

OFFICIAL STATEMENT DATED SEPTEMBER 25, 2024

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: S&P “AAA” (Underlying “BBB-”)
(See “RATINGS” and “THE PERMANENT SCHOOL
FUND GUARANTEE PROGRAM” herein)

In the opinion of Bond Counsel, under current law and subject to conditions described in the Section herein “TAX MATTERS,” interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein “TAX MATTERS.”



ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
\$112,910,000 EDUCATION REVENUE BONDS
(LIFESCHOOL OF DALLAS) SERIES 2024

Dated: October 1, 2024 – Interest accrues from the Delivery Date

Due: as shown on page ii

The Arlington Higher Education Finance Corporation (the “*Issuer*”), a nonprofit corporation created and existing under Chapter 53 and 53A of the Texas Education Code, as amended from time to time (the “*Act*”), is issuing its \$112,910,000 Education Revenue Bonds (LifeSchool of Dallas) Series 2024 (the “*Bonds*”). The Bonds will be dated October 1, 2024, will be in authorized denominations of \$5,000 and integral multiples thereof, and will mature on the dates and in the amounts as shown on page ii hereof. Interest on the Bonds will be payable as described herein.

The Bonds are being issued pursuant to a Trust Indenture and Security Agreement, dated as of October 1, 2024 (the “*Bond Indenture*”) between the Issuer and Regions Bank, as trustee (the “*Bond Trustee*”). The proceeds of the Bonds will be loaned by the Issuer to LifeSchool of Dallas, a Texas nonprofit corporation (“*Life School*”) pursuant to the terms of certain a Loan Agreement, dated as of October 1, 2024 (the “*Loan Agreement*”) between the Issuer and Life School.

The Bonds are special, limited obligations of the Issuer payable solely from (i) payments to be made by Life School pursuant to the Loan Agreement, (ii) a promissory note (the “*Note*”) in an amount equal to the principal amount of the Bonds delivered to the Issuer pursuant to the Loan Agreement and pursuant to the Master Trust Indenture and Security Agreement dated May 1, 2014, as amended (as amended and supplemented, the “*Master Indenture*”), between Life School and Regions Bank, as master trustee (the “*Master Trustee*”), (iii) the money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) and (iv) in certain circumstances, out of amounts secured by the exercise of remedies provided in the Loan Agreement, the Bond Indenture and the Master Indenture. In addition, Life School will execute a supplement to a Deed of Trust and Security Agreement, originally entered into on May 24, 2018, concurrently with closing, anticipated to be on or about October 16, 2024 (as supplemented, the “*Deed of Trust*”), which Deed of Trust will encumber certain property of Life School in favor of the Master Trustee for the benefit of the holders of certain Master Notes (defined herein), including the Note. See “**SECURITY FOR THE BONDS.**” An application has been filed by Life School with, and conditional approval has been received from, the Texas Education Agency (the “*TEA*”) for the Bonds to be guaranteed under the Bond Guarantee Program of the Permanent School Fund of the State of Texas. See “**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.**”

The Note constitutes additional indebtedness under the Master Indenture, and is issued on a parity with certain other promissory notes issued by Life School (the “*Prior Master Notes*” and, together with the Note and any additional promissory notes entitled to the benefit of the Master Indenture, the “*Master Notes*”).

The Bonds are subject to redemption prior to maturity as described herein. See “**THE BONDS – Redemption Provisions.**”

Life School will use the proceeds of the Bonds to (i) acquire, construct and equip certain educational facilities to be owned and operated by Life School, including at 1000 East Daniellale Road and 1600 South Cockrell Hill Road, Duncanville, Texas, (ii) fund capitalized interest, and (iii) pay costs of issuance of the Bonds. See “**PLAN OF FINANCE.**” Life School currently operates nine (9) open-enrollment schools (the “*Charter Schools*”) within the State of Texas pursuant to an open-enrollment charter contract with the TEA. See “**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS.**” Life School may not charge tuition and has no taxing authority.

NONE OF THE STATE OF TEXAS OR A STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. HOWEVER, AN APPLICATION HAS BEEN FILED WITH, AND LIFE SCHOOL HAS RECEIVED CONDITIONAL APPROVAL FROM, THE TEA FOR THE PAYMENT OF THE BONDS TO BE GUARANTEED UNDER THE BOND GUARANTEE PROGRAM OF THE PERMANENT SCHOOL FUND OF THE STATE OF TEXAS. THE ISSUER HAS NO TAXING POWER.

The Bonds will be issued as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“*DTC*”), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. See “**BOOK-ENTRY-ONLY SYSTEM.**”

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision, and should pay particular attention to the material under the caption “RISK FACTORS.”

The Bonds are offered when, as and if issued by the Issuer and received and accepted by the underwriters named below (the “*Underwriters*”) and subject to the approval of certain matters by the Attorney General of the State and an opinion as to legality by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon by Hunton Andrews Kurth LLP, Houston, Texas, as counsel to Life School; Locke Lord LLP, Houston, Texas, as counsel to the Issuer; and Bracewell LLP, Dallas, Texas, as counsel to the Underwriters. McCall, Parkhurst & Horton L.L.P., Dallas, Texas, will act as disclosure counsel to Life School. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 16, 2024 (the “*Delivery Date*”).



D|A|DAVIDSON



MATURITY SCHEDULE

\$112,910,000 EDUCATION REVENUE BONDS (LIFESCHOOL OF DALLAS) SERIES 2024

| Maturity Date (8/15) | Principal Amount (\$) | Interest Rate (%) | Initial Yield (%) | CUSIP No. ⁽¹⁾ |
|-------------------------|--------------------------|----------------------|----------------------|--------------------------|
| 2027 | 770,000 | 5.000 | 2.840 | 041807 LA4 |
| 2028 | 910,000 | 5.000 | 2.860 | 041807 LB2 |
| 2029 | 1,045,000 | 5.000 | 2.880 | 041807 LC0 |
| 2030 | 1,195,000 | 5.000 | 2.970 | 041807 LD8 |
| 2031 | 1,365,000 | 5.000 | 3.030 | 041807 LE6 |
| 2032 | 1,535,000 | 5.000 | 3.110 | 041807 LF3 |
| 2033 | 1,710,000 | 5.000 | 3.160 | 041807 LG1 |
| 2034 | 1,875,000 | 5.000 | 3.200 | 041807 LH9 |
| 2035 | 2,085,000 | 5.000 | 3.260 ⁽²⁾ | 041807 LJ5 |
| 2036 | 2,305,000 | 5.000 | 3.320 ⁽²⁾ | 041807 LK2 |
| 2037 | 2,545,000 | 5.000 | 3.380 ⁽²⁾ | 041807 LL0 |
| 2038 | 2,795,000 | 5.000 | 3.420 ⁽²⁾ | 041807 LM8 |
| 2039 | 3,060,000 | 5.000 | 3.500 ⁽²⁾ | 041807 LN6 |
| *** | *** | *** | *** | *** |
| 2044 | 19,500,000 | 4.000 | 4.100 | 041807 LP1 |
| *** | *** | *** | *** | *** |
| 2049 | 31,575,000 | 4.125 | 4.250 | 041807 LQ9 |
| *** | *** | *** | *** | *** |
| 2054 | 38,640,000 | 4.125 | 4.280 | 041807 LR7 |

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research System Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer, Life School or the Underwriters and are included solely for the convenience of the holders of the Bonds. None of the Issuer, Life School, the Underwriters or their agents or counsel are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

⁽²⁾ Yield shown to first optional redemption date, August 15, 2034.

