BOND TRANSACTION DOCUMENT PROVISIONS

**The following terms and provisions (the “Guarantee Provisions”) shall be incorporated into the Security Documents, as applicable. If the Guarantee Provisions are attached to any of the Security Documents as an exhibit, such Security Document shall include a provision that incorporates by reference the Guarantee Provisions directly into the Security Documents. The Guarantee Provisions shall control and supersede any conflicting or inconsistent provisions in the Security Documents. Unless defined in context, capitalized terms are defined in Section 17 below.**

**The Guarantee Provisions set forth herein are intended to provide notice to all parties of the requirements that must be satisfied as a condition to issuance of the Guarantee. The Texas Education Agency (“TEA”) shall have no obligation or duty whatsoever to waive or modify any Guarantee Provision. To the extent that TEA does agree to any such waiver or modification, it shall only do so on a case-by-case basis and in its sole and exclusive discretion.**

# Notice and Other Information to be Given to TEA. The Charter District, as the Issuer or on behalf of the Issuer, will provide TEA with all notices and other information that the Charter District is obligated to provide (a) under its Continuing Disclosure Agreement and (b) to the holders of Guaranteed Bonds or the hereinafter-defined Trustee under the Security Documents.

The notice address of TEA is: 1701 N. Congress Avenue, Austin, Texas, 78701, Attention: Commissioner of Education, Re: Guarantee No. \_\_\_\_\_\_\_\_, Telephone: (512) 463-9734, Email: commissioner@tea.texas.gov. In each case in which notice or other communication refers to an event of default under the Security Document or a claim on the Guarantee (pursuant to the provisions of Section 10 hereof), then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at tealegal@tea.texas.gov and psfbgp@tea.texas.gov and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

For purposes of this document, the consent of TEA shall mean written consent provided by the Commissioner or designee thereof. All notices, waivers, consents and other information required to be provided to TEA shall be provided directly to the Commissioner or designee thereof.

# Security Documents. All Security Documents shall include a statement to the effect that, so long as the Guarantee is effective, the Guaranty Provisions shall be in addition to and, to the extent possible, reconciled with other provisions in the Security Documents; provided, however, that, if there has been any draw upon the Guarantee, then the Guarantee Provisions shall supersede any conflicting or inconsistent provisions in the Security Documents.

# Trustee and Paying Agent.

## *Notice of Change and Qualifications*. TEA shall receive prior written notice of any name change of the trustee (the “Trustee”) or, if applicable, the paying agent (the “Paying Agent”) for the Guaranteed Bonds or the resignation or removal of the Trustee or, if applicable, the Paying Agent. Any Trustee must be (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (iii) otherwise approved by TEA in writing in its sole and exclusive discretion.

## *Successor*. No removal, resignation or termination of the Trustee or, if applicable, the Paying Agent shall take effect until a successor, meeting the qualifications set forth in 3(a) above, shall be qualified and appointed.

# Consent of TEA in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Guaranteed Bonds or adversely affects the rights or interests of TEA shall be subject to the prior written consent of TEA.

# Insolvency. Any reorganization or liquidation plan with respect to the Charter District must be acceptable to TEA. The Trustee and each holder of the Guaranteed Bonds shall appoint TEA as their agent and attorney-in-fact with respect to the Guaranteed Bonds and agree that TEA may at any time during the continuation of any proceeding by or against the Charter District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (a) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (b) the direction of any appeal of any order relating to any Claim, (c) the posting of any surety, supersedeas or performance bond pending any such appeal, and (d) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each holder of the Guaranteed Bonds delegate and assign to TEA, to the fullest extent permitted by law, the rights of the Trustee and each holder of the Guaranteed Bonds with respect to the Guaranteed Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

# Control by TEA Upon Default. Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and during the continuance of a default or an event of default under any Security Document that is not remedied or cured pursuant to the corrective actions required or permitted under the Security Documents, TEA shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Guaranteed Bonds or the Trustee or Paying Agent for the benefit of the holders of the Guaranteed Bonds under any Security Document. No default or event of default may be waived without TEA’s written consent.

## *TEA as Holder*. Upon the occurrence and during the continuance of a default or an event of default under the Security Documents, TEA shall be deemed to be the sole holder of the Guaranteed Bonds for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

## *No acceleration of Guaranteed Bonds*. Scheduled, but not yet due and owing, principal and interest payments on Guaranteed Bonds shall not be accelerated and do not become due by virtue of the Charter District’s or the Issuer’s default.

