as a part of such going business for which no separate or distinct consideration shall have been paid or apportioned.

"Claims" means all claims, investigations, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action or impleader) or otherwise involving any Indemnified Party, even if groundless, false, or fraudulent, so long as the claim, lawsuit, cause of action or other legal action or proceeding is alleged or determined, directly or indirectly, to arise out of, to result from, to relate to or to be based upon, in whole or in part: (a) the issuance of the Series 2010Q Bonds or the execution and delivery of the Bond Documents, (b) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the issuance of the Series 2010Q Bonds, the obligations of the various parties arising under the Bond Documents or the administration of any of the Bond Documents, or (c) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Project or any part thereof.

"Closing Date" means the date of closing of the issuance of the Series 2010Q Bonds.

"Code" means the Internal Revenue Code of 1986, as amended from time to time and the corresponding provisions, if any, of any successor internal revenue laws of the United States.

"Construction Consultant" means the respective construction consultant hired by the Company for a Participating Campus as identified to the Trustee by the Company, and consented to in writing by the Bondholder Representative.

"Construction Contract" has the meaning assigned to it in Section 3.2 hereof.

"Construction Documents" means the following documents executed in connection with the Project: (i) the Construction Contract; (ii) the Architect Agreement; (iii) the Plans and Specifications; (iv) Payment and Performance Bonds; (v) building permits; and (vi) land use agreements, if any.

"Debt" shall have the meaning assigned to such term in the Master Indenture.

"Debt Service Coverage Ratio" means the ratio obtained by dividing the Available Revenues for such Fiscal Year or consecutive 12-month period, as the case may be, by the Maximum Annual Debt Service.

"Extraordinary Optional Redemption" means an Extraordinary Optional Redemption – Tax and/or an Extraordinary Optional Redemption – Property Loss, as described in Exhibit A of the Indenture.

"Favorable Opinion of Bond Counsel" means, with respect to any action, the taking of which requires such an opinion, an unqualified opinion of Bond Counsel in form and substance satisfactory to the Issuer and delivered to the Trustee to the effect that such action does not violate the laws of the State (including the Act) and the Indenture and does not adversely affect the qualification of any Series 2010Q Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code, "qualified tax credit bonds" within the meaning of Section 54A of the Code, or "specified tax credit bonds" within the meaning of Section 6431 of the Code.

"Fiscal Year" means any twelve-month period beginning on September 1 of any calendar year and ending on August 31 of the following year or such other twelve-month period selected by the Company as the fiscal year for the Company; provided that, the Company shall give written notice of any such change to the Issuer and the Trustee.

"Indenture" means the Trust Indenture and Security Agreement, dated as of the date of this Agreement, between the Issuer and Wells Fargo Bank, National Association, as trustee, securing the Series 2010Q Bonds.

"Indemnified Party" shall mean one or more of the Issuer, the Governing Body of the Issuer, the Sponsoring Entity, the Trustee and any of their successors, officers, directors or commissioners.

"Independent" when used with respect to any specified Person means such a Person who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company, and (iii) is not connected with the Company as an officer, employee, promoter, trustee, partner, director or person performing similar functions. Whenever it is herein or in the Indenture provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by Order and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Loan Payments" means the amounts described in Sections 4.1(a) and (c) of this Agreement.

"Losses" means losses, costs, damages, expenses, judgments, and liabilities of whatever nature (including, but not limited to, reasonable attorney's, accountant's and other professional's fees, litigation and court costs and expenses, amounts paid in settlement and amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other Person under any arrangement providing for indemnification of that Person) directly or indirectly resulting from arising out of or relating to one or more Claims.

"Management Consultant" has the meaning assigned to such term in the Master Indenture, provided that, so long as the Bonds remain Outstanding, any such Management Consultant shall be consented to by the Bondholder Representative.

"Maximum Annual Debt Service" has the meaning assigned to such term in the Indenture.

"MSRB" means the Municipal Securities Rulemaking Board.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided) be counsel to any party to a Bond Document, and shall be satisfactory to the Trustee.

"Organizational Documents" of any corporation means the articles of incorporation, certificate of incorporation, corporate charter or other document pursuant to which such corporation was organized, and its bylaws, each as amended from time to time, and as to any other Person, means the instruments pursuant to which it was created and which govern its powers and the authority of its representatives to act on its behalf.

"Participating Campuses" means, collectively, the charter school campuses of the Company so designated under any Supplemental Master Indenture.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Plans and Specifications" means the plans and specifications for the Project, as the same may be prepared or amended from time to time as provided in Section 3.1 hereof, on file at the principal business office of the Company and available at all times for inspection by the Issuer.

"Project" means the Project described in Exhibit A hereto.

"Project Costs" means project costs (excluding the Costs of Issuance) permitted to be paid out of proceeds of the Series 2010Q Bonds by the Act and by the Code.

"Qualified Bond" means any bond that is a "qualified school construction bond" pursuant to Section 54F of the Code, a "qualified tax credit bond" pursuant to Section 54A of the Code, and a "specified tax credit bond" pursuant to Section 6431 of the Code.

"Regulated Chemical" means any substance, the presence of which requires investigation, permitting, control or remediation under any federal, state or local statute, regulation, ordinance or order, including without limitation:

a) any substance defined as "hazardous waste" under the Resource Conservation and Recovery Act, as amended (42 U.S.C. §6901 et seq.);

b) any substance defined as a "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. §9601 et seq.);

c) any substance defined as a "hazardous material" under the Hazardous Materials Transportation Act (49 U.S.C. §1800 et seq.);

d) any substance defined under any Texas statute analogous to (a), (b) or (c), to the extent that said statute defines any term more expansively;

e) asbestos;

f) urea formaldehyde;

g) polychlorinated biphenyls;

h) petroleum, or any distillate or fraction thereof;

i) any hazardous or toxic substance designated pursuant to the laws of the State; and

j) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created in Section 407 of the Indenture.

"Renewal and Replacement Fund Monthly Deposit" means 1/12 of $25,000, or such lesser amount as is necessary for the Renewal and Replacement Fund to equal the amount of the Renewal and Replacement Fund Requirement.

"Renewal and Replacement Fund Requirement" means $100,000, as calculated pursuant to Section 4.1(b) hereof.

"Series 2010Q Note" means the master indenture note in the form attached to the Supplemental Master Trust Indenture as Exhibit A, which is secured by the Master Indenture executed by the Company and dated the Closing Date in the principal amount of the Series 2010Q Bonds.

"Sponsoring Entity" means the Texas Public Finance Authority.

"State" means the State of Texas.

"Underwriter" means RBC Capital Markets Corporation.

(c) Certain terms, used primarily in Sections 4.5 and 5.3, are defined in those Sections.

Section 1.2 Form of Documents Delivered to Trustee. Every certificate and every Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Agreement shall include a statement that the person making such certification or opinion has read such covenant or condition and the definitions relating thereto, has made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether such covenant or condition has been complied with, and a statement whether such condition or covenant has been complied with. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, in so far as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, in so far as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments hereunder, they may, but need not, be consolidated and form one instrument.

Section 1.3 Communications. All notices, demands, certificates, requests, consents, submissions or other communications hereunder shall be given as provided in the Indenture.

Section 1.4 Term of Agreement. This Agreement shall remain in full force and effect from the date of execution and delivery hereof until the Indenture has been discharged in accordance with the provisions thereof; provided, however, that (a) the provisions of this Section and of Sections 5.1, 5.6 and 5.8 of this Agreement shall survive any expiration or termination of this Agreement and (b) in addition, if the Indenture is discharged prior to the final Maturity of the Series 2010Q Bonds, the provisions of Sections 3.6, 3.8, 4.1(c), 4.3 and 5.3 of this Agreement shall continue until the final Maturity of the Series 2010Q Bonds.

Section 1.5 Company's Approval of Bond Documents. The Bond Documents have been submitted to the Company for examination, and the Company acknowledges that, by execution of this Agreement, it has approved the Bond Documents and will perform the obligations imposed upon it under the Bond Documents.

Section 1.6 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.7 Successors and Assigns. All covenants and agreements in this Agreement by the Issuer and the Company shall bind their respective successors and assigns, whether so expressed or not. No assignment by the Issuer or the Company of this Agreement shall relieve them of their obligations hereunder.

Section 1.8 Separability Clause. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.9 Benefits of Agreement. Subject to Section 7.9 hereof, nothing in this Agreement or in the Series 2010Q Bonds, express or implied, shall give to any Person, other than the parties to the Bond Documents and their successors and assigns hereunder, the Indemnified Parties and the Holders of Series 2010Q Bonds, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 1.10 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State.

Section 1.11 Amendments. This Agreement may be amended only as provided in the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants of the Issuer. The Issuer represents, warrants and covenants that:

(a) Corporate Existence; Good Standing. The Issuer is a non-profit education finance corporation duly incorporated, organized, validly existing and in good standing under Chapter 22 of the Texas Business Organizations Code and the Act and is empowered to act on behalf of the Sponsoring Entity.

(b) Power. The Issuer has full corporate power and authority under the Constitution and laws of the State and its Organizational Documents to adopt the resolution authorizing the issuance of the Series 2010Q Bonds, to issue the Series 2010Q Bonds, to execute and deliver the Bond Documents to be executed and delivered by it and to perform its obligations under such Bond Documents.

(c) Due Authorization. The Issuer has duly adopted the resolution authorizing the issuance of the Series 2010Q Bonds and has duly authorized the execution and delivery of the Bond Documents to be executed and delivered by it.

(d) Enforceability. The Bond Documents to which the Issuer is a party and the Series 2010Q Bonds constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms (except that (i) the enforceability of such Bond Documents may be limited by bankruptcy, reorganization, insolvency, fraudulent transfer, moratorium or other similar laws of general application relating to the enforcement of creditors' rights, (ii) certain equitable remedies, including specific performance, may be unavailable and (iii) the indemnification provisions contained therein may be limited by applicable securities laws and public policy).

(e) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public board or body pending or, to the Issuer's knowledge, threatened calling into question the creation or existence of the Issuer, the validity of the Bond Documents to be executed and delivered by it, the authority of the Issuer to execute and deliver the Bond Documents to be executed and delivered by it and to perform its obligations under the Bond Documents or the title of any Person to the office held by that Person with the Issuer.

(f) Non-Contravention. The execution and delivery by the Issuer of the Bond Documents to be executed and delivered by it, and the performance of its obligations under such Bond Documents, will not violate in any respect any provision of law or regulation, or of any judgment, decree, writ, order or injunction, or of the Organizational Documents of the Issuer, and to the Issuer's knowledge, will not contravene the provisions of, or constitute a default under, or result in the creation of a lien, charge or encumbrance under, any agreement (other than the Indenture) to which the Issuer is a party or by which any of its properties constituting a part of the Trust Estate under the Indenture are bound.

(g) No Default. To the Issuer's knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute an Event of Default on the part of the Issuer.

(h) Amendments. The Issuer covenants that it will perform each of the covenants set forth in Article V of the Indenture for the benefit of the Company, and unless an Event of Default exists, will not join in any amendment of any Bond Document without the consent of the Company.

Each of the foregoing representations, warranties and covenants shall be deemed to have been made as of the date of this Agreement and again as of the Closing Date.

Section 2.2 Representations and Warranties of the Company. In addition to any other representation and warranty of the Company herein, the Company represents and warrants as follows:

(a) Corporate Existence; Good Standing; Power. The Company (i) is a non-profit corporation duly organized, validly existing and in good standing under Chapter 22 of the Texas Business Organizations Code; (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the

conduct of its business or the ownership of its properties; and (iii) has full corporate power and authority to own its properties and to conduct its business as is now being conducted.

(b) Accuracy of Information; No Misstatements. All of the documents, instruments and written information furnished by or on behalf of the Company to the Issuer or the Trustee in connection with the issuance of the Series 2010Q Bonds are true and correct in all material respects and do not omit or fail to state any material facts necessary or required to be stated therein to make the information provided not misleading.

(c) No Defaults; Non Contravention. No event of default or event which, with notice or lapse of time or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject, and which would have a material adverse effect on the Company or which would impair its ability to carry out its obligations under the Bond Documents has occurred and is continuing; neither the execution nor the delivery by the Company of the Bond Documents to which it is party, nor the consummation of any of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof or thereof, will contravene the Organizational Documents of the Company or will conflict with, in any way that is material to the Company, or result in a breach of, any of the terms, conditions or provisions of, or constitute a default under, any corporate or limited partnership restriction or any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject, or any law or any order, rule or regulation (applicable as of the date hereof to the Company) of any court, or regulatory body, administrative agency or other governmental body having jurisdiction over the Company or its properties or operations, or will result in the creation or imposition of a prohibited lien, charge or other security interest or encumbrance of any nature upon any property or asset of the Company under the terms of any such restriction, bond, debenture, note, mortgage, indenture, agreement, instrument, law, order, rule or regulation.

(d) No Litigation. Except as disclosed in writing in connection with the offering of the Series 2010Q Bonds, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened, wherein an adverse decision, ruling or finding (i) would result in any material adverse change in the condition (financial or otherwise), results of operations, business or prospects of the Company or that would materially and adversely affect the properties of the Company, or (ii) would materially and adversely affect the transactions contemplated by, or the validity or enforceability of, the Bond Documents to which it is a party.

(e) Authority for; Authorization and Enforceability of Transaction. The Company has full corporate power and authority to execute and deliver the Bond Documents to be executed by the Company and has full power and authority to perform its obligations hereunder and thereunder and engage in the transactions contemplated by the Bond Documents to be executed by it. The Bond Documents to be executed by the Company have been duly authorized, executed and delivered by the Company and each constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms (except that (i) the enforceability of such Bond Documents may be limited by bankruptcy, reorganization,

insolvency, fraudulent transfer, moratorium or other similar laws of general application relating to the enforcement of creditors' rights, (ii) certain equitable remedies, including specific performance, may be unavailable and (iii) the indemnification provisions contained therein may be limited by applicable securities laws and public policy).

(f) All Approvals. Except as otherwise disclosed in writing in connection with the offering of the Series 2010Q Bonds, no consents, approvals, authorizations or any other actions by any governmental or regulatory authority that have not been obtained or taken are or will be required for the issuance and sale of the Series 2010Q Bonds, the execution and delivery of the Bond Documents by the Company, the construction, ownership and operation of the Project or the consummation of the other transactions contemplated by the Bond Documents (except for such licenses, certificates, approvals or permits necessary for the construction of the Project for which the Company either has applied or shall apply with due diligence and which the Company expects to receive).

(g) No Conflict of Interest. No elected or appointed public official, employee, agent or representative of the Sponsoring Entity or any of its official boards, commissions or committees or any member of the Governing Body of the Issuer has any direct or indirect interest of any kind, or any right, agreement or arrangement to acquire such an interest in the Project, as owner, contractor, subcontractor, shareholder, general or limited partner, tenant or otherwise that would violate or require disclosure or other action under any law, regulation, charter or ordinance of the State or the Sponsoring Entity. All applicable state and local law requirements governing conflicts of interest and any additional conflict of interest requirements prescribed by the Secretary of the Treasury have been and will be satisfied with respect to the Series 2010Q Bonds.