NOTICE TO INVESTORS OF THE BONDS

Purchasers of the Bonds or any interest therein are hereby given notice as follows:

- (a) The Bonds are special, limited obligations of the Issuer payable solely from revenues to be derived by the Issuer under the Loan Agreement on the Note, and all money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund), and in certain events out of amounts secured through the exercise of the remedies provided in the Bond Indenture, the Loan Agreement, Deed of Trust, and the Master Indenture. See “**SECURITY FOR THE BONDS.**” The Bonds will never be payable out of any funds of the Issuer except with the revenues and in the amounts described above. NONE OF THE STATE OF TEXAS OR A STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. HOWEVER, AN APPLICATION HAS BEEN FILED WITH, AND LIFE SCHOOL HAS RECEIVED CONDITIONAL APPROVAL FROM, THE TEXAS EDUCATION AGENCY FOR THE PAYMENT OF THE BONDS TO BE GUARANTEED UNDER THE BOND GUARANTEE PROGRAM OF THE PERMANENT SCHOOL FUND OF THE STATE OF TEXAS. SEE “**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.**” THE ISSUER HAS NO TAXING POWER.
- (b) Neither the Issuer nor any director, officer or employee thereof takes any responsibility for, and the purchaser must not rely upon any of such parties, with respect to information appearing anywhere in this Official Statement, other than the information under the captions “**THE ISSUER,**” and “**LEGAL MATTERS – Pending and Threatened Litigation – No Proceedings Against the Issuer**” (the “*Issuer’s Portion*” of the Official Statement). None of such parties have participated in the preparation of this Official Statement except with respect to the Issuer’s Portion of this Official Statement.
- (c) Regions Bank, in its capacities as Master Trustee and Bond Trustee, assumes no responsibility for the accuracy or completeness of the information concerning the Issuer or Life School or any other party contained in this document or for any failure by the Issuer or Life School or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.
- (d) Each purchaser must review this entire Official Statement and the Appendices hereto, including the information relating to the sources of repayment of the Bonds, and Life School (including financial and operating data). This Official Statement is not guaranteed as to its accuracy or completeness.
- (e) Each purchaser must be able to bear the economic risk associated with a purchase of securities such as the Bonds and must have the knowledge and experience in business and financial matters, including the analysis of participation in the purchase of similar investments, necessary so as to be capable of evaluating the merits and risks of an investment in the Bonds on the basis of the information and review described herein.

[Remainder of Page Intentionally Left Blank]

No dealer, salesperson, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, Life School, the Bond Trustee, the Master Trustee or the Underwriters. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, Life School, the Bond Trustee, the Master Trustee or the Underwriters since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any 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.

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REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement is being provided in connection with the sale of the Bonds as referred to herein and may not be reproduced for use, in whole or in part, for any other purpose. The information set forth under the caption **“THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”** and in **“APPENDIX H – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”** has been obtained from the Texas Education Agency. The information set forth herein under the captions **“THE ISSUER,”** and **“LEGAL MATTERS – Pending and Threatened Litigation – No Proceedings Against the Issuer”** has been obtained from the Issuer. Life School also did not provide the information under the captions **“STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS,”** **“STATE OPEN ENROLLMENT CHARTER SCHOOL FUNDING,”** **“CURRENT LITIGATION RELATED TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM,”** **“TAX MATTERS,”** **“MISCELLANEOUS – Underwriting”** and **“APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW”**. All other information set forth herein has been obtained from Life School and other noted sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

No dealer, salesperson or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, Life School or the Underwriters. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, Life School or the Underwriters since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any 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.

The Bonds have not been registered with the United States Securities and Exchange Commission (the “SEC”) in reliance upon an exemption from the Securities Act of 1933, as amended, and the Bond Indenture and the Master Indenture have not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF LIFE SCHOOL AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BODY, AND NO SUCH AUTHORITIES HAVE CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

\$112,910,000 EDUCATION REVENUE BONDS (LIFESCHOOL OF DALLAS) SERIES 2024

INTRODUCTION

General

The purpose of this Official Statement is to provide certain information concerning the issuance and sale by the Arlington Higher Education Finance Corporation (the “*Issuer*”) of its \$112,910,000 Education Revenue Bonds (LifeSchool of Dallas) Series 2024 (the “*Bonds*”).

The Bonds are being issued pursuant to a Trust Indenture and Security Agreement, each dated as of October 1, 2024 (the “*Bond Indenture*”) between the Issuer and Regions Bank, as trustee (the “*Bond Trustee*”). The proceeds of the Bonds will be loaned by the Issuer to LifeSchool of Dallas, a Texas nonprofit corporation (“*Life School*”) pursuant to the terms of the Loan Agreement, dated as of October 1, 2024 (the “*Loan Agreement*”), between the Issuer and Life School.

The Bonds are special, limited obligations of the Issuer payable solely from (i) payments to be made by Life School pursuant to the Loan Agreement and the Master Trust Indenture and Security Agreement, dated as of May 1, 2014 (as amended and supplemented, the “*Master Indenture*”), between Life School and Regions Bank, as master trustee (the “*Master Trustee*”); (ii) a promissory note (the “*Note*”) in amounts equal to the principal amount of the Bonds delivered to the Issuer pursuant to the Loan Agreement and the Master Indenture; (iii) the money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund); and (iv) in certain circumstances, out of amounts secured by the exercise of remedies provided in the Loan Agreement, the Bond Indenture and the Master Indenture. In addition, Life School will execute a supplement to a Deed of Trust and Security Agreement, originally entered into on May 24, 2018, concurrently with closing, anticipated to be on or about October 16, 2024 (as supplemented, the “*Deed of Trust*”), which Deed of Trust will encumber certain property of Life School in favor of the Master Trustee for the benefit of the holders of the Master Notes. See “**SECURITY FOR THE BONDS.**”

An application has been filed with, and Life School has received conditional approval from the Texas Education Agency (the “*TEA*”) for payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (the “*State*”). See “**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.**”

The Note constitutes additional indebtedness under the Master Indenture, and is issued on a parity with certain other promissory notes previously issued by Life School (the “*Prior Master Notes*” and, together with the Note and any additional promissory notes entitled to the benefit of the Master indenture, the “*Master Notes*”).

The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Capitalized terms used but not defined in this Official Statement have the meanings provided in the Bond Indenture, the Master Indenture and the Loan Agreement, as applicable. Substantially final forms of those documents are attached hereto in **APPENDIX F.**

Forward-Looking Statements

This Official Statement contains statements relating to future results that are forward-looking statements of the type defined in the Private Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “expect,” “project,” “intend,” “anticipate,” “believe,” “may,” “will,” “continue” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results, and that those differences could be material.

THE ISSUER

The Issuer is a public nonprofit corporation created by the City of Arlington, Texas (the “*Sponsoring Entity*”) and is existing as an instrumentality of the Sponsoring Entity pursuant to the Act. Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to accredited institutions of higher education, secondary schools and primary schools and to authorized charter schools for the purpose of aiding such schools in financing or refinancing “educational facilities” and “housing facilities” (as such terms are defined in the Act) and facilities which are incidental, subordinate, or related thereto or appropriate in connection therewith.

All of the Issuer’s property and affairs are controlled by and all of its powers are exercised by a board of directors (the “*Board*”) consisting of seven (7) members, each of whom has been appointed by the City Council of the Sponsoring Entity. The Board members serve two-year terms, and each Board member may serve an unlimited number of two-year terms. All vacancies on the Board are filled by the City Council of the Sponsoring Entity. No officer or employee of the governing body of the Sponsoring Entity may serve as a Board member.

The officers of the Issuer consist of a president, a vice president, a secretary and a treasurer, each selected by the Board, 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. Vacancies may be filled by the Board. Neither members nor officers of the Board receive compensation for serving as such, but they are entitled to reimbursement for expenses incurred in performing such service.

The Issuer has no material assets. Other than legal counsel, the Issuer has not engaged any consultant or other professional. THE ISSUER HAS NO TAXING POWER.

The Issuer is receiving a fee of \$30,000.00 in connection with the issuance of the Bonds. After provision has been made for expenses of the Issuer, the remainder of such fee may be used by the Issuer or the City for any lawful purpose.

Except for the issuance of certain bonds for the benefit of Life School, the Issuer is not in any manner related to or affiliated with Life School. The Issuer has issued the Bonds and loaned the proceeds to Life School pursuant to the Loan Agreement solely to carry out the Issuer’s statutory purpose. Life School has agreed to indemnify the Issuer and the Sponsoring Entity for certain matters.

The directors of the Issuer are not personally liable in any way for any act or omission committed or suffered in the performance of the functions of the Issuer.

Limited Involvement of the Issuer

The Issuer has no obligation to review, control or oversee the activities of the Bond Trustee or Life School or the compliance by either of them with any covenants or provisions of any related documents, including (without limitation) any covenants that relate to the excludability from gross income of interest on the Bonds.

Neither the Issuer nor the Sponsoring Entity has assumed any responsibility for the matters contained herein except, in the case of the Issuer, solely as to matters relating to the Issuer contained under this caption and under the caption “**LEGAL MATTERS – Pending and Threatened Litigation – No Proceedings Against the Issuer.**” All findings and determinations by the Issuer and the Sponsoring Entity, respectively, are and have been made by each for its own internal uses and purposes. Notwithstanding its approval of the Bonds for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), the Sponsoring Entity does not endorse in any manner, directly or indirectly, guarantee or promise to pay the Bonds from any source of funds of the Sponsoring Entity or guarantee, warrant or endorse the creditworthiness or credit standing of Life School, or in any manner guarantee, warrant, or endorse the investment quality or value of the Bonds. The Bonds are payable solely as described in this Official Statement and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Issuer. By its issuance of the Bonds, the Issuer does not in any manner, directly or indirectly, guarantee, warrant or endorse the creditworthiness or credit standing of Life School or the investment quality or value of the Bonds.