## *Acceleration of Loan Agreement and Note*. Acceleration of any underlying loan agreement and note securing the Guaranteed Bonds shall be a permitted remedy upon the Charter District’s or the Issuer’s default.

## *Grace Period for Payment Defaults*. No grace period shall be permitted for payment defaults on the Guaranteed Bonds.

## *Special Provisions for TEA Default*. If a TEA Default shall occur and be continuing, then, notwithstanding anything in paragraphs 6(a)-(d) above to the contrary, (i) if at any time prior to or following a TEA Default, TEA has made payment under the Guarantee, to the extent of such payment TEA shall be treated like any other holder of the Guaranteed Bonds for all purposes, including giving of consents, and (ii) if TEA has not made any payment under the Guarantee, TEA shall have no further consent rights until the particular TEA Default is no longer continuing or TEA makes a payment under the Guarantee, in which event, the foregoing clause (i) shall control.

# Security for the Bonds. The security for the Guaranteed Bonds (i.e. the “trust estate” under the Trust Indenture) shall include a pledge and assignment of any loan agreement with and note of the Charter District, or other underlying obligor, that serves as a source of payment for the Guaranteed Bonds and a pledge of assets, including a first and prior lien on real property that is owned by the Charter District (subject to the application of Section 12.128, as amended, Texas Education Code) and improved with or otherwise benefitted by the proceeds derived from the issuance of the Guaranteed Bonds and any additional property that acts as security for the Guaranteed Bonds, that may include a parity lien on already-encumbered real property (collectively the “Pledged Security”).

# Security Interest in Real Property.

## *Trustee for Security Interest*. The Trustee shall serve as the trustee under any mortgage, deed of trust or other document evidencing a security interest in, or otherwise pledged, directly or indirectly, to secure the Guaranteed Bonds.

## *Consent Required*. During the pendency of any event of default and so long as the Guaranteed Bonds are outstanding or any amounts are due and payable to TEA, no complete or partial release, sale, disposition or substitution of any property subject to any mortgage, deed of trust or other document evidencing a security interest in, or otherwise pledged, directly or indirectly, to secure the Guaranteed Bonds (the “Property”), shall occur without the prior written consent of TEA. Notwithstanding the foregoing, and at any time other than the during the pendency of an event of default, and so long as the Guaranteed Bonds are outstanding, any complete or partial release, sale, disposition or substitution of any Property shall only occur in accordance with the applicable provisions of the Security Documents.

## With respect to substitution or replacement of any Property, or the subsequent acquisition of additional real property by the Charter District that is intended to become part of the Pledged Security, the Security Documents shall contain covenants requiring that the Charter District (i) provide at least thirty (30) days’ prior written notice to the Trustee and TEA, which notice shall include (1) a reasonably detailed summary of the conveyances that are subject to the proposed substitution, replacement, and/or acquisition, (2) valid legal description of the after-acquired real property, and (3) a supplemental deed of trust in favor of Trustee evidencing lien priority on property resultant from such substitution, replacement or acquisition of the same (or superior) priority to the lien required by TEA at the time the original deed of trust was recorded, and (ii) execution and recordation of the supplemental deed of trust referred to in (i)(3) in favor of the Trustee.

## *Title Insurance*. The Charter District shall, prior to or simultaneously with the issuance of the Guaranteed Bonds, furnish a title insurance policy, in form and substance acceptable to TEA and including such endorsements as are customarily required in connection with a commercial real estate loan, from a title insurance company qualified to provide title insurance in Texas. The face amount of the title insurance policy shall not be less than the principal amount of the Guaranteed Bonds. The insured beneficiary under such policy shall be the Master Trustee or Trustee and its successors and assigns. To the extent that the title insurance company requires an acceptable ALTA/ACSM land title survey as a condition to providing any title policy endorsements, the Issuer or Charter District shall provide such survey at its sole expense.

d) *Environmental Report*. The Charter District shall, prior to the issuance of the Guaranteed Bonds, furnish a Phase I environmental site assessment (the "Environmental Report") to TEA confirming that no "recognized environmental condition" exists with respect to the Property. Notwithstanding the foregoing, to the extent that the Environmental Report suggests the possibility that asbestos-containing materials or lead-based paint may be present, then the same shall not be considered a recognized environmental condition so long as the Charter District enters into an operations and maintenance plan, that is customary and acceptable within the industry, and provides a copy of such plan to TEA. The Charter District shall secure written evidence from the environmental consultant that the TEA may rely on the Environmental Report.