(h) Representations Regarding the Project. The Company intends to construct and operate the Project during the term of this Agreement and to expend the proceeds of the Series 2010Q Bonds in the Construction Fund to pay Project Costs. In addition, the Project will be located in its entirety within the boundaries of the State. The principal amount of the Series 2010Q Bonds is based upon the Company's most reasonable estimate of financing or refinancing the Project Costs as of the date hereof, which estimates are based upon sound engineering and accounting principles. The ownership of the Project will at all time be under the exclusive control and held for the exclusive benefit of the Company. The Company has obtained or will obtain all licenses and permits necessary with respect to any acquisition, construction, reconstruction, improvement, expansion or operation, as the case may be, of the Project and all necessary approvals from any governmental bodies or agencies having jurisdiction in connection therewith.

(i) Certain Federal Tax Matters. The Company makes the following representations:

(A) Taking into account the Issue Price (as defined in Section 5.3(j) of this Agreement) of the various maturities of the Series 2010Q Bonds, the average term of the Series 2010Q Bonds does not exceed 120 percent of the average reasonably expected economic life of the Project to be financed by the Series 2010Q Bonds, weighted in proportion to the respective cost of each item comprising the property the cost of which has been or will be financed, directly or indirectly, with the Net Proceeds (as defined in

Section 5.3(j) of this Agreement) of the Series 2010Q Bonds. For purposes of the preceding sentence, the reasonably expected economic life of property shall be determined as of the later of (A) the Closing Date or (B) the date on which such property is placed in service (or expected to be placed in service). In addition, land shall not be taken into account in determining the reasonably expected economic life of property, except that, in the event 25 percent or more of the collective Net Proceeds of the Series 2010Q Bonds, directly or indirectly, have been expended for land, such land shall be treated as having an economic life of 30 years and shall be taken into account for purposes of determining the reasonably expected economic life of such property;

(B) All of the documents, instruments and written information supplied by or on behalf of the Company, which have been reasonably relied upon by Bond Counsel in rendering its opinion with respect to the qualification of the Series 2010Q Bonds as Qualified Bonds are true and correct in all material respects, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to be stated therein to make the information provided therein, in light of the circumstances under which such information was provided, not misleading.

(j) Indenture. The Indenture has been submitted to the Company for its examination, and the Company acknowledges, by execution of this Agreement, that it has reviewed the Indenture and that it accepts each of its obligations expressed or implied thereunder.

(k) Security Interests. The Company has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the collateral granted hereunder and described in Section 4.3 that ranks on a parity with or prior to the lien granted hereunder that will remain outstanding on the Closing Date. The Company has not described the collateral in a UCC financing statement that will remain effective on the Closing Date other than the UCC financing statement to be filed pursuant to Section 4.3(b) hereof. The Company will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral that ranks prior to or on a parity with the lien granted hereunder, or file any financing statement describing any such pledge assignment, lien or security interest, except as expressly permitted by the Bond Documents.

(l) Other Representations and Warranties. Any certificate with respect to factual or financial matters signed by an officer of the Company and delivered to the Issuer shall be deemed a representation and warranty by the Company as to the statements made therein.

Each of the foregoing representations and warranties shall be deemed to have been made as of the date of this Agreement.

ARTICLE III

THE PROJECT

Section 3.1 Acquisition and Construction of the Project. (a) The Company agrees to utilize the amounts in the Construction Fund to pay Project Costs and to complete the acquisition, construction, reconstruction, improvement, expansion or operation, as the case may

be, of the Project and to place in service and operate the Project as an educational facility as defined in the Act in furtherance of the public purposes of the Act. Further, the Company agrees to utilize the amounts in the Construction Fund in accordance with the limitations set forth in the Code, as set forth in Section 5.3 hereof.

(b) The Plans and Specifications for the part of the Project on each campus shall be approved prior to the commencement of construction of that part of the Project, by a duly authorized officer of the Company. The Company may make insubstantial changes in, additions to, or deletions from the Plans and Specifications and may make substantial changes in, additions to, or deletions from the Plans and Specifications only if the Project shall continue to constitute facilities of the type which may be financed by the Issuer under the Act and such changes do not adversely affect the tax status of the Series 2010Q Bonds as determined by a Favorable Opinion of Bond Counsel and any required approvals of such changes, additions, or deletions have been obtained from any governmental bodies or agencies having jurisdiction.

Section 3.2 Project Delivery Requirements. In connection with the new construction at the Project, the Company covenants to deliver to the Construction Consultant and the Bondholder Representative each of the following:

(a) Design/Build GMP Construction Contract. At or prior to the commencement of construction, a guaranteed maximum price design/build construction contract (the "Construction Contract") with a responsible general contractor under which such contractor agrees to construct the relevant facilities for a guaranteed maximum price equal to no more than the Bond Proceeds of the Series allocated to the construction of such Facilities (and estimated earnings thereon to the extent available for construction purposes).

(b) Payment and Performance Bonds. At or prior to the commencement of construction, payment and performance bonds issued by a responsible bonding company licensed to do business in the State and rated at least "A" by S&P or A.M. Best Company, Inc. in an amount not less than the guaranteed maximum price under the Construction Contract.

(c) Evidence of Building Permits. As soon as possible following the Closing Date and no later than such time as building permit is required by law, a copy of the building permit authorizing the construction of the relevant facilities.

Section 3.3 Disbursements of Bond Proceeds.

(a) Disbursements from Project Account of the Construction Fund. Pursuant to the provisions of the Indenture, there shall be deposited into the Project Account of the Construction Fund a portion of the proceeds received from the sale of the Series 2010Q Bonds. Subject to Section 406 of the Indenture, the Trustee is authorized and directed to make payments to the Company from the Project Account, as requested by the Company and approved in writing by the respective Construction Consultant, for the Company to pay third parties for amounts due and owing to such third parties with respect to any Project Costs, and also to reimburse the Company for any Project Costs paid directly by the Company, upon receipt of a requisition certificate (a "Requisition Certificate") substantially in the form attached hereto as Exhibit "B" to the Indenture. The Company shall retain copies of all Disbursement Requests, as defined in

the Indenture, until the date that is six years from the first date on which no Series 2010Q Bonds are outstanding.

(b) Disbursements from the Costs of Issuance Account of the Construction Fund. Pursuant to the provisions of the Indenture, there shall be deposited into the Cost of Issuance Account of the Construction Fund a portion of the proceeds received from the sale of the Series 2010Q Bonds. Subject to Section 405 of the Indenture, the Trustee is authorized and directed to disburse funds from the Costs of Issuance Account of the Construction Fund on or after the Closing Date for the Costs of Issuance of the Series 2010Q Bonds upon receipt of a Requisition Certificate. The Company shall retain copies of all Requisition Certificates until the date that is six years from the first date on which no Series 2010Q Bonds are Outstanding. Ninety (90) days following the Closing Date, the Costs of Issuance Account shall be closed and any funds remaining therein shall be transferred to the Project Account of the Construction Fund and made available to pay any Project Costs.

(c) The Trustee may rely fully on any Requisition Certificate delivered pursuant to this Section and shall not be required to make any investigation in connection therewith.

Section 3.4 Completion of Project if Bond Proceeds Insufficient. The Company agrees to pay all Project Costs which are not, or cannot be, paid or reimbursed from the proceeds of the Series 2010Q Bonds. The Company agrees that if, after exhaustion of the moneys in the Construction Fund established pursuant to the Indenture, the Company should pay any portion of the Project Costs, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or from any Bondholder, nor shall it be entitled, as a consequence of such unreimbursed payment, to any abatement, postponement or diminution of the amounts payable under this Agreement.

Section 3.5 Completion. Upon completion of the Project, the Company shall deliver to the Trustee an Officer's Certificate in the form of Exhibit B hereto.

Section 3.6 Modification of the Project. The Project may be altered or added to by the Company; provided, however, that the Company shall make no revision to the Project that results in the Project ceasing to (i) constitute educational facilities, as defined in the Act, or (ii) be substantially similar to the Project as approved by the Issuer; provided, further, that no revision to the Project may be made unless the Company has delivered a Favorable Opinion of Bond Counsel to the Trustee.

Section 3.7 Casualty and Condemnation. (a) In the event of any damage, destruction, condemnation or taking under the threat of condemnation with respect to the Project, the Company shall promptly engage the services of the appropriate Construction Consultant, which shall make a determination as to the amount of insurance or condemnation proceeds anticipated to result therefrom within fifteen (15) days of the occurrence of such damage, destruction, condemnation or taking.

(b) If the insurance or condemnation proceeds of any damage, destruction, condemnation or taking under the threat of condemnation with respect to the Project as determined by the Construction Consultant pursuant to paragraph (a) above are equal to or less

than $100,000, such proceeds shall be transferred to the Trustee for deposit in an Insurance Proceeds Account of the Construction Fund and shall be applied to repair, restore, modify, improve or replace the Project and shall be yield restricted if required by the Code. The Trustee is hereby directed to make payments from such Insurance Proceeds Account of the Construction Fund for such purposes or to reimburse the Company for costs paid by it in connection therewith upon receipt of a Requisition Certificate signed by an Authorized Representative of the Company and approved by the appropriate Construction Consultant in the same form as Exhibit "B" to the Indenture. Upon the earlier of (i) the 3-year period beginning on the date of issuance of the Series 2010Q Bonds or (ii) the date on which all proceeds of such Bonds and earnings thereon have been expended, any balance of the insurance or condemnation proceeds remaining after the Project has been repaired, restored or replaced to a state substantially like that prior to the event of damage, destruction or taking, as determined by the appropriate Construction Consultant, shall, upon delivery to the Trustee of a certificate executed by such Construction Consultant to such effect, be deposited to the Debt Service Fund, shall be yield restricted if required by the Code and applied to the extraordinary optional redemption of the Series 2010Q Bonds as set forth under "Extraordinary Optional Redemption—Property Loss" in the Bonds.

(c) If the insurance or condemnation proceeds of any damage, destruction, condemnation or taking under the threat of condemnation with respect to the Project as determined by the Construction Consultant pursuant to paragraph (a) above are greater than $100,000, such insurance or condemnation proceeds shall be transferred to the Trustee for deposit in the Insurance Proceeds Account of the Construction Fund for the Series 2010Q Bonds, and:

(1) The Company shall immediately request that the appropriate Construction Consultant prepare a report to determine (A) if the repair, reconstruction, restoration or replacement of the Project or a portion thereof damaged or taken is economically feasible and will restore the Project to the physical and operating condition as existed before and (B) if the Company will have sufficient funds from the insurance proceeds, business interruption insurance proceeds and other available funds to make the payments required hereunder when due, to pay the cost of repairing, reconstructing, restoring or replacing the portion of the Project affected by such loss, damage or condemnation (including without limitation architects' and attorneys' fees and expenses), to pay Company's operating costs until completion of the repair, construction or replacement of such portion of the Project which report shall be delivered to the Trustee and any Holder owning at least ten percent (10%) in aggregate principal amount of any series of Outstanding Bonds, within thirty (30) days of the occurrence of such damage, destruction, condemnation or taking. If the report determines the foregoing conditions are satisfied, then within thirty (30) days after delivery thereof, the Company shall deliver to the Trustee:

(A) cash in an amount equal to the funds, if any, in excess of insurance proceeds and business interruption insurance proceeds required by the report delivered under clause (1) above for deposit in a special separate account of the Construction Fund; and

(B) such other documents and information as the Holders of a majority of the Outstanding Bonds may reasonably require; and

the Company shall promptly proceed to repair, reconstruct and replace the affected portion of the Project, including all fixtures, furniture and equipment and effects, to its original condition to the extent possible. Each request for payment shall comply with the requirements of the Indenture in Section 406 for payments from the Construction Fund.

(2) If the Construction Consultant's report does not determine that the conditions are satisfied or fails to meet the requirements relating to repair or reconstruction or replacement in clause (1) above, the Company shall prepay the Loan and the Series 2010Q Bonds shall be redeemed as set forth in paragraph (e) below.

(d) If the insurance or condemnation proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement undertaken pursuant to this Section, the Company will nonetheless complete the work and will pay any cost in excess of the amount of the insurance or condemnation proceeds held by the Trustee. The Company agrees that if by reason of any such insufficiency of the insurance or condemnation proceeds, the Company shall make any payments pursuant to the provisions of this Section, the Company shall not be entitled to any reimbursement therefor from the Trustee or any Holder, nor shall the Company be entitled to any diminution of the amount payable hereunder.

(e) Under the circumstances set forth in subsection (c)(2) hereof, the Loan shall be paid and the Series 2010Q Bonds redeemed in full without premium and the insurance proceeds shall be transferred by the Trustee from the applicable account in the Construction Fund to the applicable account in the Debt Service Fund for such purpose. If the insurance proceeds are insufficient to redeem the Series 2010Q Bonds in full, the Company shall provide to the Trustee for deposit into the Debt Service Fund moneys which, together with the insurance proceeds, will be sufficient to redeem all of the Series 2010Q Bonds pursuant to the Extraordinary Optional Redemption provisions of the Series 2010Q Bonds. In the event that the Company has completed any repair, reconstruction or replacement of the Project after the occurrence of any damage, destruction or condemnation and there are excess insurance proceeds, such excess shall be deposited in the Debt Service Fund and applied to the redemption of all or a portion of the Series 2010Q Bonds pursuant to the Extraordinary Optional Redemption provision of the Series 2010Q Bonds.

Section 3.8 Inspection of the Project. The Company agrees that the Bondholder Representative or the Issuer and its duly authorized agents, including the Trustee, may, but have no obligation to at reasonable times as determined by the Company, enter upon the Project site and examine and inspect the Project and, upon the occurrence of an Event of Default, the books and records of the Company that relate to the Project.

Section 3.9 Maintenance and Operation. The Company undertakes to cause each item of its buildings and other facilities, including the Project, to be maintained and operated so long as the operation of each such item, in the sole judgment of the Company, is economical, lawful, and feasible and in accordance with good operating practice. The Company agrees that during the term of this Agreement it will pay all costs of operating, maintaining, and repairing its

buildings and other facilities, including the Project, and that the Issuer shall have no responsibility or liability whatsoever for operating, maintaining, or repairing its buildings and other facilities, including the Project.

Section 3.10 No Establishment and No Impairment of Religion. The Company and the Issuer intend that the Loan and all other transactions provided for in this Agreement be made in strict compliance with all applicable laws and constitutional provisions of the United States and the State. Accordingly, the Company agrees that to the full extent required from time to time by applicable laws and constitutional provisions of the United States and the State in order for the loan to the Company and all other transactions provided for in this Agreement to be made and effected in compliance with such laws and constitutional provisions: (a) no part of the Project financed in whole or in part with proceeds of the Series 2010Q Bonds shall be used for sectarian instruction or as a place of religious worship; (b) notwithstanding the payment in full of the Loan Payments and the Series 2010Q Bonds, and notwithstanding the termination of this Agreement, each such part of the Project will continue to be subject to the restrictions set out in clause (a) of this Section for so long as it is owned by the Company, or any voluntary grantee of the Company. Provided, however, that to any extent that a restriction or agreement set out in this Section shall at any time not be required in order for the loan to the Company and all other transactions provided for in this Agreement to be made and effected in compliance with applicable constitutional provisions of the United States and the State, such restriction or agreement shall, to that extent and without necessary action by any party, be without any force or effect; and provided further, that in no event shall such restriction or agreement set out in this Section be more expansive than required by an applicable constitutional provision.