NONE OF THE SPONSORING ENTITY, THE ISSUER, THE STATE OF TEXAS (THE “STATE”), OR ANY STATE AGENCY, 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 CITY, THE STATE, OR 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.

LIFE SCHOOL

General

Life School is a nonprofit corporation incorporated in the State of Texas (the “*State*”) on June 17, 1996, and an organization described under Section 501(c)(3) of the Code. As of the 2023-2024 school year, Life School operates nine (9) open-enrollment charter schools in the State. See “**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – FACILITIES**” for a list of Life School’s existing schools and schools that are being financed with proceeds of the Bonds (collectively, the “*Charter Schools*”).

The Charter Schools operate pursuant to a single open-enrollment charter contract between Life School and the Texas State Board of Education (the “*State Board of Education*”) under Chapter 12 of the Texas Education Code, Section 12.001 *et seq.* Life School’s Board of Directors is the governing body for all of the Charter Schools. For more information regarding Life School and the Charter Schools, see generally “**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS.**”

PLAN OF FINANCE

General

Life School will use the proceeds of the Bonds to (i) acquire, construct and equip certain educational facilities to be owned and operated by Life School, including at 1000 East Daniellale Road and 1600 South Cockrell Hill Road, Duncanville, Texas, (ii) fund capitalized interest, and (iii) pay costs of issuance of the Bonds. See “**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – Project Funds**” for a description of the educational facilities to be financed with a portion of the proceeds of the Bonds.

Future Financings

Although Life School does not anticipate the issuance of any additional indebtedness on a parity with the Note of the next three (3) years, as opportunities and needs arise, including expansion needs, Life School may incur additional indebtedness. Any such expansion plans are subject to change, appropriate levels of philanthropic support, Board approval, Life School’s ongoing ability to satisfy financial metrics, including the coverage requirements for the issuance of additional Debt, TEA regulatory approval, and other potential factors. See “**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – History, Vision, Mission, Curriculum, Extracurricular Activities, Growth History and Needs.**”

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth anticipated sources and uses of funds in connection with the plan of finance described above:

| <u>SOURCES OF FUNDS</u> | <u>THE BONDS</u> |
|----------------------------------|-------------------------|
| Principal Amount | \$112,910,000.00 |
| Net Premium | 1,070,852.40 |
| TOTAL | <u>\$113,980,852.40</u> |
| <u>USES OF FUNDS</u> | |
| Project Fund Deposit | \$100,000,000.00 |
| Interest Account Deposit | 8,852,784.06 |
| PSF Guarantee Reserve Fee | 2,852,175.71 |
| Costs of Issuance ⁽¹⁾ | 2,275,892.63 |
| TOTAL | <u>\$113,980,852.40</u> |

THE BONDS

General

The Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts, set forth on page ii of this Official Statement. The Bonds will be initially issued in book-entry only form, as discussed under “**APPENDIX G – 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 denominations of \$5,000.

The principal of, premium, if any, and interest on the Bonds are payable in lawful money of the United States of America. Amounts due on the Bonds will be paid by check mailed to the owner thereof at its address as it appears on the bond registration books on the first day of the calendar month in which such payment date occurs (the “*Record Date*”). Upon written request of a holder 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 holder) in immediately available funds to an account in the United States designated by such holder upon five (5) days written notice before a Record Date to the Bond Trustee. Notwithstanding the foregoing, while the Bonds are held in book-entry-only form, interest, principal, and redemption premium, if any, will be paid through The Depository Trust Company, New York, New York (“*DTC*”) as described under “**APPENDIX G – BOOK-ENTRY-ONLY SYSTEM**.”

Interest on the Bonds will accrue from the Delivery Date at the rates shown on page ii hereof, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months, payable semiannually on each August 15 and February 15, commencing August 15, 2025, until the earlier of maturity or redemption.

Permanent School Fund Guarantee

In connection with the sale of the Bonds, an application has been filed by Life School with, and Life School has received conditional approval from, the TEA for guarantee of the Bonds to be guaranteed under the Charter District Bond Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code). See “**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**” herein.

Redemption Provisions

Optional Redemption. The Bonds maturing on or after August 15, 2035, are subject to optional redemption prior to scheduled maturity, in whole or in part, on August 15, 2034, and on any date thereafter, at the option of Life

⁽¹⁾ Includes underwriting discount, legal fees, printing fees and other costs of issuance.

School at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 15 in the years 2044, 2049 and 2054 (collectively, the “*Term Bonds*”) are subject to mandatory sinking fund redemption in part prior to maturity with funds from the Debt Service Fund, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the mandatory sinking fund redemption date, on the dates, and in the principal amounts shown in the following schedules:

| Term Bond Maturing August 15, 2044 | | Term Bond Maturing August 15, 2049 | |
|---------------------------------------|--|---------------------------------------|--|
| <u>Principal Amount (\$)</u> | <u>Redemption Date (August 15)</u> | <u>Principal Amount (\$)</u> | <u>Redemption Date (August 15)</u> |
| 3,335,000 | 2040 | 5,815,000 | 2045 |
| 3,610,000 | 2041 | 6,055,000 | 2046 |
| 3,890,000 | 2042 | 6,305,000 | 2047 |
| 4,180,000 | 2043 | 6,565,000 | 2048 |
| 4,485,000 | 2044* | 6,835,000 | 2049* |

| Term Bond Maturing August 15, 2054 | |
|---------------------------------------|--|
| <u>Principal Amount (\$)</u> | <u>Redemption Date (August 15)</u> |
| 7,115,000 | 2050 |
| 7,410,000 | 2051 |
| 7,715,000 | 2052 |
| 8,035,000 | 2053 |
| 8,365,000 | 2054* |

* Stated Maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemptions is required to be reduced by the principal amount of any Term Bonds of the same maturity date which, at least sixty (60) days prior to the mandatory sinking fund redemption date (i) have been purchased and delivered to the Bond Trustee for cancellation, (ii) have been purchased and canceled by the Bond Trustee with funds furnished for such purpose, in each case at a purchase price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, or (iii) have been redeemed pursuant to the optional redemption provision described above.

Mandatory Redemption Upon Determination of Taxability. The Bonds are also subject to mandatory redemption upon a Determination of Taxability (as defined below).

The Bonds subject to mandatory redemption upon a Determination of Taxability will be redeemed in whole prior to maturity on a date selected by Life School which is not more than one hundred twenty (120) days following receipt by the Bond Trustee of written notice of the occurrence of a Determination of Taxability at a redemption price equal to 100% of the principal amount thereof plus interest to the redemption date; provided, that, such redemption of the Bonds will not be payable from the Permanent School Fund.

“*Determination of Taxability*,” as used herein, means a determination that the interest income on any of the Bonds does not qualify as interest excluded from gross income of the recipient thereof for the purpose of federal income taxation (“*exempt interest*”) under Section 103 of the Code (in the case of a private activity bond, for a reason other than a registered owner is or a former registered owner was a substantial user within the meaning of Section 147 of the Code), which determination will be deemed to have been made upon the first to occur of any of the following: (i) the date on which the Bond Trustee is notified that an opinion of counsel is unable to be delivered to the effect that

the interest on the Bonds qualifies as such exempt interest; or (ii) the date on which the Bond Trustee is notified by or on behalf of the Issuer that a change in law or regulation has become effective or that the Internal Revenue Service has issued any public or private ruling or technical advice memorandum or that there has occurred a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Bonds does not qualify as such exempt interest; or (iii) the date on which Life School receives notice from the Bond Trustee in writing that the Bond Trustee has been notified by the Internal Revenue Service, or has been advised by the Issuer, Life School or any owner or former owner of a Bond that the Internal Revenue Service has issued a final determination (after the Issuer has exhausted all administrative appeal remedies and has determined not to pursue any remedies in a court of competent jurisdiction) which asserts that the interest on any of the Bonds does not qualify as such exempt interest.

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

Redemption in Part. If less than all of the Bonds of a stated maturity are called for redemption, the particular Bonds or portions thereof to be redeemed will be redeemed by the Bond Trustee in accordance with the written direction of Life School; *provided, however*, that portions of the Bonds will be redeemed in Authorized Denominations; and *provided further*, that no redemption will result in an outstanding Bond being held in less than an Authorized Denomination.