e) *Zoning*. The Charter District shall, prior to the issuance of the Guaranteed Bonds, furnish to TEA evidence, by written certification with supporting documentation as and to the extent necessary to corroborate such certification, that the operation of any existing charter school on the Property is permitted under existing zoning regulations, or, alternatively, that the Charter District has secured such special use permits as may otherwise be required by applicable law to conduct such operations. With respect to new schools, the Security Documents shall include a covenant that the Trustee may not release any construction proceeds derived from proceeds of Guaranteed Bonds for a campus until the aforementioned evidence of zoning or special use permit is provided to the Trustee.

# TEA as Third Party Beneficiary. TEA is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

# Payment Procedure Under the Guarantee.

In the event that the Charter District has determined that it is or will be unable to pay the maturing or matured principal or interest on a Guaranteed Bond, the Charter District will provide notice to the Commissioner immediately but in no case later than the fifth (5th) business day before the maturing or matured principal or interest become due.

In the event that principal and/or interest due on the Guaranteed Bonds shall be paid by TEA pursuant to the Guarantee, the Guaranteed Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer or Charter District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the holders of the Guaranteed Bonds shall continue to exist and shall run to the benefit of TEA, and TEA shall be subrogated to the rights of such holders.

In the event that on the tenth (10th) business day (or such shorter period as may be agreed to in writing by TEA) prior to any payment date on the Guaranteed Bonds, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Guaranteed Bonds due on such payment date, the Paying Agent or Trustee shall immediately notify the Commissioner on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify the Commissioner.

In addition, if the Paying Agent or Trustee has notice that any holder of the Guaranteed Bonds has been required to disgorge payments of principal of or interest on the Guaranteed Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify TEA or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of TEA.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Guaranteed Bonds as follows:

## *Deficiency in Interest*. If there is a deficiency in amounts required to pay interest on the Guaranteed Bonds, the Paying Agent or Trustee shall (i) execute and deliver to TEA, in form satisfactory to TEA, an instrument appointing TEA as agent and attorney-in-fact for such holders of the Guaranteed Bonds in any legal proceeding related to the payment and assignment to TEA of the claims for interest on the Guaranteed Bonds, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Guarantee payment from TEA with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the “TEA Guarantee Payment Account”) to only be used to make scheduled payments of principal of and interest on the Guaranteed Bonds, and (iv) disburse the same to such respective holders; and

## *Deficiency in Principal*. If there is a deficiency in amounts required to pay principal of the Guaranteed Bonds, the Paying Agent or Trustee shall (i) execute and deliver to TEA, in form satisfactory to TEA, an instrument appointing TEA as agent and attorney-in-fact for such holder of the Guaranteed Bonds in any legal proceeding related to the payment of such principal and an assignment to TEA of the Guaranteed Bonds surrendered to TEA, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Guarantee payment therefore from TEA, (iii) segregate all such payments in the TEA Guarantee Payment Account to only be used to make scheduled payments of principal of and interest on the Guaranteed Bonds, and (iv) disburse the same to such respective holders. The Trustee shall designate any portion of payment of principal on Guaranteed Bonds paid by the Comptroller on behalf of TEA, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Guaranteed Bonds registered to the then current holder, whether DTC or its nominee or otherwise; provided that the Trustee’s failure to so designate any payment shall have no effect on the amount of principal or interest payable by the Issuer on any Guaranteed Bonds or the subrogation or assignment rights of TEA.

As stated above, payments with respect to claims for interest on and principal of the Guaranteed Bonds disbursed by the Paying Agent or Trustee from proceeds of the Guarantee shall not be considered to discharge the obligation of the Issuer with respect to such Guaranteed Bonds, and TEA shall become the holder of such unpaid Guaranteed Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to TEA have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Issuer, Charter District and the Paying Agent and Trustee agree for the benefit of TEA that: (i) to the extent that the Comptroller makes payment on behalf of TEA on account of principal of or interest on the Guaranteed Bonds, TEA will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer or Charter District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Guaranteed Bonds or as provided by law; and (ii) they will accordingly pay to TEA the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Guaranteed Bonds, but only from the sources and in the manner provided therein for the payment of principal and interest on the Guaranteed Bonds to holders or as provided by law, and will otherwise treat TEA as the holder of such rights to the amount of such principal and interest.