Section 3.11 Issuer Relieved From Responsibility With Respect to Project. The Company and the Issuer hereby expressly acknowledge and agree that the Issuer is under no responsibility to insure, maintain, operate or repair the Project or to pay taxes with respect thereto, and the Company expressly relieves the Issuer from any such responsibility.

Section 3.12 Force Majeure. If by reason of Force Majeure the Company shall be rendered unable wholly or in part to carry out its obligations under this Article (other than its obligations to pay money contained in this Agreement), and if the Company gives notice and full particulars of such Force Majeure in writing to the Issuer and to the Trustee within a reasonable time after failure to carry out such obligations, then the obligations of the Company under this Article, so far as they are affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, including a reasonable time for removal of the effect thereof. The requirement that any Force Majeure shall be reasonably beyond the control of the Company shall be deemed to be fulfilled even though any existing or impending strike, lockout or other industrial disturbance may not be settled but could have been settled by acceding to the demand of the opposing Person. The occurrence of any Force Majeure shall not suspend or otherwise abate, and the Company shall not be relieved from, the obligation to pay the Series 2010Q Bonds and to pay any other payments required to be made by it under this Agreement at the times required. For purposes of this Section, "Force Majeure" means acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, acts or orders of any kind of the government of the United States of America, or of any state or locality thereof, or any civil or military authority, terrorist acts, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, floods, washouts, droughts, arrests, restraining

of government and people, civil disturbances, explosions, nuclear accidents, wars, breakage or accidents to machinery, transmission pipes or canals, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other cause not reasonably within the control of the party claiming such inability.

Section 3.13 Insurance. So long as the Series 2010Q Bonds remain Outstanding, the Company shall at all times keep and maintain the insurance required by Section 213 of the Master Indenture.

Section 3.14 Disposition of Project. Subject to Section 5.11 hereof and to Sections 12.128 and 45.082 of the Education Code, the Company covenants that the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Company of cash or other compensation, unless the Company delivers a Favorable Opinion of Bond Counsel to the Issuer and the Trustee. For purposes of the foregoing, the portion of the Property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation.

Section 3.15 Disbursements from the Renewal and Replacement Fund. The Issuer has, in the Indenture, authorized and directed the Trustee to make payments from the Renewal and Replacement Fund as provided in this Section. Payments shall be made from the Renewal and Replacement Fund upon receipt by the Trustee of a written requisition from an Authorized Representative of the Borrower, consented to by the Bondholder Representative where the Bondholder Representative represents the Beneficial Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, in the form set forth as Exhibit C hereto setting forth the amount and the payee for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Facilities in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment.

ARTICLE IV

PAYMENTS

Section 4.1 Loan Payments and Other Amounts Payable.

(a) To repay the Loan of the proceeds of the Series 2010Q Bonds evidenced by the Series 2010Q Note, the Company shall, subject to the limitations of Section 4.5 of this Agreement, make or cause to be made Loan Payments in immediately available funds in accordance with the Indenture and this Agreement directly to the Trustee as follows:

(i) on or before the earlier of the fifth (5th) Business Day prior to any Interest Payment Date or the 25th day of each month, in equal monthly installments, for deposit in the Interest Subaccount of the Debt Service Fund, amounts sufficient to provide for the payment of interest due on the next ensuing date for payment of such interest with respect to the Series 2010Q Bonds; and

(ii) on or before the earlier of the fifth (5th) Business Day prior to the dates set forth in Section 403(b) of the Indenture, in approximately equal annual installments, for deposit in the Sinking Fund Deposit Account, amounts which, when combined with amounts held therein and interest earnings thereon, compounded annually, shall equal, as close as is reasonably possible, but in no event shall exceed, the Sinking Fund Deposit Account Balance corresponding to the respective date set forth in Section 403(a) of the Indenture; at the stated maturity, the sum of such amounts held in the Sinking Fund Deposit Account must be adequate to pay the principal maturity amount of the Series 2010Q Bonds.

If, for any reason, amounts paid to the Trustee with respect to the Bonds, together with other moneys held by the Trustee with respect to the Bonds and then available, would not be sufficient to make payments of principal or redemption price of, and interest on, the Bonds and all other amounts due and owing under the Indenture when such payments are due, the Company will, immediately upon notice thereof, pay the amounts required to make up any such deficiency.

(b) Commencing on or before the earlier of the fifth (5^{th}) Business Day prior to the August 2011 Interest Payment Date or the 25^{th} day of August 2011, and on any Interest Payment Date thereafter upon which the Renewal and Replacement Fund is equal to an amount that is less than the Renewal and Replacement Fund Requirement, the Borrower shall pay or cause to be paid to the Trustee an amount equal to the Renewal and Replacement Fund Monthly Deposit.

(c) If, subsequent to a date on which the Company is not obligated to pay the Loan Payments (as a result of defeasance of the Series 2010Q Bonds pursuant to Section 1002 of the Indenture), losses (net of gains) shall be incurred in respect of any investments, or any other event or circumstance has occurred causing the amounts in the Debt Service Fund, together with any other amounts then held by the Trustee and available for the purpose, to be less than the amount sufficient at the time of such occurrence or other event or circumstance to pay, in accordance with the provisions of the Indenture, all principal (premium, if any) and interest on the Series 2010Q Bonds due and payable or to become due and payable, the Trustee shall notify the Company of such fact and thereafter the Company, as and when required for purposes of such Debt Service Fund, but subject to the limitations of Section 4.5 of this Agreement, shall pay to the Trustee for deposit in the Debt Service Fund the amount of any such deficiency below such sufficient amount.

(d) If the Texas Education Agency, the Texas Attorney General, the Texas Comptroller of Public Accounts, or any other agency with authority over the expenditures or safekeeping of State Revenues, notifies the Company that the Bonds do not provide benefits to all Participating Campuses sufficient to satisfy the requirements under Section 12.107, Texas Education Code, as amended, then the Company shall only provide Loan Payments from any Participating Campuses in excess of its Pro-Rata share through a loan to any other Participating Campuses that cannot pay its Pro-Rata share. Such loan shall not constitute Debt under the terms of the Master Indenture, the Indenture or any Supplement to either document, the Company shall have no duty to notify the Trustee of any such notification or loan, and the Trustee shall have no duty or responsibility to enforce this Section 4.1(d); provided, that nothing herein shall diminish or otherwise excuse performance of the payment obligations of the Company pursuant to this Loan Agreement or limit the application of Section 4.4 hereof. For

purposes of this paragraph, "Pro-Rata" means in proportion to the percentage of Bond proceeds spent on improvements to schools operated under a specific charter, such that the amount of Loan Payments made from State Revenues with respect to schools operated under a particular charter is proportional to the percentage of Bond proceeds spent on improvements to the schools operated under such charter in accordance with Section 12.107, Texas Education Code, as amended.

Section 4.2 Prepayment of Loan; Redemption of Bonds. The Company may at any time deliver money or Defeasance Obligations to the Trustee with instructions to the Trustee to hold such money or Defeasance Obligations pursuant to the Indenture in connection with a deemed payment or redemption of Series 2010Q Bonds. The Issuer agrees that, at the request at any time of the Company, it will notify the Trustee, exercise its rights and otherwise cooperate with the Company to cause the Series 2010Q Bonds or any portion thereof to be redeemed to the extent required or permitted by the Indenture. Except to the extent of any such deemed payment or any redemption of the Series 2010Q Bonds in whole or in part, neither the Loan made hereunder nor the Series 2010Q Note shall be prepayable. Any excess or unclaimed money held by the Trustee under the Indenture shall be paid by the Trustee to the Company in accordance with Article V or Article X of the Indenture, as applicable.

Section 4.3 Security Interests.

(a) As security for repayment of the Series 2010Q Note and performance of the Company's obligations under this Agreement, the Company has executed and delivered the Deed of Trust and hereby pledges, sets over, assigns and grants a security interest to the Issuer in all of the Company's right, title and interest in and to all amounts at any time deposited in the funds established pursuant to the Indenture (except the Rebate Fund), including all investments and reinvestments made with such amounts and the proceeds thereof, and in all of its rights to and interests in such amounts, investments, reinvestments and proceeds. The Company hereby authorizes and directs the Trustee to invest and disburse such amounts and proceeds in accordance with the Indenture and this Agreement. As security for repayment of the Notes and performance of the Company's obligations under this Agreement, the Company also hereby pledges, sets over, assigns and grants a security interest to the Issuer in all of the Company's right, title and interest in and to the Construction Documents. The Company represents that, under the laws of the State, (i) this Agreement creates a valid and binding lien in favor of the Issuer as security for the payment of the Series 2010Q Note, enforceable in accordance with the terms hereof; and (ii) the lien on the collateral granted hereunder, is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Company on a simple contract.

(b) The Company will (i) upon the execution and delivery of the Bond Documents and thereafter, from time to time cause any Bond Document and each amendment and supplement thereto (or financing statements or a memorandum with respect thereto or to such amendment or supplement) to be filed, registered and recorded and to be refiled, reregistered and rerecorded in such manner and in such places as may be required in order to publish notice of and fully to protect the liens, or to perfect or continue the perfection of the security interests, created thereby and (ii) to the extent permitted by applicable law, perform or cause to be performed from time to time any other act as required by law, and execute or cause to be

executed any and all instruments of further assurance that may be necessary for such publication, perfection, continuation and protection, including without limitation the delivery of legal opinions as to the perfection of any such security interests. The Company will not change or relocate its place of business (or its chief executive office if it has more than one place of business) unless it has taken all actions, and made all filings necessary to continue the effectiveness and perfection of all security interests created by the Bond Documents to which it is a party. The Trustee shall either (i) file continuation statements as may be required to maintain the perfection and priority of the security interests granted hereby and by the Bond Documents, or (ii) confirm, before the fifth anniversary of the Closing Date and every fifth anniversary thereafter, the filing of continuation statements by the Company required to maintain the perfection and priority of the security interests granted hereby and by the Bond Documents and, if necessary, make such filings as may be required to maintain the perfection and priority of the security interests granted hereby and by the Bond Documents. Notwithstanding the foregoing, the Trustee shall not be responsible for the sufficiency of or the proper recording and indexing of any financing or continuation statements.

(c) Under the Indenture, the Issuer is, as security for the Series 2010Q Bonds, pledging, assigning, transferring and granting a security interest in certain of its rights, title and interest under this Agreement to the Trustee. The Company agrees that this Agreement, and all of the rights, interests, powers, privileges and benefits accruing to or vested in the Issuer shall be protected and enforced in conformity with the Indenture and (except for the Issuer's Unassigned Rights) are being assigned by the Issuer to the Trustee as security for the Series 2010Q Bonds and may be exercised, protected and enforced solely by the Trustee for or on behalf of the Bondholders in conformity with this Agreement and the Indenture. The Trustee is hereby given the exclusive right to enforce, as assignee of the Issuer, the performance of the obligations of the Company, and the Company hereby consents to the same and agrees that the Trustee may enforce such rights as provided in this Agreement and in the Indenture. The Issuer and the Company recognize that the Trustee is a third party beneficiary of this Agreement. The Issuer hereby directs the Company to make all payments (other than payments relating to any money or rights not granted to the Trustee as part of the Trust Estate pursuant to the granting clauses in the Indenture) to the Trustee instead of to the Issuer and the Company hereby agrees to do so. All such payments shall be made in lawful money of the United States of America directly to the Trustee, as assignee of the Issuer, at the location specified by the Trustee, and shall be applied as provided in Section 4.1 of this Agreement. The Company and the Issuer further acknowledge that except for the obligation of the Trustee to credit amounts paid or recovered from this Agreement or the collateral therefor to the Issuer's debt evidenced by the Series 2010Q Bonds and except for certain rights not granted to the Trustee as part of the Trust Estate, the Issuer has no further interest in this Agreement and the Trustee shall have the exclusive right (subject to the provisions of the Indenture) to grant consents, extensions, forgiveness, and waivers, make amendments, release collateral and otherwise deal with the Company as the sole owner of this Agreement and the Trustee exclusively may start and prosecute suit hereon or otherwise take action to recover amounts owing under this Agreement without first obtaining the consent of the Issuer or without joining the Issuer as a plaintiff.

Section 4.4 Nature of Obligations of the Company. The Company agrees that its obligations to make payments hereunder shall be absolute and unconditional, irrespective of any rights of set-off, diminution, abatement, recoupment or counterclaim the Company might

otherwise have against any Person, and except in connection with a discharge of the Indenture, the Company will perform and observe all of its payment obligations and covenants, representations and warranties hereunder without suspension and will not terminate the Bond Documents to which it is a party for any cause. The Company covenants not to seek and hereby waives, to the extent permitted by applicable law, the benefits of any rights which it may have at any time to any stay or extension of time for performance or to terminate, cancel or limit its liability under the Bond Documents to which it is a party except through payment or deemed payment of the Series 2010Q Bonds as provided in such Bond Documents. The Holders of the Series 2010Q Bonds shall be entitled to rely upon the agreements and covenants in this Section regardless of the validity or enforceability of the remainder of this Agreement or any other Bond Document or agreement.

The preceding paragraph shall not be construed to release the Issuer from the performance of any of its agreements contained in this Agreement, or except to the extent provided in this Section and Section 5.1, prevent or restrict the Company from asserting any rights which it may have against the Issuer, the Trustee or any other Person under this Agreement or any of the other Bond Documents to which it is a party or under any provision of law or prevent or restrict the Company, at its own cost and expense, from prosecuting or defending any action or proceeding against or by third parties or taking any other action to secure or protect its rights in connection with the acquisition, construction, improvement, possession and use of the Project and its rights under such Bond Documents.

Section 4.5 Limitation on Interest. Notwithstanding any provision of the Bond Documents to the contrary, it is hereby agreed that in no event shall the amount of interest (as defined and calculated in accordance with applicable law) contracted for, charged, reserved, received or taken in connection with any loan made hereunder exceed the amount of interest which could have been contracted for, charged, reserved, received or taken at the Highest Lawful Rate. If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Bond Documents or otherwise contracted for, charged, reserved, received or taken in connection with any loan made hereunder, or if the Trustee's exercise of the right to accelerate the Maturity of any loan made hereunder or if any prepayment of any such loan by the Company results in there having been paid or received any interest in excess of that permitted by applicable law, then notwithstanding anything to the contrary contained in the Bond Documents, all excess amounts theretofore paid or received shall be credited on the principal balance of such loan (or, if such loan has been or would thereby be paid in full, refunded), and the provisions of this Agreement and the related Note shall immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for thereunder. All sums paid or agreed to be paid for the use, forbearance or detention of the indebtedness evidenced by any such loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the usury ceiling from time to time in effect and applicable to such indebtedness for so long as such indebtedness is outstanding (it being understood that the foregoing provisions permit the rate of interest on such loan to exceed the Highest Lawful Rate for any day as long as the total amount of interest paid on such loan from the date of initial delivery of the Series 2010Q Bonds to the date of calculation does not exceed the amount of

interest which would have been paid on such loan to the date of calculation if such loan had borne interest for such period at the Highest Lawful Rate). For purposes of this Section, "Highest Lawful Rate" means the maximum rate of nonusurious interest (determined as provided in this Agreement) applicable to each loan made to the Company under this Agreement allowed from time to time by applicable law as is now in effect or, to the extent allowed by applicable law, such higher rate as may hereafter be in effect.