In case part, but not all, of a Bond is selected for redemption, the owner thereof or his attorney or legal representative must present and surrender the Bond to the Bond 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 therefor, in exchange for the unredeemed portion of the principal amount of such Bond so surrendered, a Bond of the same maturity and bearing interest at the same rate.

Notice of Redemption. At least thirty (30) days prior to the date fixed for any redemption of the Bonds, but not more than sixty (60) days prior to any redemption date, the Bond Trustee will cause a written notice of such redemption to be mailed by first class mail, postage prepaid, to the holders of the Bonds to be redeemed, at such holder's address appearing on the bond registration books on the date such notice is mailed by the Bond 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 is required to be made with the Bond Trustee and the Paying Agent for the payment of the redemption price, premium, if any, and interest accrued thereon. 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 Bond Indenture, the Bonds which are to be redeemed will become due and payable at the redemption price and after such date will cease to bear interest. Such Bonds will not be regarded as being Outstanding except for the right of the Owner to receive the redemption price out of the funds provided for such payment. If any Bond is not paid upon the surrender thereof for redemption, such Bond will continue to be Outstanding under the Bond Indenture and will continue to bear interest until paid at the interest rate borne by such Bond.

Defeasance. The Bonds may be discharged, or advance refunded in advance of their optional redemption date in any manner now or hereafter permitted by law. Upon any discharge, defeasance or refunding of all or a portion of the Bonds, such Bonds shall no longer be regarded to be outstanding or unpaid; *provided, however*, the Issuer will remain obligated for all payments, including the contribution of additional money or securities to any defeasance escrow or trust account, if necessary, to provide sufficient amounts to satisfy the payment obligations (but only from the sources described herein). The Permanent School Fund Guarantee will terminate with respect to Bonds defeased in the manner provided above. Life School must notify the commissioner of the TEA in writing within ten (10) days of the defeasance of any Bonds.

RISK FACTORS

General

This Official Statement contains summaries of pertinent portions of the Bonds, the Bond Indenture, the Master Indenture, the Loan Agreement, the Deed of Trust, the Continuing Disclosure Agreement (defined herein), and other relevant documents. Such summaries and references are qualified in their entirety by reference to the full text of such documents. The following discussion of some of the risk factors associated with the Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Enforceability and Constitutionality of the Permanent School Fund Guarantee

The State Constitution provides that the Legislature by law may provide for using the Permanent School Fund to guarantee bonds issued by school districts. In 2013, the State Legislature enacted a law providing a method for State charter schools to be designated as “charter districts” and to avail themselves of the guarantee of the Permanent School Fund. An application has been filed by Life School with, and conditional approval has been received from, the TEA for the Bonds to be guaranteed under the Bond Guarantee Program of the Permanent School Fund of the State. The guarantee of charter school bonds by the Permanent School Fund has not been reviewed for enforceability or constitutionality by any court of law, and no legal opinions from a court of law have been delivered with respect thereto. Although both the Attorney General of the State and Bond Counsel will deliver their opinions with respect to the validity of each series of the Bonds, neither party will opine with respect to the enforceability of, or constitutionality of, the Permanent School Fund guarantee of the Bonds. Additionally, no other party, including the TEA, will give any opinions with respect to the enforceability or constitutionality of the guarantee of the Bonds.

Sufficiency of Revenues

The Bonds are payable solely from certain payments, revenues and other amounts derived by the Issuer pursuant to the Loan Agreement and the Note, and are secured only by such revenues and a pledge of certain funds and accounts created under the Bond Indenture. Based on present circumstances, and based on its projections regarding enrollment, Life School believes it will generate sufficient revenues for payment of debt service on the Bonds. However, Life School’s charter contract may be revoked, or the basis of the assumptions used by Life School to formulate its beliefs may otherwise change. No representation or assurance can be made that Life School will continue to generate sufficient revenues to make payments under the Master Notes representing debt service on the Bonds and other bonds issued for the benefit of Life School.

Dependence on State Payments that are Subject to Annual Appropriation and Political Factors

State charter schools such as the Charter Schools operated by the Life School may not charge tuition and have no taxing authority. Payments from the State that Life School receives for educating students comprise the primary source of revenue generated by Life. The amount of such State payments Life School receives is based on a variety of factors, including enrollment at the Charter Schools. The overall amount of education aid provided by the State in any year is also subject to appropriation by the Legislature. The Legislature may base its decisions about appropriations on many factors, including the State's economic performance.

Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change. As a result, the Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, for Life School to generate sufficient revenue to meet its operating expenses and to make payments on the Master Notes representing debt service on the Bonds and other bonds that could be issued for the benefit of Life School. No liability would accrue to the State in such event, and the State would not be obligated or liable for any future payments or any damages. Furthermore, the TEA is empowered by State law to withhold funds, suspend funds or require repayment/reimbursement of funds for a number of reasons and circumstances, and Life School has limited appeal rights under statute and rule. If the State were to withhold funds, suspend funds or require repayment/reimbursement of funds, such State payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, Life School could be forced to cease operations. Any future decreases in State revenues or increases in State expenditures may adversely affect education appropriations made by the Legislature. Neither Life School nor any

other party to the transaction contemplated herein can predict how State revenues or State education funding will vary over the entire term of the Bonds.

Nationally, charter schools have come under criticism as having failed to meet certain objectives in educating students to a success level above students in traditional public school systems. Proponents of charter schools have indicated that comparisons used in such critiques often fail to measure performances between similarly situated schools, or fail to acknowledge the time that will be required for a charter school system to develop historically significant data. The politically sensitive issues surrounding the development of charter schools will likely continue to garner public attention, and any development of a national sense that charter schools do not present a fiscally responsible alternative could adversely affect the willingness of states, including the State, to fund charter school operations, to take legislative or regulatory action adverse to charter schools, or the willingness to approve or renew charter contracts.

Operating History; Reliance on Projections

Life School's ability to make payments under the Master Notes representing debt service payments on the Bonds and other bonds issued for the benefit of Life School depends on Life School's receipt of payments from the State. Any projections of revenues and expenses contained in **APPENDIX A** herein were prepared by Life School, with assistance from its financial advisor, and have not been independently verified by any party other than Life School. No feasibility studies have been conducted with respect to operations of Life School pertinent to the Bonds. The projections prepared by Life School are "forward-looking statements" and are subject to the general qualifications and limitations described under "**INTRODUCTION – Forward-Looking Statements**" with respect to such statements. The Underwriters have not independently verified such projections, and make no representation and give no assurances that such projections or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years and consequently do not cover the entire period that the Bonds will be outstanding.

The projections are derived from the actual operations of Life School and from assumptions made by Life School about its future student enrollment and expenses. The projections assume increases in enrollment to 6,807 in the 2027-2028 school year. The bases for such projections are the applications for admission for Life School's grades currently in operation and the addition of additional grades. There can be no assurance that the actual enrollment, revenues and expenses for Life School will be consistent with the assumptions underlying the projections contained herein. See "**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS**" to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results. See "**INTRODUCTION – Forward-Looking Statements**," above, for qualifications and limitations applicable to forward-looking statements.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION CONTAINED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY LIFE SCHOOL. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, DIFFICULTY WITH OR FAILURE OF LIFE SCHOOL'S GROWTH STRATEGY, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED PAYMENTS FROM THE STATE, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAX LAWS, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, FACTORS ASSOCIATED WITH EDUCATION, COMPETITION FOR STUDENTS, AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS.

THE PROJECTIONS ARE FROM LIFE SCHOOL AND NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE COMMISSIONED AN INDEPENDENT FEASIBILITY ANALYSIS OF ANY OF THE PROJECTED STUDENT ATTENDANCE FIGURES UPON WHICH LIFE SCHOOL'S PROJECTIONS ARE BASED. NO INDEPENDENT CONFIRMATION OF LIFE SCHOOL'S PROJECTIONS HAS BEEN MADE, AND WHILE LIFE SCHOOL BELIEVES ITS PROJECTIONS ARE REASONABLE, SUCH GROWTH MAY OR MAY NOT OCCUR AND MAY BE AFFECTED BY A VARIETY OF FACTORS. SEE "**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS**."