# Additional Payments. The Charter District agrees unconditionally that it will pay or reimburse TEA on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that TEA may pay or incur, including, but not limited to, fees and expenses of TEA’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents (“Administrative Costs”). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of TEA spent in connection with the actions described in the preceding sentence.

Notwithstanding anything herein to the contrary, the Charter District agrees to pay to TEA (i) a sum equal to the total of all amounts paid by TEA under the Guarantee (“TEA Guarantee Payment”); and (ii) interest on such TEA Guarantee Payments payable to TEA at the “Default Rate” on the Guaranteed Bonds as specified in the Security Documents (with interest on such TEA Guarantee Payments accruing as specified in the Security Documents in the event of default on the Guaranteed Bonds (the “TEA Reimbursement Amounts”), with such interest compounded semi-annually). Notwithstanding anything to the contrary, including without limitation the post default application of revenue provisions, TEA Reimbursement Amounts shall be, and the Issuer and Charter District hereby covenant and agree that the TEA Reimbursement Amounts are, payable from and secured by a lien on and pledge of the Pledged Security.

# Debt Service Reserve Fund. In the event that additional security for the Guaranteed Bonds is provided in the form of a debt service reserve or similar fund established and maintained under the Security Documents, the prior written consent of TEA shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into such debt service reserve fund, if any. Amounts on deposit in the debt service reserve fund shall be applied solely to the payment of debt service due on the Guaranteed Bonds.

# Exercise of Rights by TEA. The rights granted to TEA under the Security Documents to request, consent to or direct any action are rights granted to TEA in consideration of its issuance of the Guarantee. Any exercise by TEA of such rights is merely an exercise of the TEA’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Guaranteed Bonds and such action does not evidence any position of TEA, affirmative or negative, as to whether the consent of the holders of the Guaranteed Bonds or any other person is required in addition to the consent of TEA.

# Entitlement to Pay on Guaranteed Bonds. TEA shall be entitled to pay principal or interest on the Guaranteed Bonds that shall become due for payment but shall be unpaid by reason of nonpayment by the Issuer or Charter District only upon TEA’s receipt of the requisite notice specified in section 10 hereof.

# Non-Impairment of Rights. No contract shall be entered into or any action taken by which the rights of TEA or security for or source of payment of the Guaranteed Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of TEA.

# Determination of Default. If an event of default occurs under any agreement pursuant to which any Obligation of the Charter District has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that affects any Pledged Security or materially impairs the ability of the Charter District to timely pay principal and interest on the Guaranteed Bonds, then an event of default shall be deemed to have occurred under the Security Documents for which TEA or the Trustee, at the direction of TEA, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. This provision shall control regardless of whether there has been any draw upon the Guarantee.

# Definitions.

“Charter District” shall mean the charter district being loaned proceeds of Guaranteed Bonds by the Issuer.

“Commissioner” shall mean the Texas Commissioner of Education, or any successor thereto.

“Comptroller” shall mean the Texas Comptroller of Public Accounts, or any successor thereto.

“Continuing Disclosure Agreement” shall mean the agreement of the Issuer and the Charter District entered into in connection with the issuance of the Guaranteed Bonds for the purpose of complying with 17 CFR 240.15c2-12 (being the Securities and Exchange Commission’s Rule 15c2-12).

“Guarantee” shall mean the PSF Certificate issued by TEA pursuant to Article 7 Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, that guarantees the scheduled payment of principal of and interest on the Guaranteed Bonds when due.

“Guaranteed Bonds” shall mean the bonds being issued by the Issuer pursuant to the Security Documents, the proceeds of which are being loaned to the Charter District.

“Issuer” shall mean the entity issuing the Guaranteed Bonds on behalf of the Sponsoring Entity and loaning the proceeds thereof to the Charter District.

“Obligation” shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Guaranteed Bonds.

“Security Documents” shall mean the resolution, trust agreement, indenture, ordinance, loan agreement, deed of trust, bond, note, certificate and/or any additional or supplemental document executed in connection with the issuance of the Guaranteed Bonds.

“Sponsoring Entity” shall mean the political subdivision of the State of Texas that has created the Issuer pursuant to Chapter 53 of the Texas Education Code.

“TEA” shall mean the Texas Education Agency, or any successor thereto.

“TEA Default” shall mean (a) TEA has failed to make any payment under the Guarantee when due and owing in accordance with the Guarantee’s terms and as provided by law; or (b) any state or federal agency or instrumentality shall order the suspension of payments on the Guarantee.

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