Section 4.6 Fees and Expenses.

(a) Issuer. The Company agrees to pay promptly upon demand therefor all fees and costs paid, incurred or charged by the Issuer in connection with the Series 2010Q Bonds, including without limitation, (i) all out-of-pocket expenses and costs of issuance (including reasonable fees and expenses of attorneys employed by the Issuer) reasonably incurred by the Issuer in connection with the issuance of the Series 2010Q Bonds and the administration of the Bond Documents, (ii) all payments required to be paid by the Issuer with respect to the Series 2010Q Bonds, (iii) out-of-pocket expenses (including reasonable fees and expenses of attorneys employed by the Issuer) reasonably incurred by the Issuer in connection with the enforcement of any of its rights or remedies or the performance of its duties under the Bond Documents to which it is a party, and (iv) a fee of $5,000. As further set forth in Section 5.3 hereof, the Company acknowledges that Costs of Issuance paid from Proceeds of the Series 2010Q Bonds may not exceed an amount equal to 2% of the Sale Proceeds of the Series 2010Q Bonds. Any Costs of Issuance in excess of such limitation will be paid from sources other than the Proceeds of the Series 2010Q Bonds.

(b) Trustee and Paying Agent. The Company agrees to pay all costs paid, incurred or charged by the Trustee and the Paying Agent including, without limitation, (i) all fees and out-of-pocket expenses incurred with respect to services rendered under any of the Bond Documents, (ii) all amounts payable to the Trustee and the Paying Agent pursuant to Section 807 of the Indenture, and (iii) all out-of-pocket expenses (including reasonable fees and expenses of attorneys employed by the Paying Agent and the Trustee) incurred in connection with the enforcement of any rights or remedies or the performance of duties under the Bond Documents.

ARTICLE V

COVENANTS OF THE COMPANY

Section 5.1 Indemnification.

(a) Agreements to Indemnify. The Company agrees that it will at all times indemnify and hold harmless each of the Indemnified Parties against any and all Losses other than Losses resulting from fraud, willful misconduct or theft on the part of the Indemnified Party claiming indemnification. IT IS THE EXPRESS INTENTION AND AGREEMENT OF THE PARTIES THAT THE COMPANY WILL INDEMNIFY THE INDEMNIFIED PARTIES AGAINST LOSSES WHICH ARISE FROM THE NEGLIGENCE OF ANY INDEMNIFIED PARTY.

(b) Release. None of the Indemnified Parties shall be liable to the Company for, and the Company hereby releases each of them from, all liability to the Company for, all injuries,

damages or destruction to all or any part of any property owned or claimed by the Company that directly or indirectly result from, arise out of or relate to the design, construction, operation, use, occupancy, maintenance or ownership of the Project or any part thereof, even if such injuries, damages or destruction directly or indirectly result from, arise out of or relate to, in whole or in part, one or more acts or omissions of the Indemnified Parties (other than fraud, willful misconduct or theft on the part of the Indemnified Party claiming release) in connection with the issuance of the Series 2010Q Bonds or in connection with the Project.

(c) Subrogation. Each Indemnified Party, as appropriate, shall reimburse the Company for payments made by the Company pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any other source (but not from the proceeds of any claim against any other Indemnified Party) with respect to any Loss to the extent necessary to prevent a multiple recovery by such Indemnified Party with respect to such Loss. At the request and expense of the Company, each Indemnified Party shall claim or prosecute any such rights of recovery from other sources (other than any claim against another Indemnified Party) and such Indemnified Party shall assign its rights to such rights of recovery from other sources (other than any claim against another Indemnified Party), to the extent of such required reimbursement, to the Company.

(d) Notice. In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the Company, such Indemnified Party promptly shall notify the Company in writing; provided, however, that any failure so to notify shall not relieve the Company of its obligations under this Section.

(e) Defense. The Company shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the Company, in writing, (ii) the Company has failed after receipt of notice of such Claim to assume the defense and to employ counsel, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the Company, and the Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Company (in which case, if such Indemnified Party notifies the Company in writing that it elects to employ separate counsel at the Company's expense, the Company shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the Company shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Party, which firm shall be designated in writing by the Indemnified Party).

(f) Cooperation; Settlement. Each Indemnified Party shall cooperate with the Company in the defense of any action or Claim. The Company shall not be liable for any settlement of any action or Claim without the Company's consent but, if any such action or

Claim is settled with the consent of the Company or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the Company shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment to the extent provided in Subsection (a).

(g) Survival; Right to Enforce. The provisions of this Section shall survive the termination of this Agreement, and the obligations of the Company hereunder shall apply to Losses or Claims under Subsection (a) whether asserted prior to or after the termination of this Agreement. In the event of failure by the Company to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Section. The obligations of the Company under this Section shall not be affected by any assignment or other transfer by the Issuer of its rights, titles or interests under this Agreement to the Trustee pursuant to the Indenture and will continue to inure to the benefit of the Indemnified Parties after any such transfer. The provisions of this Section shall be cumulative with and in addition to any other agreement by the Company to indemnify any Indemnified Party.

(h) Trustee. The Company also agrees to indemnify the Trustee, and any of their officers, directors, employees, agents, affiliates (including without limitation, the Trustee as Paying Agent under the Indenture) or successors (collectively, the "Indemnitees"), for, and to defend and hold them harmless against, any loss, liability, claims, proceedings, suits, demands, penalties, costs and expenses, including without limitation, the costs and expenses of outside and in house counsel and experts and their staffs and all expenses of document location, duplication and shipment and of preparation to defend and defending any of the foregoing ("Losses"), that may be imposed on, incurred by or asserted against any Indemnitee in respect of (i) any loss, or damage to any property, or injury to or death of any person, asserted by or on behalf of any Person arising out of, resulting from, or in any way connected with the Project, or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Project or from the planning, design, acquisition or construction of any Project facilities or any part thereof, (ii) the issuance of the Series 2010Q Bonds or the Issuer's authority therefore; (iii) the Indenture and any instrument related thereto, (iv) the Trustee's execution, delivery and performance of the Indenture in respect of any Indemnitee except to the extent such Indemnitee's negligence or bad faith primarily caused the Loss, and (v) compliance with or attempted compliance with or reliance on any instruction or other direction upon which the Trustee may rely under the Indenture or any instrument related thereto. The Company further agrees to indemnify the Indemnitees against any Losses as a result of (1) any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made not misleading in any statement, information or material furnished by the Company to the Issuer or the Trustee, including, but not limited to any disclosure utilized in connection with the sale of the Series 2010Q Bonds or (2) the inaccuracy of the statement contained in any section of any Bond Document relating to environmental representations and warranties. The foregoing indemnification shall include, without limitation, indemnification for any statement or information concerning the Company or its officer and members or its Property contained in any official statement or other offering document furnished to the Trustee or the purchaser of any Series 2010Q Bonds that is untrue or incorrect in any material respect, and any omission from such official statement or other offering document of

any statement or information which should be contained therein for the purpose for which the same is to be used or which is necessary to make the statements therein concerning the Company, its officers and members and its Property not misleading in any material respect. The foregoing is in addition to any other rights, including rights to indemnification, to which the Trustee may otherwise be entitled.

Section 5.2 Removal of Liens. If any lien, encumbrance or charge of any kind based on any claim of any kind (including, without limitation, any claim for income, franchise or other taxes, whether federal, state or otherwise) shall be asserted or filed against the Trust Estate, or any Loan Payment paid or payable by the Company under or pursuant to this Agreement, or any order (whether or not valid) of any court shall be entered with respect to the Trust Estate, or any such Loan Payment by virtue of any claim of any kind, in any case so as to:

(a) interfere with the due payment of such amount to the Trustee or the due application of such amount by the Trustee or any Paying Agent pursuant to the applicable provisions of the Indenture,

(b) subject the Bondholders to any obligation to refund any money applied to payment of principal (premium, if any) and interest on any Bond, or

(c) result in the refusal of the Trustee or any Paying Agent to make such due application because of its reasonable determination that liability might be incurred if such due application were to be made,

then the Company will promptly take such action (including, but not limited to, the payment of money) as may be necessary to prevent, or to nullify the cause or result of, such interference, obligation or refusal, as the case may be.

Section 5.3 Tax Covenants with regard to the Series 2010Q Bonds. The Company makes the following representations, warranties and covenants with respect to the Series 2010Q Bonds:

(a) General. The Company intends for the Series 2010Q Bonds to be Qualified Bonds. The Company covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Series 2010Q Bonds to fail to qualify as Qualified Bonds. In particular, the Company covenants and agrees to comply with each requirement of this Section 5.3; provided, however, that the Company will not be required to comply with any particular requirement of Section 5.3 if the Company has received a Favorable Opinion of Bond Counsel or an opinion of Bond Counsel ("Counsel's Opinion") to the effect that compliance with some other requirement set forth in this Section 5.3 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion will constitute compliance with the corresponding requirement specified in this Section 5.3.

(b) Eligible Expenditures. One-hundred percent of the Available Project Proceeds will be used for (i) costs of the construction, rehabilitation, or repair of a public school facility including costs of the acquisition of equipment to be used in such portion or portions of the

public school facility constructed, rehabilitated or repaired with proceeds of the Series 2010Q Bonds, or (ii) for the costs of the acquisition of land on which such a facility is to be constructed with all or part of the Proceeds of the Series 2010Q Bonds.

(c) Limit on Costs of Issuance. No Proceeds in excess of 2 percent of the Sale Proceeds of the Series 2010Q Bonds will be expended to pay Costs of Issuance of the Series 2010Q Bonds.

(d) Mandatory Redemption. To the extent that less than 100% of the Available Project Proceeds of the Series 2010Q Bonds are not expended as of the last day of the three-year period beginning on the Closing Date (or if an extension of the expenditure period has been received by the Issuer for the benefit of the Company from the Secretary of the Treasury Department, before the close of the extended period) (each, an "Expenditure Period"), the Company will take all actions necessary to enable the Issuer to redeem the Bonds in accordance with the provisions of the Form of Bond in Exhibit A to the Indenture under "Special Mandatory Redemption – Excess Proceeds."

(e) Arbitrage Rebate. Except as permitted under Section 54A(d)(4) of the Code with respect to Gross Proceeds invested during the allowable Expenditure Period or under the special rule for certain reserve funds, the Company agrees to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code, including:

(i) Delivery of Documents and Money on Computation Dates. The Company will deliver to the Trustee, within 45 days after each Computation Date for the Series 2010Q Bonds,

(A) a statement, signed by an officer of the Company, stating the Rebate Amount as of such Computation Date; and

(B) (1) if such Computation Date is an Installment Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to at least 90 percent of the Rebate Amount in respect of the Series 2010Q Bonds as of such Installment Computation Date, less any prior payments made to the United States for rebatable arbitrage in respect of the Series 2010Q Bonds as set forth in Treasury Regulations Section 1.148-3(f) or (2) if such Computation Date is the Final Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund in respect of the Series 2010Q Bonds as set forth in Treasury Regulations Section 1.148-3(f), is equal to the Rebate Amount as of such Final Computation Date, less any prior payments made to the United States for rebatable arbitrage in respect of the Series 2010Q Bonds; and

(C) if a rebate amount is due and owing, an IRS Form 8038-T completed as of such Computation Date.

(ii) Correction of Underpayment. If the Company discovers or is notified as of any date that any payment paid to the United States Treasury pursuant to the Indenture

of an amount described in Section 5.3(c) above has failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such failure is due to any default by the Company, the Issuer, or the Trustee), the Company will (1) pay to the Trustee (for deposit to the Rebate Fund) and cause the Trustee to pay to the United States Treasury from the Rebate Fund the Rebate Amount, together with any penalty and/or interest due, as specified in Section 1.148-3(h) of the Regulations, within 175 days after any discovery or notice and (2) deliver to the Trustee an IRS Form 8038-T completed as of such date. If such Rebate Amount, together with any penalty and/or interest due, is not paid to the United States Treasury in the amount and manner and by the time specified in the Regulations the Company will take such steps as are necessary to prevent the Series 2010Q Bonds from becoming "arbitrage bonds," within the meaning of Section 148 of the Code. Additionally, the Company agrees that if at any point the Rebate Fund incurs losses from investment, the Company will repay amounts equaling such losses into the Rebate Fund.

(iii) Records. The Company will retain all of its accounting records relating to the accounts and subaccounts within the Debt Service Fund, the Construction Fund and the Rebate Fund, including all accounts and subaccounts therein, and the investment and expenditure of the Proceeds of the Series 2010Q Bonds and all calculations made in preparing the statements described in this Section 5.3(c) for at least six years after the later of the final Maturity of the Series 2010Q Bonds or the first date on which no Series 2010Q Bonds are Outstanding.

(iv) Fees and Expenses. The Company agrees to pay all of the fees and expenses of Bond Counsel, a certified public accountant and any other necessary consultant employed by the Company, the Trustee or the Issuer in connection with computing the Rebate Amount.

(v) No Diversion of Rebatable Arbitrage. The Company will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any Person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Series 2010Q Bonds that is not purchased at fair market value or includes terms that the Company would not have included if the Series 2010Q Bonds were not subject to Section 148(f) of the Code.

(vi) Modification of Requirements. If, at any time during the term of this Agreement, the Issuer, the Trustee, or the Company desires to take any action that would otherwise be prohibited by the terms of this Section, such Person shall be permitted to take such action if it will first obtain and provide to the other Persons named herein a Favorable Opinion of Bond Counsel.

(vii) Rebate Analyst. The Company will hire a Rebate Analyst to perform the calculations required in this Section 5.3(e); provided, however, this shall not absolve the Company of any of the covenants of this Section 5.3(e).

(f) Yield on Investment of Gross Proceeds. The Company will restrict the cumulative, blended Yield on the investment of the Gross Proceeds of the Series 2010Q Bonds,

to the Yield of such issue, other than amounts (i) not subject to yield restriction due to any applicable temporary period under Section 148(c) of the Code, deposited in a reasonably required reserve or replacement fund (as defined in the Code and Treasury Regulation), the Rebate Fund, a bona fide debt service fund (including the Debt Service Fund), or as a minor portion, (ii) invested during the Expenditure Period or (iii) invested in a reserve fund described in Section 54A(d)(4)(C).

(g) No Arbitrage. The Company will not use or invest the Proceeds of the Series 2010Q Bonds such that the Series 2010Q Bonds become "arbitrage bonds" within the meaning of Section 148 of the Code, and as evidence of this intent, a representative of the Company has reviewed the No-Arbitrage Certificate prepared in connection with the Series 2010Q Bonds and the Company understands, and will take (or request the Trustee or the Issuer to take), the actions described therein.

(h) Information Reporting. The Company covenants and agrees to provide the Issuer with the information necessary to enable the Issuer to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Series 2010Q Bonds are issued, an information statement concerning the Series 2010Q Bonds, all under and in accordance with Notice 201--35, 2010-19 IRB 660, Section 54A(d)(3), section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(i) Continuing Obligation. Notwithstanding any other provision of this Loan Agreement, the Company's obligations under the covenants and provisions of this Section 5.3 and shall survive the payment of the Series 2010Q Bonds. The Company covenants and agrees that the Company will execute and deliver such certifications and representations as are determined by Bond Counsel to be required to qualify the Series 2010Q Bonds as Qualified Bonds, and the President, Vice President, Secretary or Assistant Secretary of the Board and any other appropriate officers, agents and representatives of the Company are hereby authorized and directed to execute and deliver such certifications and representations.