Competition for Students

POTENTIAL PURCHASERS SHOULD BE AWARE THAT LIFE SCHOOL FACES CONSTANT COMPETITION FOR STUDENTS AND THERE CAN BE NO ASSURANCE THAT LIFE SCHOOL WILL CONTINUE TO ATTRACT AND RETAIN THE NUMBER OF STUDENTS THAT ARE NEEDED TO GENERATE REVENUES SUFFICIENT TO PAY THE MASTER NOTES AND THUS TO MAKE PAYMENT OF DEBT SERVICE ON THE BONDS OR OTHER BONDS ISSUED FOR THE BENEFIT OF LIFE SCHOOL. SEE “**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – Service Area and Competing Schools.**”

Nonrenewal or Revocation of Charter

Life School initially entered into its open-enrollment charter contract in 1998 for an initial period through July 31, 2003. The contract was subsequently renewed to July 31, 2013, subsequently renewed thereafter through July 31, 2023, and thereafter through July 31, 2033. Life School’s charter contract has been amended several times since their initial term, to add additional grade offerings and school sites and to increase Life School’s maximum enrollment. There can be no assurance that Life School’s charter contract will continue to be renewed or that it will not be revoked. See “**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – Charter Contract.**”

Under State law, the Commissioner of Education (the “Commissioner”) is required to revoke the charter of, or reconstitute the governing body of the charter holder, if the Commissioner determines that the charter holder: (i) committed a material violation of the charter, including failure to (A) satisfy accountability provisions prescribed by the charter, or (B) comply with the duty to discharge or refuse to hire certain employees or applicants for employment, as provided by Section 12.1151 of the Texas Education Code, as amended; (ii) failed to satisfy generally accepted accounting standards of fiscal management; (iii) failed to protect the health, safety, or welfare of the students enrolled at the school; (iv) failed to comply with any applicable law or rule; (v) failed to satisfy the performance framework standards adopted under Section 12.1181 of the Texas Education Code; or (vi) is imminently insolvent as determined by the Commissioner in accordance with Commissioner rules.

The Commissioner shall also revoke the charter of an open-enrollment charter school if (i) the charter holder has been assigned an unacceptable performance rating (“Accountability Rating”) under Subchapter C, Chapter 39 of the Texas Education Code for the three (3) preceding school years; (ii) the charter holder has been assigned a financial accountability performance rating (“FIRST Rating”) under Subchapter D, Chapter 39 of the Texas Education Code 31 indicating performance lower than satisfactory for the three (3) preceding school years; or (iii) the charter holder has been assigned any combination of the ratings described in (i) or (ii) for the three (3) preceding school years.

Under State law, the Commissioner is required to deny renewal of the charter of an open-enrollment charter school at the end of the term of a charter school if the charter holder has been assigned an unacceptable Accountability Rating for any three (3) of the five (5) preceding school years; (ii) the charter holder has been assigned a FIRST Rating that is lower than satisfactory for any three (3) of the five (5) preceding school years; (iii) the charter holder has been assigned any combination of the ratings described in (i) or (ii) for any three (3) of the five (5) preceding school years; or (iv) any campus operating under the charter has been assigned an unacceptable performance rating as its Accountability Rating for the three (3) preceding school years and such campus has not been closed. A determination by the Commissioner that the charter is not permitted to be renewed and must be allowed to expire is final and not appealable.

There can be no assurance Life School will be able to satisfy the academic and/or financial accountability standards described above in the future. If Life School’s charter is revoked or if the charter is not renewed, Life School may be forced to cease operations. The taking of any actions by the Commissioner as described in this subsection may have a material adverse effect on the ability of Life School to pay the Note and sufficient to pay debt service on the Bonds and other bonds issued for the benefit of Life School. For additional discussion regarding the revocation and non-renewal of charters by the Commissioner, see APPENDIX A and APPENDIX B to this Official Statement.

Factors Associated with Education

There are a number of factors affecting schools in general, including the Charter Schools, which could have an adverse effect on Life School’s financial position and the ability of Life School to generate sufficient revenues to pay the Master Notes and thus debt service on the Bonds and other bonds issued for the benefit of Life School. These factors include, but are not limited to, Life School’s ability to successfully execute its expansion plan; Life School’s

ability to attract and retain a sufficient number of students; increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; increasing operating costs of Life School; changes in existing statutes pertaining to the powers of Life School and legislation or regulations which may affect funding. Life School cannot assess or predict the ultimate effect of these factors on its operations or financial results of operations.

Failure to Provide Ongoing Disclosure

In connection with the issuance of the Bonds, Life School will enter into a Continuing Disclosure Agreement pursuant to Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“*Rule 15c2-12*”). Failure to comply with the Continuing Disclosure Agreement or Rule 15c2-12 may adversely affect the liquidity of the Bonds and their market price in the secondary market. See “**CONTINUING DISCLOSURE AGREEMENT**” and “**APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT**.”

State Financial Difficulties

Charter Schools depend on revenues from the State for a large portion of their operating budgets. The availability of State funds for public education is a function of legal provisions affecting school district revenues and expenditures, the condition of the State economy and the biennial budget process. Decreases in State revenues may adversely affect education appropriations made by the State Legislature. As noted, the State Legislature bases its decisions about appropriations on many factors, including economic performance, and, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. See “**RISK FACTORS – Dependence on Payments that are Subject to Annual Appropriation and Political Factors**” above.

Any future decreases in State revenues or increases in State expenditures may adversely affect education appropriations made by the State Legislature. Neither Life School nor any other party to the bond transaction can predict how State revenues or State education funding will vary over the entire term of the Bonds.

No parties to the bond transaction take any responsibility for informing owners of the Bonds about any such changes. Information about the financial condition of the State, as well as its budget and spending for education, is available and regularly updated on various State-maintained websites. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information, and no such information is incorporated herein by these references.

COVID-19 and Other Similar Outbreaks

Infectious disease outbreaks, like the recent COVID-19 pandemic, can cause significant disruptions to the global, national and State economy. The extent to which such events impact Life School and its financial condition are highly uncertain and cannot be predicted by Life School, including the duration of the outbreak and measures taken to address the outbreak.

In addition, such events could have an adverse effect on future enrollment. For example, if it is perceived that competitors of Life School, including traditional public schools or other charter schools, are better equipped to handle the spread of future outbreaks or to provide virtual learning, it could lead to lower enrollment in the future (see “**RISK FACTORS - Competition for Students**” and “**- Operating History; Reliance on Projections**”).

The value of the PSF guarantee could also be adversely impacted by ongoing volatility in the diversified global markets in which the PSF is invested. See “**APPENDIX H – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak**.”

Cybersecurity

Life School relies on a technological environment to conduct its operations and potentially faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”). While Life School mitigates

this Systems Technology risk by using the digital data storage services of third-party providers that maintain cybersecurity protection policies, as a recipient and provider of personal, private, or sensitive information, Life School may be the target of cybersecurity incidents that could result in adverse consequences to Life School and its Systems Technology, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to Life Schools' Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. Cybersecurity breaches could cause material disruption to Life School's finance or operations. The costs of remedying any such damage or obtaining insurance related thereto, or protecting against future attacks could be substantial, and insurance (if any can be obtained) may not be adequate to cover such losses or other resultant costs and expenses. Further, cybersecurity breaches could expose Life School to material litigation and other legal risks, which could cause Life School to incur material costs related to such legal claims or proceedings.

Campus Security

Schools are subject to risks relating to campus security. These include but are not limited to bullying, abuse, and, in extreme cases, physical violence. Instances of breaches of campus security may have a materially adverse effect on the operation of the Charter Schools and/or on Life School's reputation, and may result in financial liability and/or litigation, any of which events could adversely affect Life School's ability to generate revenues from the operation of the Charter Schools necessary for Life School to meet its payment obligations representing debt service on the Bonds.

Extreme Weather Events and Climate Change

The State is susceptible to the effects of extreme weather events and natural disasters, including floods, droughts, wind events, low temperature events, rain events, earthquakes, hurricanes, and tornadoes, which could result in negative economic impacts on AFIAB and SIA. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage Life School, or the local infrastructure that provides essential services to Life School. The economic impacts resulting from such extreme weather events could include a loss of property values, a decline in revenue base, and escalated recovery costs. While Life School has not experienced any serious flooding in the past five years, no assurances can be given that a future extreme weather event driven by climate change will not adversely affect the operations of Life School.

Value of Facilities May Fluctuate

The value of Life School's educational facilities at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in this transaction. At any time, there may be a difference between the actual market value of Life School's educational facilities subject to the Deed of Trust and the Outstanding principal amount of Master Notes outstanding under the Master Indenture, and that difference may be material and adverse to Holders. In particular, it cannot be determined with certainty what the value of the property subject to the Deed of Trust would be in the event of foreclosure under the Deed of Trust. Real property values can fluctuate substantially depending on a variety of factors. There is nothing associated with Life School's facilities, which are intended for use as educational facilities, to suggest that their values would remain stable or would increase if the general values of property in the community were to decline.