(j) Definitions. The following terms have the meanings assigned to them below whenever they are used in this Agreement:

"Available Project Proceeds" means (a) Sale Proceeds less Costs of Issuance financed by the Series 2010Q Bonds (to the extent that such costs do not exceed 2 percent of the Sale Proceeds of the Series 2010Q Bonds) plus (b) Investment Proceeds of the amounts described in (a).

"Bond Year" means, with respect to the Series 2010Q Bonds, each one-year period (or shorter period from the Closing Date) that ends at the close of business on the day selected by the Company. The first and last Bond Years may be short periods. If no day is selected by the Company before the earlier of the final Maturity of the Series 2010Q Bonds or the date that is five years after the Closing Date, Bond Years end on each anniversary of the Closing Date and on the date of final Maturity. Unless notified in writing to the contrary, the Trustee may conclusively presume that Bond Years end on each anniversary of the Closing Date and the date of final maturity.

"Computation Date" means each Installment Computation Date and the Final Computation Date.

"Costs of Issuance" means issuance costs with respect to the Series 2010Q Bonds within the meaning of Section 147(g) of the Code, as further described in Section 1.150-1(b) of the Regulations.

"Final Computation Date" means the final Maturity date of the Series 2010Q Bonds.

"Gross Proceeds" means any Proceeds and Replacement Proceeds of the Series 2010Q Bonds.

"Installment Computation Date" means the last day of the fifth and each succeeding fifth Bond Year.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds.

"Investment Property" means (i) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code), (ii) any obligation, (iii) any annuity contract, (iv) any investment-type property, or (v) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

"Issue Price" means, with respect to the Series 2010Q Bonds, "issue price" as defined in Sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the aggregate initial offering price to the public (excluding bond houses, brokers and other intermediaries acting in the capacity of wholesalers or underwriters) at which a substantial number of each Maturity of the Series 2010Q Bonds is sold.

"Net Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Series 2010Q Bonds.

"Nonpurpose Investments" means Investment Property acquired with the Gross Proceeds of the Series 2010Q Bonds.

"Proceeds" means, any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Series 2010Q Bonds.

"Rebate Amount" has the meaning ascribed in Section 1.148-3 of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments, all as determined in accordance with Section 1.148-3 of the Regulations.

"Rebate Analyst" means an independent certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution, experienced in making the arbitrage and rebate calculations required pursuant to Section 148(f) of the Code, selected,

retained and compensated by the Company pursuant to this Section 5.3(g) to make the computations and give the directions required under Section 405 of the Indenture.

"Replacement Proceeds" has the meaning set forth in Section 1.148-1(c) of the Regulations.

"Sale Proceeds" means, any amounts actually or constructively received from the sale (or other disposition) of any Series 2010Q Bond, including amounts used to pay underwriters' discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include, but are not limited to, certain amounts derived from the sale of a right that is associated with any Series 2010Q Bond, as described in Section 1.148-4(b)(4) of the Regulations, and certain amounts received upon termination of certain hedges, as described in Section 1.148-4(h)(5) of the Regulations.

"Temporary Period Issue" means the Series 2010Q Bonds that meet either the six-month exception or the 18-month exception set forth in Section 1.148-7 of the Regulations.

"Transferred Proceeds" means transferred proceeds, as defined in section 1.148-9 of the Regulations.

"Yield" of (i) the Series 2010Q Bonds has the meaning set forth in Section 1.148-4 of the Regulations and of (ii) any investment has the meaning set forth in Section 1.148-5 of the Regulations.

Section 5.4 Financial Reports; No Default Certificates; Notice of Default.

(a) The Company shall cause an annual audit of its books and accounts to be made by independent certified public accountants and delivered to it within 120 days after the end of each Fiscal Year of the Company. At the same time said audit report is delivered to the Company, the Company shall deliver to the Trustee, the Bondholder Representative and the Underwriter a copy thereof, a copy of the management letter of such accountants and a certificate signed by the Chief Executive Officer or President of the Governing Body of the Company stating that such person has reviewed the obligations of the Company under the Agreement, the Deed of Trust, the Series 2010Q Note, the Master Indenture and the Indenture and the performance of the Company hereunder and thereunder, and has consulted with such officers and employees of the Company as he deemed appropriate and necessary for the purpose of delivering such certificate, and based on such review and consultation, no Event of Default and no event which, with the giving of notice or the passage of time or both, would constitute an Event of Default has occurred and is continuing under the aforementioned documents. The Trustee shall have no duty to examine or independently verify any such audit reports or the matters described in any such certificate other than to examine the certificate for compliance with the required statements therein, and shall have no duty to furnish such audits to any third party. The Company shall also, promptly upon receiving notice thereof, notify the Issuer and the Trustee in writing upon the occurrence of an Event of Default or any event which with the giving of notice or the passage of time or both would constitute an Event of Default hereunder or under the Series 2010Q Note, the Master Indenture or the Indenture.

(b) Within 45 days after the end of each of the first three calendar quarters of each Fiscal Year, the Company shall deliver to the Trustee, the Bondholder Representative and the Underwriter a certificate signed by the Superintendent or President of the Governing Body of the Company stating that such person has reviewed the obligations of the Company under the Agreement, the Deed of Trust, the Series 2010A Note, the Master Indenture and the Indenture and the performance of the Company hereunder and thereunder, and has consulted with such officers and employees of the Company as he or she deemed appropriate and necessary for the purpose of delivering such certificate, and based on such review and consultation, no Event of Default and no event which, with the giving of notice or the passage of time or both, would constitute an Event of Default has occurred and is continuing under the aforementioned documents.

(c) Within 120 days of the end of each Fiscal Year, the Company shall deliver to the Trustee, the Bondholder Representative and the Underwriter a copy of its annual budget for the upcoming year.

(d) Within 30 days after being informed of its annual Adequate Yearly Progress status, the Company shall provide a report of same to the Bondholder Representative.

(e) Within 30 days after filing its annual Governance Report with the Texas Education Agency, the Company shall provide a copy of such report to the Bondholder Representative.

Section 5.5 Further Assurances and Corrective Instruments; Recordation. The Issuer and the Company agree that they will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of this Agreement and the Indenture.

The Company covenants that it will act and cooperate so that this Agreement, the Indenture, any financing statements, and all supplements thereto, and any other instruments as may be required from time to time to be kept, will be recorded and filed in such manner and in such places as may from time to time be required by law in order fully to preserve and protect the security of the Holders and the rights of the Trustee under the Indenture.

Section 5.6 Environmental Indemnity. The Company hereby agrees to indemnify and hold harmless the Master Trustee, the Trustee, the Issuer and their successors, assigns, officers, affiliates and employees (collectively referred to in this Section as the "Indemnified Parties") for, from and against any and all loss, costs, damages, exemplary damages, natural resources damages, liens, and expenses (including, but not limited to, attorneys' fees and any and all other costs incurred in the investigation, defense and settlement of claims) (as used in this Section collectively, "Losses") that Indemnified Parties may incur as a result of or in connection with the assertion against Indemnified Parties, of any claim, civil, criminal or administrative, which:

(a) arises out of the actual, alleged or threatened discharge, dispersal, release, storage, treatment, generation, disposal or escape of any Regulated Chemical, including, but not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to,

smoke, vapor, soot, fumes, acids, alkalis, chemicals, medical waste and waste (including materials to be recycled, reconditioned or reclaimed); or

(b) actually or allegedly arises out of the use of any Regulated Chemical, the existence or failure to detect the existence or proportion of any Regulated Chemical in the soil, air, surface water or groundwater, or the performance or failure to perform the abatement or removal of any Regulated Chemical or of any soil, water, surface water or groundwater containing any Regulated Chemical; or

(c) arises out of the actual or alleged existence of any Regulated Chemical on, in, under, or affecting all or a portion of the Project; or

(d) arises out of any misrepresentations of the Company concerning any matter involving Regulated Chemicals; or

(e) arises out of the Company's failure to provide all information, make all submissions and filings, and take all steps required by appropriate government authority under any applicable environmental law, regulation, statute or program, whether federal, state or local, whether currently existing or hereinafter enacted.

The obligations under this Section shall not be affected by any investigation by or on behalf of Indemnified Parties, or by any information which Indemnified Parties may have or obtain with respect thereto.

Notwithstanding anything to the contrary contained in this Section, no indemnification shall be required for any damages under this Section incurred solely as the result of the gross negligence or willful misconduct of the party seeking indemnification.

The indemnification of the Indemnified Parties as provided in this Section shall remain in full force and effect if any such Losses directly or indirectly results from, arises out of, or relates to, or is asserted to have resulted from arisen out of or related to, the sole or contributory negligence of any of the Indemnified Parties.

Section 5.7 Continuing Disclosure Undertaking.

(a) Annual Reports. The Company shall provide annually to the MSRB, within six months after the end of each Fiscal Year, financial information and operating data with respect to the Company of the general type included in the final Official Statement in Appendix A and Appendix G and under the headings "THE BORROWER" and "FINANCIAL AND OPERATIONS INFORMATION." The information will include the annual financial statements of the Company. The financial statements so to be provided shall be (1) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the Company may be required to employ from time to time pursuant to State law or regulation and (2) audited, if the Company commissions an audit and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Company shall provide unaudited

financial statements within such six month period to the MSRB, and audited financial statements if and when and if the audit report on such statements becomes available.

If the Company changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Company otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by reference to other publicly available documents, as permitted by the Rule.

(b) Material Event Notices. The Company shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

A Principal and interest payment delinquencies;
B. Non-payment related defaults;
C. Unscheduled draws on debt service reserves reflecting financial difficulties;
D. Unscheduled draws on credit enhancements reflecting financial difficulties;
E. Substitution of credit or liquidity providers, or their failure to perform;
F. Adverse tax opinions or events affecting the tax status of the Series 2010Q Bonds;
G. Modifications to rights of holders of the Bonds;
H. Bond calls;
I. Defeasances;
J. Release, substitution, or sale of property securing repayment of the Bonds; and
K. Rating changes.

The Company shall notify the MSRB, in a timely manner, of any failure by the Company to provide financial information or operating data in accordance with Section 5.7(a) of this Agreement by the time required by such Section.

(c) Periodic Reports. The Company shall deliver to the Trustee, the Bondholder Representative and the MSRB, within 30 days after the end of each calendar quarter commencing September 30, 2010, copies of (i) the unaudited financial reports customarily prepared for and provided to the Board of the Company during such calendar quarter; (ii) the most recent enrollment and attendance reports submitted to the Texas Education Agency; and (iii) a report of the average days' cash on hand for the preceding quarter.

(d) Limitations, Disclaimers, and Amendments. The Company shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Company remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Company in any event will give notice of any deposit made in accordance with Texas law that causes Bonds no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Company

undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Company's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Company does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE COMPANY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE COMPANY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Company in observing or performing its obligations under this Section shall comprise a breach of or default under this Agreement for purposes of any other provision of this Agreement.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Company under federal and state securities laws.

The provisions of this Section may be amended by the Company from time to time to adopt to changed circumstances that arise from a change in legal requirements, change in law, or change in the identity, nature, status or type of operations of the Company, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to such amendment, or (b) a person unaffiliated with the Company (such as nationally recognized bond counsel), determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If any such amendment is made, the Company will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

Section 5.8 Existence of the Company. While any of the Series 2010Q Bonds remain Outstanding, the Company shall maintain its corporate existence and qualification to do business in the State, and, if different, the state of the Company's incorporation, and shall not merge or consolidate with any other corporation or entity or sell or dispose of all or substantially all of its assets, unless (and subject to the provisions of Sections 3.14 and 5.3) (a) either the Company shall be the surviving corporation in the case of a merger, or the surviving, resulting, or transferee corporation, as the case may be, shall expressly and unconditionally assume, in a written instrument delivered to the Issuer and the Trustee, the punctual performance and

observance of all of the covenants and conditions of this Agreement to be performed by the Company; (b) the Company or such surviving, resulting, or transferee corporation, as the case may be, shall not, immediately after such merger or consolidation, or sale or disposition, be in default in the performance of any covenant or condition hereunder; (c) the surviving, resulting, or transferee corporation, as the case may be, shall be duly authorized to transact business in the State; (d) the Company or such surviving, resulting, or transferee corporation, as the case may be, shall have a net worth at least equal to the net worth of the Company immediately preceding such merger or consolidation, or sale or disposition, with net worth being determined in accordance with generally accepted accounting principles; and (e) the Trustee shall have received, to its reasonable satisfaction, such other information, documents, certificates and opinions as the Trustee may reasonably require. Prior to the consummation of any such merger, sale, conveyance or transfer, (y) the Company shall deliver to the Issuer and the Trustee a Favorable Opinion of Bond Counsel and an Opinion of Bond Counsel to the effect that such act does not violate the Act or the Code and (z) the surviving, resulting, or transferee entity's certification to the Issuer and the Trustee to the effect that each of the conditions stated in clauses (a) through (e) of the preceding sentence is and will remain satisfied as of the date of such consummation and that such consummation will not cause any such condition to not be satisfied. Furthermore, the Company or any surviving, resulting or transferee corporation shall, at all times during the term of this Agreement, qualify as an "accredited primary or secondary school" or "authorized charter school" as such terms are defined in Section 53.02, Texas Education Code.

Section 5.9 Debt Service Coverage Ratio. Available Revenues for each Fiscal Year (without excluding any Discretionary Expenses actually incurred in such Fiscal Year) must be equal to at least 1.20x the Maximum Annual Debt Service of the Company calculated as of the end of the first Fiscal Year after the date of issuance of the Series 2010Q Bonds and thereafter as of the end of each Fiscal Year until the Series 2010Q Bonds have been paid in full. The Company's failure to achieve the required Debt Service Coverage Ratio does not constitute an Event of Default if the Company timely engages (within thirty (30) days of submittal of the certificate describing such circumstance or, if such certificate is not timely submitted, within thirty (30) days of the date such certificate was required to be submitted) an Independent Management Consultant, which such consultant timely prepares (within forty-five (45) days of engagement) a report (to be delivered to the Company and the Trustee) with recommendations for meeting the required debt service coverage ratio and the Company, to the extent legally permissible, implements, within thirty (30) days of receipt of such recommendation, the consultant's recommendations. If the Company fails to achieve the required Debt Service Coverage Ratio for two consecutive quarters, the Company shall engage an Independent Management Consultant unless such engagement is waived in writing by the Bondholder Representative. Notwithstanding the foregoing, if the Debt Service Coverage Ratio falls below 1.0x of the Maximum Annual Debt Service of the Company, it shall constitute an Event of Default hereunder. The Company shall provide to the Trustee, the Bondholder Representative and the Underwriter a report of its compliance with the Debt Service Coverage Ratio requirements of this section within 45 day of the close of each of the first three fiscal quarters of each Fiscal Year and within 120 days after the end of each Fiscal Year.

Section 5.10 Negative Pledge. The Company shall not create or allow any liens to exist on any of its plant, property or equipment included in the Deed of Trust, except as permitted by the Deed of Trust, including, without limitation, any mortgage or other lien on the property

comprising the Company's Participating Campuses (except in connection with the issuance of additional Debt for such campuses and provided that any such mortgage or other lien on these campuses shall secure the Series 2010Q Bonds in addition to such additional Debt).

Section 5.11 Disposition of Assets.

(a) Property Plant and Equipment ("PP&E"). Except as permitted by subsection (c) below, no PP&E of the Company may be sold or otherwise disposed of unless (i) the PP&E is obsolete or worn out or (ii) fair market value is received in return or (iii) the aggregate market value of all PP&E disposed of in any fiscal year does not exceed $4,000, and such disposition must comply with the requirements of Section 45.082, Texas Education Code.

(b) Cash, Investments and Other Current Assets ("Liquid Assets"). Except as permitted by subsection (c) below, no Liquid Assets of the Company may be sold or otherwise disposed of unless (i) fair market value is received in return or (ii) the total market value of Liquid Assets disposed of in any fiscal year does not exceed one percent (1%) of all Liquid Assets of the Company.

(c) Permitted Asset Transfers. The Company may transfer assets upon the delivery of a (i) certificate of an Independent Management Consultant demonstrating that the Debt Service Coverage Ratio would have been 1.20x if such transfer had occurred on the first day of the Company's most recent Fiscal Year based on the Company's most recent audited financial statements or (ii) an Independent Management Consultant's report demonstrating that the Company's Debt Service Coverage Ratio for the two Fiscal Years following such transfer is projected to be at least 1.5x.

Section 5.12 Special Covenants. The Company further covenants as follows:

(a) Continuation of Operation in Event of Casualty. In the event of any damage to or destruction of the Participating Campuses or any part thereof by fire, lightning, vandalism, malicious mischief and extended coverage perils, the Company shall make all diligent and reasonable efforts to continue operation in such a manner that will ensure continuation of State Payments or shall provide notice to the Bondholder Representative of an event of casualty and shall obtain or use other financing resources reasonably available to it to continue operation and ensure due and timely payment of the Loan Payments.

(b) Avoiding Conflicts of Interest. The parties to this Loan Agreement acknowledge that certain members of the Board of Directors of the Company, their family members and/or their companies are employees of and/or consultants to the charter school(s) owned and/or operated by the Company. In order to avoid any actual or potential conflict of interest or appearance of impropriety, the Company hereby agrees that during the term of this Loan Agreement and for so long as the Bonds are Outstanding under the Indenture that the Board of Directors of the Company shall not, without the prior written approval of the Bondholder Representative, (i) execute any new contract for employment for any member of the Board of Directors of the Company or any family member of a member of the Board of Directors, (ii) execute any new contract to engage a company in which any member of the Board of Directors of the Company or employee of the Company has a financial interest to provide services to the

Company or any charter school owned or operated by the Company and (iii) modify, extend, amend, supplement or renew any existing contract which would be prohibited by clauses (i) or (ii) of this subsection 5.12(b).

(c) Change Orders. The Company agrees that construction change orders including aggregate increases in Costs of the Project of $75,000 or more require the Bondholder Representative's prior written approval.

(d) Management Following Event of Default. Following the occurrence of an Event of Default, and subject to laws and regulations of the State, including without limitation the Act and the State laws governing corporations, the Company agrees to use good faith efforts to follow the reasonable recommendations of a management consultant retained by the Bondholder Representative until the earlier of such time as (i) the Event of Default has been cured or (ii) the Bondholder Representative determines such management consultant is no longer needed.

(e) Asbestos Abatement. The Company agrees to complete the asbestos abatement procedures with regard to the real property located at 1099 South Sherman Street recommended in the Asbestos-Containing Building Materials Inspection Report dated April 28, 2010.

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

Section 6.1 Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Events of Default" shall mean, whenever used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay the Loan Payments when due and continuance of such failure for a period of 30 days, unless the due date for such Loan Payment falls on an Interest Payment Date, in which case there shall be no 30-day cure period.

(b) Any representation or warranty made or deemed made by the Company under the Bond Documents shall be false, misleading or erroneous in any material respect when made or deemed made, or a failure by the Company to observe and perform any covenant, condition, or agreement on its part to be observed or performed under this Agreement or the Indenture, other than as referred to in subsection (a) of this Section, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee.

(c) The occurrence and continuance of any "Events of Default" specified in the Bond Documents or the Master Indenture that has not been waived.

The foregoing provisions of this Section (except Subsection (a) of this Section or a default under any other payment obligation of the Company hereunder) are subject to the following limitations: If by reason of force majeure the Company is unable in whole or in part to carry out its agreements contained herein, other than the obligations on the part of the Company to make Loan Payments or other payments due hereunder, the Company shall not be deemed in

default during the continuance of such inability. The Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements by reason of such force majeure.

Section 6.2 Remedies Upon An Event of Default. Whenever any Event of Default shall have happened and be continuing, the Issuer, or the Trustee as assignee of the Issuer, may, subject to Article VIII of the Indenture, take any one or more of the following remedial steps:

(a) From time to time, may take whatever action at law or in equity or under the terms of the Bond Documents as necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the Company under this Agreement or any other Bond Document.

(b) From time to time take whatever actions at law or in equity as necessary or desirable to enforce the obligations of the Company under Sections 5.1 and 6.6 hereof.

Section 6.3 No Remedy to be Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

Section 6.4 No Additional Waiver Implied by One Waiver. In the event any provision, covenant, or agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 6.5 Remedial Rights Assigned to the Trustee. Such rights and remedies as are given the Issuer hereunder (except the Issuer's rights under Sections 5.1 and 6.6 hereof) shall upon execution and delivery of the Indenture be assigned to the Trustee, and the Trustee shall have the right to exercise such rights and remedies, without the joinder or consent of the Issuer, in the same manner and under the limitations and conditions that the Trustee is entitled to exercise rights and remedies under the Indenture.

Section 6.6 Agreement to Pay Attorney's Fees and Expenses. If the Company should default under any of the provisions of this Agreement and as a consequence the Issuer and/or the Trustee should employ attorneys or incur other expenses for the collection for amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company contained in this Agreement, the Company agrees that it will on demand therefor reimburse the Issuer and/or the Trustee for the reasonable fees of such attorneys and such other reasonable expenses so incurred. When the Trustee or the Issuer incurs expenses, attorneys' fees, or renders services after an Event of Default specified in Section 601(c) or (d) of the Master Indenture occurs that is related to the dissolution or liquidation by the Company or

the filing by the Company of a voluntary petition for relief, or the entry of an order or decree for relief in an involuntary case, or the entry of an order or decree for dissolution, liquidation or winding up of the affairs of the Company under any applicable bankruptcy, insolvency, or similar law, the expenses, attorneys' fees and compensation for the services are intended to constitute post-petition expenses of administration under any bankruptcy law.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Severability of Provisions of this Agreement. In the event any provision of this Agreement shall be held invalid or unenforceable by any court or competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7.2 Execution of this Agreement in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.3 Captions and Preambles. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement. The preambles hereto are hereby incorporated herein and made a part of this Agreement for all purposes.

Section 7.4 No Pecuniary Liability of the Issuer. No provision, covenant, or agreement contained in this Agreement or breach thereof shall constitute or give rise to any pecuniary liability on the part of the Issuer or any charge upon its general credit. In making such provisions, covenants, or agreements, the Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided. It is recognized that the Issuer's only source of funds with which to carry out its commitments under this Agreement will be from the proceeds of the sale of the Series 2010Q Bonds and payments to be made by the Company hereunder; and it is expressly agreed that the Issuer shall have no liability, obligation, or responsibility with respect to this Agreement or the Project except to the extent of funds available from such Bond proceeds and payments to be made by the Company hereunder.

Section 7.5 Payment to the Issuer. The Company agrees to pay directly to the Issuer all fees required to be paid by the Company under the Issuer's regulations as in effect as of the date hereof (which is currently $25,000), costs of issuance reasonably incurred by the Issuer in connection with the issuance of the Series 2010Q Bonds, and other expenses, if any, incurred from time to time by the Issuer in connection with the Project or the Series 2010Q Bonds.

Section 7.6 Status of the Parties' Relationship. Nothing in this Agreement shall be construed to make either party the partner or joint venturer of or with the other party.

Section 7.7 Governing Law. The validity, interpretation, and performance of this Agreement shall be governed by the laws of the State.

Section 7.8 Final Agreement. THIS WRITTEN AGREEMENT AND THE OTHER BOND DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 7.9 Third Party Beneficiary. The parties hereto expressly recognize that the Master Trustee and the Trustee are third party beneficiaries to this Agreement and may enforce any right, remedy, or claim conferred, given or granted hereunder.

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be signed in their behalf by their duly authorized representatives as of the date set forth above.

TEXAS PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL FINANCE CORPORATION

By:_____
President

[Remainder of page intentionally left blank]

EVOLUTION ACADEMY

By:_____
Cynthia Trigg, Chief Executive Officer

EXHIBIT A

TO

LOAN AGREEMENT

The Project consists of the following "educational facilities" (as defined in the Higher Education Authority Development Act):

- financing certain costs for site improvements, design, construction, renovation, and/or equipment of educational facilities at the campus located at 1099 S. Sherman, Richardson, Texas 75081, including the construction, renovation and rehabilitation of an approximately 22,050 square foot building to include an auditorium, a dropout prevention center with a science center and math and reading labs, and a commercial kitchen, all of which will be used for educational purposes (the "Project");

- refinancing a loan in the original principal amount of $2,500,000, the proceeds of which were used for the acquisition and renovation of the school's campus located at 1101 S. Sherman, Richardson, Texas 75081;

- refinancing a loan in the original principal amount of $900,000, the proceeds of which were used for the acquisition of the school's campus located at 1099 S. Sherman, Richardson, Texas 75081; and

- paying a portion of the costs of issuance of the Bonds.

EXHIBIT B

FORM OF COMPLETION CERTIFICATE

_____, 20___

Wells Fargo Bank, National Association, as Trustee
1445 Ross Avenue
2nd Floor
MAC T5303-022
Dallas, Texas 75202
Attention: Corporate Trust

Re: $1,225,000 Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay) (the "Bonds").

Ladies and Gentlemen:

The undersigned, being the owner of the Project, as defined in that certain Loan Agreement dated as of October 1, 2010 (the "Loan Agreement') by and among the undersigned and the Issuer hereby certifies to Wells Fargo Bank, National Association, as trustee (the "Trustee") that "Completion" of the Project on the _____ Campus has been attained as of the date hereof and all conditions relating thereto as set forth below have been satisfied. Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Loan Agreement.

The undersigned hereby represents and warrants that:

1. that as of that date all Project Costs payable with respect to the Project have been paid;

2. the amount from the Construction Fund expended for Project Costs relating to the Project totaled $_____;

3. not less than 100 percent of the Available Project Proceeds (as defined in Section 54A(e)(4) of the Code) of the Series 2010Q Bonds were used for the Series 2010Q Project.

4. Costs of Issuance paid with Proceeds of the Series 2010Q Bonds did not exceed an amount equal to 2 percent of the Sale Proceeds of the Series 2010Q Bonds.

EVOLUTION ACADEMY

By:_____
Authorized Representative

APPROVED BY:

_____
as Construction Consultant for the
_____ Campus

By:_____
Authorized Representative

EXHIBIT C

FORM OF RENEWAL AND REPLACEMENT FUND REQUISITION

_____, 20___

Wells Fargo Bank, National Association, as Trustee
1445 Ross Avenue
2nd Floor
MAC T5303-022
Dallas, Texas 75202
Attention: Corporate Trust

Re: $1,225,000 Public Finance Authority Charter School Finance Corporation (Evolution Academy Charter School) Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds – Direct Pay) (the "Bonds").

Ladies and Gentlemen:

The undersigned, an authorized representative of Evolution Academy (the "Academy") hereby requests a disbursement to _____ of $_____ from the Renewal and Replacement Fund established under the Trust Indenture and Security Agreement executed in connection with the Bonds and certifies to the Trustee that such amount is required to (a) pay all or any portion of the Academy's Budgeted Expenses due to the failure of the State to remit State Payments or a portion thereof to the Academy or (b) pay expenses in excess of Budgeted Expenses anticipated for the Academy. If the Renewal and Replacement Fund is being used pursuant to (a) above, the undersigned certifies that such use will not cause the Academy to use the Renewal and Replacement Fund for such purposes more than twice this Fiscal Year nor in any two consecutive months. The undersigned acknowledges and agrees that, subsequent to such disbursement, the Renewal and Replacement Fund will be replenished in accordance with the requirements of Section 4.07 of the Indenture.

Dated: _____

EVOLUTION ACADEMY

By:_____

If applicable, the Bondholder Representative (as defined in the Indenture), hereby authorizes the Trustee to make a disbursement from the Repair and Replacement Fund on the above-referenced Facilities in the amount of $_____.

_____

By:_____
Name:_____
Title:_____

APPENDIX G

CAMPUS DATA

TABLE 1 – RESIDENT DISTRICTS

The below chart reflects the area independent school districts in which Evolution Academy Charter School students came from over the past year.

District Name	No. of 2 or More Mile Students
ALLEN	6
FRISCO	10
MCKINNEY	10
PLANO	192
WYLIE	11
CARROLTON- FB	0
DALLAS	143
DESOTO	1
GARLAND	50
GRAND PRAIRIE	0
IRVING	0
LANCANSTER	1
MESQUITE	10
RICHARDSON	241

TABLE 2 –WAITING LIST BY GRADE FOR 2009-2010

Evolution Academy Charter School's academic accomplishment has generated substantial interest from prospective students. As of May 28, 2010, there were 70 prospective students on the School's waiting list.

Grade	# of Students
Ninth	10
Tenth	10
Eleventh	40
Twelfth	10
TOTAL	70

TABLE 3 – AREA CHARTER SCHOOLS

Other Area Charter Schools

Coppell

Universal Academy - Flower Mound

Dallas

A+ Academy
Academy of Dallas
AW Brown-Fellowship Charter School
Children First Elementary Academy (The)
Dallas Can! Academy Live Oak
Dallas Can! Academy Oak Cliff
Dallas County Juvenile Justice Charter School
Eagle Advantage Charter School
Faith Family Academy of Oak Cliff
Focus Learning Academy
Gateway Charter Academy
Golden Rule Charter School
Harmony Science Academy - Dallas
Honors Academy - District Office
Honors Academy – Quest

I Am That I Am Academy of Fine Arts, Science and Technology
Inspired Vision Academy I
KIPP TRUTH Academy
La Academia de Estrellas Elementary Charter School
Life School Oak Cliff
Lindsley Park Community School
Pegasus School of Liberal Arts and Sciences
School of Liberal Arts and Science
St Anthony Academy
Trinity Basin Preparatory - Oak Cliff Academy

Denton

Trinity Charter School - Denton
Winfree Academy Charter School - Denton

Euless

Treetops International School

Fort Worth

Eagle Academy of Fort Worth
East Fort Worth Montessori Academy
Fort Worth Academy of Fine Arts
Fort Worth Can! Academy
Fort Worth Can! Academy- River Oaks Campus
Harmony Science Academy - Fort Worth
Honors Academy – Pinnacle
Honors Academy – Summit
Richard Milburn Academy - Ft. Worth
Theresa B. Lee Academy

Garland

Alpha Charter Elementary School
Alpha Charter Secondary School
Education Center International Academy

Grapevine

Winfree Academy Charter School – Grapevine

Irving

Honors Academy – University School
Universal Academy
Winfree Academy Charter School – Irving

Kaufman

Honors Academy - Legacy High School

Lewisville

Winfree Academy Charter School – Lewisville

Little Elm

Education Center (At Little Elm)

Mesquite

Inspired Vision Academy II

North Richland Hills

Winfree Academy Charter School - North Richland Hills

Red Oak

Life School Red Oak

Richardson

Evolution Academy Charter School
Winfree Charter School - Richardson

The Colony

Education Center (At The Colony)

Waxahachie

Waxahachie Faith Family Academy

Westlake

Westlake Academy

TABLE 4 –FACULTY

The Borrower currently employs a total of 19 teachers, and a total of 9 staff members. 27 employees chose to return for the 2009-2010 academic year, resulting in 96.4% staff retention. Approximately 17% of the current teachers hold their state certification, and on average, have 6 years of teaching experience.