Construction Risks

Life School will use a portion of the proceeds of the Bonds to finance construction of the Project. Life School expects to obtain all necessary approvals, consents, certificates and permits as needed in order to complete such construction in a timely manner. As of the date of this Official Statement, Life School has applied for but not received a special use permit from the City of Duncanville necessary for completion and use of the Project. Any failure by Life School to obtain such approvals, consents, certificates and permits, including the special use permit, could result in a delay with respect to completion of construction, and any such delay could adversely affect Life School's operations and its ability to generate revenues sufficient to pay the Master Notes and thus debt service on the Bonds and other bonds issued for the benefit of Life School. The risks associated with any such delay are heightened by the fact that Life School is relying on the new facilities and the expanded classroom space to accommodate its projected increased enrollment; however, such enrollment growth is not the basis for Life School's projected ability to generate

revenues sufficient to make payments on the Master Notes representing debt service on the Bonds and other bonds secured by Master Notes. See “APPENDIX A — “LIFE SCHOOL AND THE CHARTER SCHOOLS” and “DEBT SERVICE REQUIREMENTS.”

Life School expects to enter into a guaranteed maximum price construction contract for the Project. However, as of the date of this Official Statement no guaranteed maximum price contract or any other construction contract has been delivered in connection with the Project, and the costs of the Project are based solely estimates of Life School from preliminary designs and plans. If final plans or the final construction contract for Project result in construction costs that exceed the amount available to pay such costs, Life School’s construction plans would have to be modified to lower construction costs, and there is a risk that the construction would not be completed or would not be completed as planned.

Foreclosure Deficiency and Delays

If revenues produced by Life School are insufficient to make payments on the Master Notes representing debt service on the Bonds and all other bonds secured by Master Notes, the Master Trustee may seek to foreclose on the Deed of Trust. There can be no assurance that the value of Life School’s educational facilities will be sufficient to meet all remaining debt service requirements with respect to the Master Notes secured by the Deed of Trust at the time of any foreclosure. See “– **Value of Facilities May Fluctuate**” above. In addition, the time necessary to institute and complete foreclosure proceedings would likely substantially delay receipt of funds from a foreclosure.

No Acceleration of Bonds

Pursuant to the legislation authorizing the use of the Permanent School Fund to guarantee bonds, the Bonds may not be accelerated as a remedy upon an event of default under the Bond Indenture or Loan Agreement. However, the Note is subject to acceleration upon an Event of Default under the Master Indenture. In such an event, the ratable portion of any foreclosure proceeds attributable to the Trust Estate collateral then securing the Bonds shall be paid by the Master Trustee to the Bond Trustee to purchase Defeasance Obligations (defined herein) for deposit with the Bond Trustee to defease all or portions of the Bonds in inverse order of maturity through the earlier to occur of maturity or the first optional redemption date as set forth in the form of Bond. See “**THE BONDS – Redemption Provisions.**”

Changes in the School Finance System

Because State charter schools are ultimately funded from the same sources as State public school districts, changes in the system of school finance could significantly affect how charter schools are funded. Neither the Issuer nor Life School 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 “**STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS**” and “**PUBLIC SCHOOL FINANCE LITIGATION**” herein.

Changes to Charter School Laws

The law applicable to charter schools in the State has frequently changed, including changes to the school funding system and relating to revocation and non-renewal and the respective rights of the parties. See “**STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS**” and “**STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS**” below. The law affecting charter schools is subject to additional changes. Changes to applicable law by the State Legislature and the interpretation and implementation of such laws by the TEA could be adverse to the financial interests of Life School and could adversely affect the ability of Life School to generate sufficient revenues to pay the Master Notes and thus debt service on the Bonds and other bonds issued for the benefit of Life School. There can be no assurance that the State Legislature will not change such laws, or that TEA will not interpret and implement such laws, in the future in a manner which is adverse to the interests of the holders of the Bonds. Adverse State budget considerations could increase the likelihood that the State Legislature would change the laws governing charter schools, and in particular charter school funding provisions. Further, State budget considerations may adversely affect appropriations for charter school funding. See “**STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS**” and “**PUBLIC SCHOOL FINANCE LITIGATION**” herein. Further, federal laws and regulations applicable to charter schools may also change over time.

School Choice Initiatives

States are increasingly considering and, in some states, enacting school choice or education savings account legislation that would expand the educational choices for its resident students beyond the public school system. School choice programs could provide significant competition to charter schools because parents who may not have previously been able to afford tuition at a private, independent school would, under such a system, have financial resources available to cover all or a portion of the tuition cost at such private, independent schools. This is likely to increase demand for enrollment in private, independent schools and could adversely affect enrollment at other schools, including charter schools. Life School cannot determine the specific impact the implementation of such educational choice initiatives in the State would have on the operation or financial performance of the Charter Schools.

Key Personnel

Life School's creation, curriculum, educational philosophy and operations have depended on the vision and commitment of a few, key personnel who comprise the senior leadership of Life School. See "**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – Senior Leadership.**" Loss of any such key personnel could adversely affect Life School's growth plans, operations, ability to attract and retain students and ultimately its financial results. Of particular importance to Life School are Brent Wilson, Ed.D., Life School's Chief Executive Officer and Superintendent and Megan Beck, Life School's Chief Financial Officer. For more information regarding Brent Wilson, Ed.D. and Megan Beck, and other of Life School's key personnel, see "**APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – Senior Leadership.**"

Special, Limited Obligations

The Bonds are special limited obligations of the Issuer payable solely from revenues to be derived by the Issuer under the Loan Agreement, the Note, all money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) and in certain events out of amounts secured through the exercise of the remedies provided in the Bond Indenture, the Loan Agreement, the Deed of Trust, and the Master Indenture. See "**SECURITY FOR THE BONDS.**"

THE BONDS WILL NEVER BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER EXCEPT WITH SUCH REVENUES AND IN SUCH AMOUNTS DESCRIBED ABOVE. NONE OF THE STATE OR A STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. HOWEVER, AN APPLICATION HAS BEEN FILED WITH, AND LIFE SCHOOL HAS RECEIVED CONDITIONAL APPROVAL FROM, THE TEXAS EDUCATION AGENCY FOR THE PAYMENT OF THE BONDS TO BE GUARANTEED UNDER THE BOND GUARANTEE PROGRAM OF THE PERMANENT SCHOOL FUND OF THE STATE OF TEXAS. THE ISSUER HAS NO TAXING POWER.

Pledge and Control of Revenues upon Event of Default

The Master Indenture provides that all of Life School's Adjusted Revenues will be deposited into one or more deposit accounts pledged to the Master Trustee pursuant to Deposit Account Control Agreements (unless such Adjusted Revenues or portion thereof are required to be deposited to the Revenue Fund). Upon the occurrence of an Event of Default under the Master Indenture, the Master Trustee is entitled, at the direction of the holders of not less than 25% in principal amount of the Master Notes Outstanding to (i) issue a Notice of Exclusive Control under the Deposit Account Control Agreement and (ii) collect and receive all of Life School's Adjusted Revenues to be applied as specified in the Master Indenture. While the Holders of not less than 25% in principal amount of Master Notes Outstanding are entitled to direct the Master Trustee in the exercise of remedies following an Event of Default, such percentage may be composed wholly or partially of the holders of Master Notes other than the Note.

Damage or Destruction of the Facilities

The Master Indenture requires that Life School's educational facilities be insured against certain risks. See **"APPENDIX F – SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND THE LOAN AGREEMENT – MASTER INDENTURE."** There can be no assurance that the amount of such insurance required to be obtained or actually obtained will be adequate, or that the cause of any damage or destruction to Life School's educational facilities will be as a result of a risk which is insured. Further, there can be no assurance with respect to the ongoing creditworthiness of the insurance companies from which Life School obtains insurance policies.

Federal Accountability

Title I of the Elementary and Secondary Education Act of 1965, as reauthorized by the Every Student Succeeds Act ("ESSA") of 2015, requires each state to submit a plan outlining its statewide accountability system to the U.S. Department of Education (the "USDOE"). The plan submitted by the State was approved by USDOE in March 2018 (the "Texas Plan").