TABLE 5 – ENROLLMENT (BY GRADE)

Grade Level	2010	2009	2008	2007	2006	2005
Ninth	84	114	74	86	115	111
Tenth	58	116	100	107	91	114
Eleventh	124	121	109	91	90	77
Twelfth	113	54	76	63	56	35
Total	379	405	359	347	352	337

TABLE 6 –STUDENT DEMOGRAPHICS

Ethnicity	2010	2009	2008	2007	2006	2005
Native American	0	0	0	0	0	0
African American	169	183	153	148	158	152
Asian American	0	10	7	6	6	8
Hispanic	145	155	145	140	129	125
White	65	57	54	53	59	52
Total Economically Disadvantaged	379	405	359	347	352	337

TABLE 7 – ACCOUNTABILITY RATINGS

2010	2009	2008	2007	2006	2005
Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Unacceptable

Exemplary rating is the highest rating any school can receive in any academic school and means that at least 90% of the school's students passed the State Assessment Test in all subjects and less than 1% of the student population dropped out.

Recognized is the second highest any school can receive in any academic school and means that at least 80% of the school's students passed the State Assessment Test in all subjects and less than 2.5% of the student population dropped out.

Acceptable means that at least 55% of the school's students passed the State Assessment Test in all subjects and less than 5% of the student population dropped out.

Unacceptable means that below 55% of the school's students passed the State Assessment Test in all subjects and more than 5% of the student population dropped out.

APPENDIX H

FORM OF CERTIFICATE OF BONDHOLDER REPRESENTATIVE

CERTIFICATE OF BONDHOLDER REPRESENTATIVE

The undersigned, an Officer of Hamlin Capital Management, L.L.C. (the "Bondholder Representative"), does hereby represent and agree, as of August __, 2010, as follows:

1. The Bondholder Representative is the duly elected representative of 100% in outstanding aggregate principal amount of the $_____ Taxable Education Revenue Bonds (Evolution Academy Charter School), Series 2010Q (Qualified School Construction Bonds - Direct Pay) (the "Bonds") of the Texas Public Finance Authority Charter School Finance Corporation (the "Authority"), which Bonds have been issued and delivered on the date of this Certificate pursuant to a Trust Indenture and Security Agreement dated October 1, 2010 (the "Indenture") between the Trustee and the Authority and a resolution adopted by the Authority. Capitalized terms used herein and not defined herein shall have the same meanings ascribed to them in the Indenture.

2. The Bonds are currently Outstanding in the aggregate principal amount of $_____. The Bondholder Representative represents the Registered Owner of all of the Bonds Outstanding. The Bondholder Representative is delivering this Certificate on behalf of such Registered Owner and all other Registered Owner from time to time represented by the Bondholder Representative (the "Owner" or "Registered Owner").

3. Each Owner is informed that the Bonds are not general obligations of the Authority, but are special, limited obligations payable and secured solely as provided for in Indenture, Loan Agreement and the Master Trust Indenture and Security Agreement.

4. Each Owner is (a) a bank as defined in section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), or a savings and loan association or other institution as defined in Section 3(a)(5) of the Securities Act whether acting in its individual or fiduciary capacity; or (b) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); or (c) an insurance company as defined in Section 2(13) of the Exchange Act; or (d) an investment company registered under the Investment Company act of 1940, as amended (the "Investment Company Act"); or (e) a business development company as defined in Section 2(a)(48) of the Investment Company Act; or (f) a Small Business Investment Company licensed by the Small Business Administration under Section 301(c) or Section 301(d) of the Small Business Investment Act of 1958, as amended; or (g) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit or its employees, if investment decisions are made by a plan fiduciary which is a bank, savings and loan association, insurance company, or registered investment advisor and the plan establishes fiduciary principles the same as or similar to those contained in Sections 404-407 of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); or (h) an employee benefit plan within the meaning of ERISA if investment decisions are made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors; or (i) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $2,000,000; or (j) the trustee of a trust whose securities are registered pursuant to an effective registration statement under the Securities Act.

5. Each Owner has retained the Bondholder Representative to advise and represent the Owner regarding the purchase and sale of securities of entities such as Evolution Academy Charter School (the "Borrower"), and of securities such as the Bonds. Each Owner has the ability to bear the economic risks of an investment in the Bonds and is an "accredited investor" as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act, or a "qualified institutional buyer" as that term is defined under Rule 144A of the Securities and Exchange Commission.

6. Each Owner is not now and has never been controlled by, or under common control with the Borrower. The Borrower has never been and is not now controlled by any Owner. No Owner has entered into any arrangements with the Borrower or with any affiliate of the Borrower in connection with the Bonds, other than as disclosed to the Authority, the Underwriter or the Trustee.

7. The Authority, the State of Texas, and the Trustee have not undertaken and will not undertake steps to ascertain the accuracy or completeness of the information furnished to any Owner with respect to the Borrower, the Bonds or the Project. No Owner has relied or will rely upon the Authority, the State of Texas or the Trustee in any way with regard to the accuracy or completeness of the information furnished to any Owner in connection with its purchase of the Bonds, nor have any such parties made any representation to any Owner with respect to that information.

8. The Bondholder Representative is sufficiently knowledgeable and experienced in financial and business matters, including the purchase and Registered Ownership of municipal and other tax-exempt or taxable debt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds, and it is capable of and has made its own investigation of the Borrower and the Project in connection with its decision to purchase the Bonds on behalf of the Registered Owner.

9. The Bonds are purchased by every Owner for the purpose of investment and each Owner intends to hold the Bonds for its own account as a long term investment, without a current view to any distribution or sale of the Bonds. Each Owner is informed that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

10. Each Owner is informed that the Bonds will not be listed on any stock or other securities exchange and were issued without registration under the provisions of the Securities Act, or any state securities laws, and the Bonds may not be resold, transferred, pledged or hypothecated, in whole or in part, unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from registration is available. Each Owner is informed that the Bonds may not carry any rating from any rating service. Each Owner is informed that, unless the Authority is informed that the Bonds have an investment grade rating, the Bonds may be transferred only to an "accredited investor" as that term is defined in Rule 501 of Regulation D under the Securities Act, a "qualified institutional buyer" as that term is defined under Rule 144A of the Securities and Exchange Commission, or a broker-dealer of securities.

Dated as of the date first written above.

HAMLIN CAPITAL MANAGEMENT, L.L.C.,
as the Bondholder Representative

By:_____
Name: _____
Its:_____

APPENDIX I

COPY OF CHARTER CONTRACT BETWEEN STATE OF TEXAS AND EVOLUTION ACADEMY

Exhibit G-1

TEXAS EDUCATION AGENCY
1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us
Robert Scott
Commissioner

Charter Renewal Contract

April 6, 2010

Seleste S. Sully, Chair
Evolution Academy
1101 South Sherman Street
Richardson, Texas 75002

Re: Charter Renewal Contract for Evolution Academy Charter School (CDN 057834)

Dear Ms. Sully:

I am pleased to inform you that the charter renewal is approved for Evolution Academy Charter School with a contract ending date of July 31, 2019. After renewal, the charter contract shall consist of the following:

- the representations and assurances made by the charter holder in the original request for application under the standard application system;
- the original contract for charter, as signed by the charter holder and the State Board of Education;
- any condition, amendment, modification, revision, or other change to the charter approved by the State Board of Education or the commissioner of education;
- the final renewal application, on file with the Division of Charter School Administration, including any revisions required by the agency and any amendments to the charter made through the renewal application; and
- all statements, assurances, commitments, and representations made by the charter holder in its application for charter renewal and its attachments or related documents, to the extent that these documents are consistent with those listed above.

Note that this contract is contingent upon legislative authorization and that the contract and the funding under state and federal law may be modified or even terminated by future legislative acts. Furthermore, state and federal laws and rules may periodically be adopted, amended, or repealed, and all such changes applicable to the charter holder or its charter school(s) may modify this contract, as of the effective date provided in the law or rule. Nothing in the charter contract shall be construed to entitle the charter holder to any privilege or benefit, including any funding, but in accordance with state and federal laws in effect and as they may in the future be amended. A contract term that conflicts with any state or federal law or rule is superseded by the law or rule to the extent that the law or rule conflicts with the contract term.

To acknowledge acceptance of this renewed contract, the chair of the charter holder board must sign below and return the entire original document to:

Texas Education Agency
Division of Charter School Administration
William B. Travis Building, Room 5-107
1701 North Congress Avenue
Austin, Texas 78701-1494

The charter holder should keep a copy of the document for its files. Please contact the Division of Charter School Administration at (512) 463-9575 with any questions.

Sincerely,

Robert Scott
Commissioner of Education

cc: Ms. Cynthia A. Trigg, Superintendent

RS/rs

I the undersigned hereby certify that the governing body of the charter holder has accepted and agreed to the charter renewal agreement for Evolution Academy Charter School as outlined in the foregoing letter and has authorized me to sign below.

Agreed and Accepted:

Seleste S. Sully
Chair, Evolution Academy Charter School

4/13/10
Date

TEXAS EDUCATION AGENCY
1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ http://www.tea.state.tx.us

Shirley J. Neeley, Ed.D.
Commissioner

Charter Renewal

March 7, 2007

Seleste Sully, Chair
Evolution Academy
1382 Aubrey Ln
Frisco, TX 75034

Re: Charter Renewal for Evolution Academy

Dear Ms. Sully:

I am pleased to inform you that the charter renewal is approved for Evolution Academy with a contract ending date of July 31, 2009. After renewal, the charter contract shall consist of the following:

- the representations and assurances made by the charter holder in the original request for application under the standard application system;
- the original contract for charter, as signed by the charter holder and the State Board of Education;
- any condition, amendment, modification, revision, or other change to the charter approved by the State Board of Education or the commissioner of education;
- the final renewal application, on file with the Division of Charter Schools, including any revisions required by the agency and any amendments to the charter made through the renewal application; and
- all statements, assurances, commitments and representations made by the charter holder in its application for charter renewal and its attachments or related documents, to the extent that these documents are consistent with those listed above.

Note that this contract is contingent upon legislative authorization and that the contract and the funding under it may be modified or even terminated by future legislative act. Furthermore, state and federal laws and rules may periodically be adopted, amended, or repealed and all such changes applicable to the charter holder or its charter school(s) may modify this contract, as of the effective date provided in the law or rule. Nothing in this contract shall be construed to entitle the charter holder to any privilege or benefit, including any funding, but in accordance with state and federal laws in effect and as they may in the future be amended. A contract term that conflicts with any state or federal law or rule is superseded by the law or rule to the extent that the law or rule conflicts with the contract term.

To acknowledge acceptance of this renewed contract, the chair of the charter holder board must sign below and return the entire original document to TEA's Division of Charter Schools, William B. Travis Building Room 5-107, 1701 North Congress Avenue, Austin, Texas 78701-1494. The charter holder should keep a copy of the document for its files. Please contact the Division of Charter Schools at (512) 463-9575 with any questions.

Sincerely,

Shirley J. Neeley, Ed D
Commissioner of Education

cc. Ms Cynthia Trigg, Superintendent

I the undersigned hereby certify that the governing body of the charter holder has accepted and agreed to the charter renewal agreement for Evolution Academy as outlined in the foregoing letter and has authorized me to sign below.

Agreed and Accepted:

Celeste Sully
Chair, Evolution Academy

3/16/07
Date

EVOLUTION ACADEMY CHARTER SCHOOL

This contract is executed between the Texas State Board of Education (the "Board") and **Evolution Academy** ("Charter Holder") for an open-enrollment charter to operate a Texas public school.

General

1. Definitions. As used in this contract:

"Charter" means the open-enrollment charter, as provided by Subchapter D, Chapter 12, Texas Education Code (TEC), granted by this contract.

"Charter Holder" means the sponsoring entity identified in the charter application.

"Charter school" means the open-enrollment charter school. Charter Holder agrees to operate as provided in this contract. The charter school is a Texas public school and a charter school within the meaning of 20 U.S.C. §8066 .

"Agency" means the Texas Education Agency.

2. The Charter. This contract grants to Charter Holder an open-enrollment charter under Subchapter D, Chapter 12, TEC. The terms of the charter include: (a) this contract; (b) applicable law; (c) Request for Application #701-01-004; (d) any condition, amendment, modification, revision or other change to the charter adopted or ratified by the Board; (e) all statements, assurances, commitments and representations made by Charter Holder in its application for charter, attachments or related documents, to the extent consistent with (a) through (d); and (f) assurance by Charter Holder, evidenced by execution of this contract, that no false information was submitted to the Agency or the Board by Charter Holder, its agents or employees in support of its application for charter.

3. Authority Granted by Charter. The charter authorizes Charter Holder to operate a charter school subject to the terms of the charter. Action inconsistent with the terms of the charter shall constitute a material violation of the charter.

4. Alienation of Charter. The charter may not be assigned, encumbered, pledged or in any way alienated for the benefit of creditors or otherwise. Charter Holder may not delegate, assign, subcontract or otherwise alienate any of its rights or responsibilities under the charter. Any attempt to do so shall be null and void and of no force or effect; provided, however, that Charter Holder may contract at fair market value for services necessary to carry out policies adopted by Charter Holder or the governing body of the charter school. Charter Holder may not engage or modify the terms of the engagement of a private management company without approval by the Board in accordance with Paragraph 7 of this contract.

5. Term of Charter. The charter shall be in effect from the date of execution through August 1, 2006, unless renewed or terminated.

6. Renewal of Charter. On timely application by Charter Holder in a manner prescribed by the Board, the charter may be renewed for an additional period determined by the Board. The charter may be renewed only by written amendment approved by vote of the Board and properly executed by its chair

7 Revision by Agreement. The terms of the charter may be revised with the consent of Charter Holder by written amendment approved by vote of the Board. For purposes of this paragraph, the terms of the charter include, among other provisions, specifications concerning the school's governance structure, characteristics of the educational program to be offered, and the location, type and number of facilities at which the school will operate. The commissioner of education ("the commissioner") may revise the charter on a provisional basis during an interim between Board meetings, however, such action shall expire unless ratified by the Board at its next regular meeting. Nothing in this paragraph limits the authority of the Board or the commissioner to act in accordance with other provisions of this contract.

Students

8. Open Enrollment. Admission and enrollment of students shall be open to any person who resides within the geographic boundaries stated in the charter and who is eligible for admission based on lawful criteria identified in the charter. Total enrollment shall not exceed the maximum number of students approved by the State Board of Education. The charter school's admission policy shall prohibit discrimination on the basis of sex, national origin, ethnicity, religion, disability, academic or athletic ability, or the district the student would otherwise attend. Students who reside outside the geographic boundaries stated in the charter shall not be admitted to the charter school until all eligible applicants who reside within the boundaries have been enrolled. Students will be admitted on the basis of a lottery if more students apply for admission than can be accommodated.

9 Public Education Grant Students Charter Holder shall adopt an express policy providing for the admission of, and shall admit under such policy, students eligible for a public education grant, including those students who reside outside the geographic area identified in the charter application, under Subchapter G, Chapter 29, TEC.

10. Non-discrimination. The charter school shall not discriminate against any student or employee on the basis of race, creed, sex, national origin, religion, disability or need for special education services.

11 Non-religious instruction and affiliation The charter school shall not conduct religious instruction. The charter school, the sponsoring entity, and any entity that owns or controls the sponsoring entity in whole or in part (including by the power to select

officers or directors) shall be nonsectarian in its programs, admissions policies, employment practices, and all other operations.

12. Children with Disabilities. The charter school is a "local educational agency" as defined by federal law. Charter Holder must comply with the Individuals with Disabilities Education Act (IDEA), 20 U.S.C. §1401, et seq., and implementing regulations; Section 504 of the Rehabilitation Act of 1973 ("Section 504"), 29 U.S.C.§794, and implementing regulations; Title II of the Americans with Disabilities Act, 42 U.S.C. §12131-12165, and implementing regulations; Chapter 29, TEC, and implementing rules; and the many court cases applying these laws. For example.

(a) Child Find. Charter Holder must adopt and implement policies and practices that affirmatively seek out, identify, locate, and evaluate children with disabilities enrolled in the charter school or contacting the charter school regarding enrollment, and must develop and implement a practical method to determine which children with disabilities are currently receiving needed special education and related services. For each eligible child, Charter Holder must develop and offer an individualized education plan appropriate to the needs of that student.

(b) Free Appropriate Public Education. Charter Holder must provide a free appropriate public education to all children including children with disabilities otherwise eligible to enroll in the charter school. If the program, staff or facilities of the charter school are not capable of meeting the needs of a particular child, Charter Holder must implement changes necessary to accommodate the child at the charter school. If reasonable accommodations would be insufficient to enable the child to benefit from the charter school's program, Charter Holder must, at its own expense, place the child at an appropriate school.

(c) Services to Expelled Students. Charter Holder must continue to provide a free appropriate public education to a child with disabilities even after expelling or suspending the child for valid disciplinary reasons This obligation to serve the child continues until the end of the school year

(d) Monitoring. The charter school's implementation of the laws governing education of children with disabilities will be monitored for compliance by the United States Department of Education, Office of Special Education Programs; the United States Department of Education, Office of Civil Rights; the Texas Education Agency; and others. This monitoring activity includes responding to complaints, random on-site inspections and other investigations by the enforcing agencies, and will result in corrective actions imposed on Charter Holder by these agencies for all discrepancies found. The charter school shall also be monitored for effectiveness and compliance in implementing all applicable federal programs

(e) Due Process Hearings. The charter school's implementation of the laws governing education of children with disabilities will, in addition, be subject to court supervision via litigation against Charter Holder brought by individuals affected by the actions of the charter school. The cost of this litigation can be substantial.

Notice: These are only a few of the charter school's legal responsibilities in this area, included here for illustrative purposes only.

13. Student Performance and Accountability. Charter Holder shall satisfy Subchapters B, C, D, and G of Chapter 39 of the TEC, and related Agency rules, as well as the student performance accountability criteria stated in its application for charter. Charter Holder shall annually provide in a manner and form defined by the commissioner a written evaluation of the charter school's compliance with the statements, assurances, commitments and representations made by Charter Holder in its application for a charter, attachments, and related documents.

14. Criminal History. Charter Holder shall take prompt and appropriate measures if Charter Holder or the charter school, or any of their employees or agents, obtains information that an employee or volunteer of the charter school or an employee, officer, or board member of a management company contracting with the charter school has a reported criminal history that bears directly on the duties and responsibilities of the employee, volunteer, or management company at the school. Charter Holder further represents that the Board and the Agency shall be notified immediately of such information and the measures taken.

15. Reporting Child Abuse or Neglect. Charter Holder shall adopt and disseminate to all charter school staff and volunteers a policy governing child abuse reports required by Chapter 261, Texas Family Code. The policy shall require that employees, volunteers or agents of Charter Holder or the charter school report child abuse or neglect directly to an appropriate entity listed in Chapter 261, Texas Family Code.

16. Notice to District. Charter Holder shall notify the school district in which the student resides within three business days of any action expelling or withdrawing a student from the charter school.

17. School Year. Charter Holder shall adopt a school year with fixed beginning and ending dates.

Financial Managment

18. Fiscal Year. Charter Holder shall adopt a fiscal year beginning September 1 and ending August 31.

19. Financial Accounting. Unless otherwise notified by the Agency, Charter Holder shall comply fully with generally accepted accounting principles ("GAAP") and the Financial Accountability System Resource Guide, Bulletin 679 or its successor ("Bulletin 679") published by the Agency in the management and operation of the charter school. Charter Holder shall also comply with the standards for financial management systems outlined in 34 CFR § 80.20.

20. Federal Withholding Requirements. Failure to comply with Internal Revenue Service withholding regulations shall constitute a material violation of the charter.

29. Non-Charter Activities. Charter Holder shall keep separate and distinct accounting, auditing, budgeting, reporting, and record keeping systems for the management and operation of the charter school. Any business activities of Charter Holder not directly related to the management and operation of the charter school shall be kept in separate and distinct accounting, auditing, budgeting, reporting, and record keeping systems from those reflecting activities under the charter. Any commingling of charter and non-charter business in these systems shall be a material violation of the charter.

Governance and Operations

30. Non-Profit Status. Charter Holder shall take and refrain from all acts necessary to be and remain in good standing as an organization exempt from taxation under Section 501(c)(3), Internal Revenue Code. If Charter Holder is incorporated, it shall in addition comply with all applicable laws governing its corporate status. Failure to comply with this paragraph is a material violation of the charter, and the Board may act on the violation even if the Internal Revenue Service, Secretary of State, or other body with jurisdiction has failed to act.

31. Records Retention and Management. Charter Holder shall implement a records management system that conforms to the system required of school districts under the Local Government Records Act, Section 201.001, et seq., Local Government Code, and rules adopted thereunder; provided, however, that records subject to audit shall be retained and available for audit for a period of not less than five (5) years from the latter of the date of termination or renewal of the charter.

32. PEIMS Reporting. Charter Holder shall report timely and accurate information to the Public Education Information Management System (PEIMS), as required by the commissioner.

33. Conflict of Interest. Charter Holder shall comply with any applicable prohibition, restriction or requirement relating to conflicts of interest or fiduciary duties. If an officer or board member of Charter Holder or of the charter school has a substantial interest, within the meaning of Chapter 171, Local Government Code, in a transaction, such interest shall be disclosed in public session at a duly called meeting of the governing body prior to any action on the transaction.

34. Disclosure of Campaign Contributions. Charter Holder shall adopt policies that will ensure compliance with the disclosure requirements of State Board of Education Operating Rule 4.3 or its successor.

35. Indemnification. Charter Holder shall hold the Board and Agency harmless from and shall indemnify the Board and Agency against any and all claims, demands, and causes of action of whatever kind or nature asserted by any third party and occurring or in any way incident to, arising out of, or in connection with wrongful acts of Charter Holder, its agents, employees, and subcontractors.

21. Workers' Compensation. Charter Holder shall extend workers' compensation benefits to charter school employees by (1) becoming a self-insurer; (2) providing insurance under a workers' compensation insurance policy; or (3) entering into an agreement with other entities providing for self-insurance.

22. Annual Audit. Charter Holder shall at its own expense have the financial and programmatic operations of the charter school audited annually by a certified public accountant holding a permit from the Texas State Board of Public Accountancy. Charter Holder shall file a copy of the annual audit report, approved by Charter Holder, with the Agency not later than the 120th day after the end of the fiscal year for which the audit was made. The audit must comply with Generally Accepted Auditing Standards and must include an audit of the accuracy of the fiscal information provided by the charter school through PEIMS. Financial statements in the audit must comply with Government Auditing Standards and the Office of Management and Budget Circular A-133.

23. Attendance Accounting. To the extent required by the commissioner, Charter Holder shall comply with the "Student Attendance Accounting Handbook" published by the Agency; provided, however, that Charter Holder shall report attendance data to the Agency at six-week intervals or as directed by the Agency.

24. Foundation School Program. Distribution of funds to the charter school under Section 12.106, TEC, is contingent upon Charter Holder's compliance with the terms of the charter. Charter Holder is ineligible to receive Foundation School Program funds prior to execution of this contract by the Board. Within 30 days of receiving notice of overallocation and request for refund under Section 42.258, TEC, Charter Holder shall transmit to the Agency an amount equal to the requested refund. If Charter Holder fails to make the requested refund, the Agency may recover the overallocation by any means permitted by law, including but not limited to the process set forth in Section 42.258, TEC.

25. Tuition and Fees. Charter Holder shall not charge tuition and shall not charge a fee except that it may charge a fee listed in Subsection 11.158(a), TEC.

26. Assets of Charter. Charter Holder shall not apply, hold, credit, transfer or otherwise make use of funds, assets or resources of the charter school for any purpose other than operation of the charter school described in the charter.

27. Indebtedness of Charter. Charter Holder shall not incur a debt, secure an obligation, extend credit, or otherwise make use of the credit or assets of the charter school for any purpose other than operation of the charter school described in the charter.

28. Interested Transactions. All financial transactions between the charter school and (a) Charter Holder; (b) an officer, director, or employee of Charter Holder or of the charter school; or (c) a person or entity having partial or complete control over Charter Holder or the charter school shall be separately and clearly reflected in the accounting, auditing, budgeting, reporting, and record keeping systems of the charter school. Charter Holder shall not transfer any asset of the charter or incur any debt except in return for goods or services provided for the benefit of the charter school at fair market value.

36 Failure to Operate. Charter Holder shall operate the charter school for the full school term as described in the charter application in each year of the charter contract. Charter Holder may not suspend operation for longer than 21 days without a revision to its charter, adopted by the Board, stating that the charter school is dormant and setting forth the date on which operations shall resume and any applicable conditions Charter Holder may not suspend operation of the school for a period of more than three days without mailing written notice to the parent or guardian of each student and to the Agency at least 14 days in advance of the suspension. Suspension of operations in violation of this paragraph shall constitute abandonment of this contract and of the charter.

37. Charter School Facility. Charter Holder shall have and maintain throughout the term of the charter a lease agreement, title or other legal instrument granting to Charter Holder the right to occupy and use one or more facilities suitable for use as the charter school facilities described by the charter During any period of dormancy granted by the Board, this requirement may be waived by the Board. Facilities occupied and used as charter school facilities shall comply with all applicable laws, including, but not limited to, the Texas Architectural Barriers Act, Article 9102, Vernon's Texas Civil Statutes. The charter school shall not change location of its instructional facilities or administrative offices from those listed in the charter application or in a subsequent charter amendment without prior approval Board. When approved by the Board for a new location for an instructional facility, the charter Holder shall, prior to commencing school operations at that loacation, submit to the Charter Schools Division a certificate of occupancy or equivalent certificate for use of the facility at the new location as a public school, as required in the charter application.

38. Access by the Handicapped. Facilities occupied and used by charter schools shall comply with the Americans with Disabilites Act (ADA) and the Americans with Disabilites Act Accessibility Guidelines; 28 CFR Part 35 (Nondiscrimination on the Basis of Disability in State and Local Government Services), the Uniform Federal Accessibility Standards required by the federal Architectural Barriers Act of 1968, as amended; and other applicable federal requirements. In addition, the charter Holder shall require the facility to comply with the Texas Accessibility Standards (TAS) of the Texas Architectural Barriers Act, Article 9201, Texas Civil Statutes, promulgated by the Texas Department of Licensing and Regulation. The charter Holder shall be responsible for conducting inspections to ensure compliance with these specifications

Enforcement

39 Agency Investigations. The commissioner may in his sound discretion direct the Agency to conduct investigations of the charter school to determine compliance with the terms of the charter or as authorized in the Texas Education Code or other law. Charter Holder, its employees and agents shall fully cooperate with such investigations. Failure to timely comply with reasonable requests for access to sites, personnel, documents or things is a material violation of the charter

40. Commissioner Authority. The commissioner in his sole discretion may take any action authorized by Section 39.131, TEC , Chapter 29, TEC, or Chapter 42, TEC relating to the charter school. Such action is not "adverse action" as used in this contract. Charter Holder, its employees and agents shall fully cooperate with such actions. Failure to timely comply with any action authorized by Section 39.131, TEC or Chapter 29, TEC is a material violation of the charter

41 Adverse Action. The Board in its sole discretion may modify, place on probation, revoke or deny timely renewal of the charter for cause ("adverse action"). Each of the following shall be cause for adverse action on the charter. (a) any material violation of the terms of the charter listed in paragraphs 2, 3, and 20; (b) failure to satisfy generally accepted accounting standards of fiscal management; or (c) failure to comply with an applicable law or rule

This Agreement

42. Entire Agreement. This contract, including all referenced attachments and terms incorporated by reference, contains the entire agreement of the parties. All prior representations, understandings and discussions are merged into, superseded by and canceled by this contract.

43 Severability If any provision of this contract is determined by a court or other tribunal to be unenforceable or invalid for any reason, the remainder of the contract shall remain in full force and effect, so as to give effect to the intent of the parties to the extent valid and enforceable.

44 Conditions of Contract Execution of this contract by the Board is conditioned on full and timely compliance by Charter Holder with. (a) the terms, required assurances and conditions of Request for Application #701-01-004; (b) applicable law; and (c) all commitments and representations made in Charter Holder's application and any supporting documents (to the extent such commitments and representations are ~~consistent with the terms of this contract)~~

45 No Waiver of Breach. No assent, express or implied, to any breach of any of the covenants or agreements herein shall waive any succeeding or other breach.

46 Venue Any suit arising under this contract shall be brought in Travis County, Texas

47 Governing Law. In any suit arising under this contract, Texas law shall apply.

48 Authority By executing this contract, Charter Holder represents that it is an "eligible entity" within the meaning of Section 12 101 (a), TEC Charter Holder shall immediately notify the Board of any legal change in its status, which would disqualify it from holding the charter, of any violation of the terms and conditions of this contract, or of any change in the chief operating officer of the Charter Holder. Charter Holder further represents that the person signing this contract has been properly delegated authority to do so.

Entered into this ___ day of January 2002.

Texas State Board of Education

By Grace Shore, Chairman

Charter Holder

(signature/date)

Seleste Sully
Chairperson, Governing Board of Charter Holder

(signature/date)

Cynthia Trigg
Chief Operating Officer of Charter School