Under the Texas Plan, the TEA will maintain rigorous, yet achievable goals for all student groups; create stronger alignment between all State and federal program areas; shift the proficiency level for students from the "Approaches" label on STAAR to the "Meets" label; and better align federal funding with priorities within TEA's strategic plan. Certain information regarding State assessments, including accountability and transparency metrics, is set forth in **"APPENDIX B — LIFE SCHOOL AND THE CHARTER SCHOOLS— Accountability Rating."**

Any failure of Life School to meet the requirements of ESSA or the Texas Plan may have a material adverse effect on the ability of Life School to generate revenues sufficient to make payments under the Master Notes representing debt service on the Bonds. Various other sections of this Official Statement discuss Life School's performance under the State's current accountability system. See **"APPENDIX A — LIFE SCHOOL AND THE CHARTER SCHOOLS — Charter — Revocation and Nonrenewal," "— Student Performance" and "— Accountability Ratings";** see also **"RISK FACTORS — Nonrenewal or Revocation of Charter."**

TEA's Rights Under the Financing Documents

As a condition for guarantee of the Bonds under the Bond Guarantee Program of the Permanent School Fund of the State of Texas, the TEA requires certain provisions in the financing documents granting TEA certain rights to consents, notices and to control certain procedures, including, without limitation, the right to control proceedings, without the consent of bondholders, following an event of default under the financing documents. Reference is made to the provisions of the financing documents for a more complete description of TEA's rights thereunder (See **"APPENDIX F SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND THE LOAN AGREEMENT"**).

Litigation

Schools are often the subject of litigation. Actions alleging wrongful conduct that seek punitive damages often are filed against education providers such as Life School. Litigation may also arise from the corporate and business activities of Life School, such as employee-related matters. As with educator's professional liability, many of these risks are covered by insurance, but some are not. For example, some business disputes and worker's compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of Life School if determined or settled adversely. Although Life School maintains insurance policies covering educator's professional and general liability, management of Life School is unable to predict the availability, cost or adequacy of such insurance in the future. There is no known material litigation pending or threatened against Life School as of the date of this Official Statement. Additionally, management of Life School has no knowledge of any material litigation threatened against Life School, (i) which in any way questions or affects the validity of the Bonds, or any proceedings or transactions relating to their issuance, sale and delivery, or (ii) which would, if adversely determined, cause any material adverse change in the financial conditions of Life School. See also **"LEGAL MATTERS"** herein.

Environmental Regulation

Life School's educational facilities are and will be subject to various federal, state and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to such facilities, whether arising from pre-existing conditions or conditions arising as a result of activities conducted in connection with the ownership of and operations at the facilities. Costs incurred with respect to environmental remediation or liability could adversely affect Life School's financial condition and its ability to generate revenues sufficient to pay debt service on the Note representing debt service on the Bonds. Excessive costs in connection with any such environmental remediation or any such liability to third parties could also make it difficult to successfully re-let such facilities.

Potential Effects of Bankruptcy

No representation can be made regarding whether Life School is, or would be, eligible for voluntary relief, or could have relief involuntarily ordered against it, under the United States Bankruptcy Code, 11 U.S.C. §§101 *et seq.* (the "Bankruptcy Code") or under any similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors (any such proceeding, an "Insolvency Proceeding"). If Life School were to commence, or have commenced against it, an Insolvency Proceeding, such an Insolvency Proceeding may include, without limitation, a full or partial liquidation of Life School or a restructuring of Life School's obligations. The commencement of such an Insolvency Proceeding under the Bankruptcy Code would stay the commencement or continuation of many types of action against Life School or its property, including, without limitation, a proceeding to foreclose on the Deed of Trust, unless a court with jurisdiction over the Insolvency Proceeding were to order otherwise. There can be no guaranty that creditors of Life School, including the Holders and the Beneficial Owners of the Bonds, will be paid in full or in part in an Insolvency Proceeding involving Life School. In such an Insolvency Proceeding, it is possible that the property pledged as security for the Bonds would come under the supervision or control of a court with jurisdiction over the Insolvency Proceeding and that such property, in whole or in part, would not be available to satisfy the obligations of Life School as contemplated by the principal documents described in this Official Statement, including, without limitation, the Bond Indenture, the Master Indenture, the Loan Agreement, and the Deed of Trust. Moreover, an Insolvency Proceeding may limit, modify, restrict, or otherwise affect the availability of remedies to the Master Trustee, the Bond Trustee or to the Holders or the Beneficial Owners of the Bonds. See "RISK FACTORS – Enforcement of Remedies" below.

It is impossible to predict with certainty the ways in which an Insolvency Proceeding might affect creditors of Life School, including, without limitation, the Master Trustee, the Bond Trustee and the Holders and the Beneficial Owners of the Bonds, in part, because the outcome of any particular matter considered in an Insolvency Proceeding may depend upon the specific facts of the particular case, and because the matter may be subject to the exercise of discretionary equitable powers by a state or federal court (including a federal bankruptcy court), which powers such a court may exercise in furtherance of goals or policies other than those that would favor creditors of Life School, including, without limitation, the Master Trustee, the Bond Trustee and the Holders and the Beneficial Owners of the Bonds.

Moreover, there can be no assurance that certain covenants, including tax covenants contained in the Loan Agreement or other documents would survive a case under the Bankruptcy Code filed by or against Life School. Accordingly, Life School as a debtor in a case under the Bankruptcy Code, or a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Furthermore, Life School's charter contract is subject to adverse action by the State, including loss of accreditation as a public school, suspension of operations, suspension of or delays to State funding and revocation or non-renewal in the event a case is filed by or against Life School under the Bankruptcy Code.

The various legal opinions delivered concurrently with the issuance of the Bonds are qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, policies and decisions affecting remedies and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights or the enforceability of certain remedies or document provisions.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of Life School under the Master Notes will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described above.

The obligations described herein of Life School to make payments of debt service on Master Notes issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles.

Limited Security

The lien granted under the Deed of Trust provides limited security for certain outstanding Master Notes, including the Note. Property that is subject to the Deed of Trust consists of educational facilities. Consequently, it could be difficult to find a buyer or lessee for the property, and, upon default, the Master Trustee may not obtain an amount equal to the aggregate liabilities of Life School (including liabilities in respect of the Bonds then outstanding) from the sale or lease of the property, whether pursuant to a judgment against Life School or otherwise. See **"SECURITY FOR THE BONDS."**

The effectiveness of the security interest in Life School's Adjusted Revenues granted in the Master Indenture may be limited by a number of factors, including: (i) federal bankruptcy laws which would, among other things, preclude enforceability of the security interest as to revenues arising subsequent to the commencement of bankruptcy proceedings and limit such enforceability as to revenues arising prior to such commencement to the extent a security interest therein would constitute a voidable preference or fraudulent conveyance, (ii) rights of third parties in cash, securities and instruments arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any state or federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and rights of donors of property, (v) claims that might obtain priority if continuation statements or financing statement amendments are not filed in accordance with applicable laws, (vi) the rights of holders of prior perfected security interests in equipment and other goods owned by Life School and in the proceeds of sale of such property, and (vii) statutory liens. Accordingly, such security interest is expected to provide only limited value upon an event of default.

Additional Debt

The Master Indenture permits the issuance of additional Debt on parity with the Master Notes if certain conditions are met. See **"SECURITY FOR THE BONDS – Master Notes and the Master Indenture – Additional Debt"** and **"APPENDIX F – SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND THE LOAN AGREEMENT – MASTER INDENTURE."** Life School does not intend to issue additional Debt in the next three (3) years. See **"APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – History, Vision Mission Curriculum, Extracurricular Activities, Growth History and Needs."** Such additional debt may or may not be guaranteed by the Permanent School Fund and such additional Debt may be secured by collateral additional to Adjusted Revenues. The issuance of additional Debt may adversely affect the investment security of the Bonds.

Enforcement of Remedies

The remedies available to holders of the Bonds upon an Event of Default depend in many respects upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Bond Indenture, the Loan Agreement, the Deed of Trust, and the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Tax-Exempt Status of the Bonds

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

If a Determination of Taxability (as defined in the Bond Indenture) were to occur, the Bonds would be subject to extraordinary mandatory redemption, in whole on a written notice to the Bond Trustee given at least sixty (60) days prior to such redemption date, at their principal amount, plus accrued interest to the date of redemption, subject to certain conditions and notice requirements. See “THE BONDS – Redemption – Mandatory Redemption Upon Determination of Taxability.”

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Tax-Exempt Status of Life School

The tax-exempt status of the Bonds depends, in part, upon maintenance by Life School of its status as an organization described in section 501(c)(3) of the Code. The maintenance of this status depends on compliance with general rules regarding the organization and operation of tax-exempt entities, including operation for charitable and educational purposes and avoidance of transactions that may cause earnings or assets to inure to the benefit of private individuals, such as the private benefit and inurement rules. In addition, the qualification of Life School to hold the open enrollment charter contract from the TEA is dependent upon maintenance by Life School of its status as an organization described in section 501(c)(3) of the Code. If Life School loses its exempt status under section 501(c)(3) of the Code, the charter contract from the State is automatically revoked as a matter of law.

Tax-exempt organizations are subject to scrutiny from and face the potential for sanctions 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. Loss of tax-exempt status by Life School could result in loss of tax exemption of interest on the Bonds, loss of Life School’s open-enrollment charter contract, and defaults in covenants regarding the Bonds and other obligations would likely be triggered. Loss of tax-exempt status by Life School could also result in substantial tax liabilities on its income. For these reasons, loss of tax-exempt status of Life School could have material adverse consequences on the financial condition of Life School.

Life School 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 could adversely affect the tax-exempt status of Life School, as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds and any other tax-exempt debt issued for benefit of Life School.

Risk of Failure to Comply with Certain Covenants

Failure of the Issuer to comply with certain covenants contained in the Bond Indenture or of Life School with certain covenants in the Loan Agreement and in other arrangements relating to the Bonds on a continuing basis prior

to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “**TAX MATTERS.**”

State and Local Tax Exemption

The State has not been as active as the IRS in scrutinizing the tax-exempt status of nonprofit organizations. It is possible that legislation may be proposed to strengthen the role of the Attorney General of the State in supervising nonprofit organizations. It is likely that the loss by Life School of federal tax exemption also would trigger a challenge to the State or local tax exemption of Life School. 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 nonprofit corporations. There can also be no assurance that future change of circumstances or changes in the laws and regulations of federal, State or local governments will not materially adversely affect the operations and financial conditions of Life School by requiring Life School to pay income or local property taxes.

Risks Relating to Qualified School Construction Bonds

The Waxahachie Education Finance Corporation issued its Taxable Education Revenue Bonds (LifeSchool of Dallas) Series 2014Q (Qualified School Construction Bonds – Direct Pay) (the “*Series 2014Q Bonds*”). The Waxahachie Education Finance Corporation, as issuer of the Series 2014Q Bonds, has elected to receive a subsidy payment from the United States Treasury 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 Series 2014Q Bonds 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 2014Q Bonds. The subsidy amounts the Waxahachie Education Finance Corporation expects to receive constitute Available Revenues of Life School and are therefore pledged to the payment of the Series 2014Q Bonds. If the issuer of the Series 2014Q Bonds (or another party to be designated by the issuer) fails to make the required filings, it will not be eligible to receive the subsidy payments. Additionally, the federal government can refuse to pay subsidy payments to offset amounts owed by the issuer of the Series 2014Q Bonds to the federal government. It is also possible that the subsidy payments could be reduced or eliminated as a result of a change in law. Any reduction or loss of the subsidy could have an adverse effect on Life School.

More specifically, the Balanced Budget and Emergency Deficit Control Act of 1985 (the “BBEDCA”) requires the President of the United States to order a sequestration of 2024 direct spending resources and the Office of Management and Budget (“OMB”) to report those reductions to the United States Congress (“Congress”) with the transmittal of the Budget. BBEDCA requires that, for 2024, the sequestration for other non-exempt nondefense mandatory programs, including payment to issuers of Qualified School Construction Bonds, is 5.7 percent. Under current law, the sequestration percent will be applied in each fiscal year through 2031. The United States Congress may still alter the sequester, and if such action is taken, the percentage may change or be eliminated. Such reductions to the subsidies may be avoided or mitigated if Congress takes further action to change the provisions of the BBEDCA. Life School cannot predict whether any such cuts to the subsidy amounts the Waxahachie Education Finance Corporation expects to receive will occur in the future.

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*”). Life School 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 Life School as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds.

Secondary Market

There is no guarantee that a secondary trading market will develop for the Bonds. Consequently, prospective purchasers should be prepared to hold their Bonds to maturity or prior redemption. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Bonds.

Risk of Loss from Nonpresentment upon Redemption

The rights of the holders of the Bonds to receive interest will terminate on the date, if any, on which the Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Bond Indenture.

Risk of Amendment

Most of the provisions of the Master Indenture may be amended with the consent of the holders of a majority in principal amount of Outstanding Master Notes. If additional Master Notes are issued in an amount greater than the previously Outstanding Master Notes, such new Master Notes could be voted to cause the Master Indenture to be amended in material ways. Additionally, such amendment could result if the underwriter for the new bonds were to vote such bonds to direct the related bond trustee to vote such new Master Notes to amend the Master Indenture prior to their further distribution of the new bonds to the purchasers.

SECURITY FOR THE BONDS

General

The Bonds are special limited obligations of the Issuer payable solely from revenues to be derived from the Loan Agreement, the Note, the money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund); and in certain events out of amounts secured through the exercise of the remedies provided in the Bond Indenture, the Loan Agreement and the Master Indenture.

NEITHER THE STATE NOR A STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. HOWEVER, AN APPLICATION HAS BEEN FILED WITH, AND LIFE SCHOOL HAS RECEIVED CONDITIONAL APPROVAL FROM, THE TEXAS EDUCATION AGENCY FOR THE PAYMENT OF THE BONDS TO BE GUARANTEED UNDER THE BOND GUARANTEE PROGRAM OF THE PERMANENT SCHOOL FUND OF THE STATE. THE ISSUER HAS NO TAXING POWER.

NO DEBT SERVICE RESERVE FUND SECURES THE BONDS.

THE BONDS ARE NOT BENEFITED BY ANY THIRD-PARTY LIQUIDITY.

Permanent School Fund

Life School has applied for and has received from the TEA conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See “**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.**”

Master Notes and the Master Indenture

To evidence its obligations under the Loan Agreement, Life School will execute and deliver to the Bond Trustee, as the assignee of the Issuer, the Note in principal amount equal to the principal amount of the Bonds. Payments under the 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 Life School under the Loan Agreement.

The Note is a duly authorized promissory note of Life School issued pursuant to and secured by the Master Indenture. The Note constitutes additional indebtedness under the Master Indenture. After closing on the Bonds and the application of the proceeds thereof, the following obligations are expected to remain outstanding as parity obligations:

- (i) The promissory note (the “*Series 2014Q Note*”) issued by Life School to evidence its obligations with respect to the Waxahachie Education Finance Corporation Taxable Education Revenue Bonds (LifeSchool of Dallas) Series 2014Q (Qualified School Construction Bonds – Direct Pay), which are expected to be outstanding in the aggregate principal amount of \$6,515,000.00;
- (ii) The promissory note (the “*Series 2021A Note*”) issued by Life School to evidence its obligations with respect to the Arlington Higher Education Finance Corporation Variable Rate Education Revenue Refunding Bonds (LifeSchool of Dallas) Taxable Series 2021A (the “*Series 2021A Bonds*”), which are expected to be outstanding in the aggregate principal amount of \$89,390,000.00; and
- (iii) The promissory note (the “*Series 2021B Note*”) issued by Life School to evidence its obligations with respect to the Arlington Higher Education Finance Corporation Education Revenue Bonds (LifeSchool of Dallas) Series 2021B (the “*Series 2021B Bonds*”), which are expected to be outstanding in the aggregate principal amount of \$2,355,000.00

Under the Master Indenture, all of the Master Notes are equally and ratably secured by the pledge and assignment of a security interest in the Trust Estate (*provided, however*, that the Series 2014Q Note is not entitled to the benefit of the pledge of real property under the Deed of Trust). See “**APPENDIX F – SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND THE LOAN AGREEMENT – THE MASTER INDENTURE.**” Under the Master Indenture the Trust Estate consists of:

- (i) all Adjusted Revenues (defined below) of Life School except items which by their terms or by reason of applicable law would be void or voidable if granted by Life School, or which cannot be granted without the consent of other parties whose consent is not secured, or without subjecting the Master Trustee to liability not otherwise contemplated by the provisions of the Master Indenture, or which otherwise may not be lawfully and effectively granted, pledged, and assigned by Life School;
- (ii) all money 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 the Master Indenture, or held by other banks or fiduciary institutions which are collaterally assigned to the Master Trustee as security for the Master Notes including the depository account specified in the Deposit Account Control Agreement and all securities, financial assets and securities entitlements and, with respect to book-entry securities, in the applicable Federal Book-Entry Regulations, carried in or credited to such fund or account;
- (iii) all accounts, bank accounts, general intangibles, contract rights and related rights of Life School, whether now owned or hereafter assigned or arising and wherever located;
- (iv) any and all other property of every kind and nature conveyed, pledged, assigned or transferred as additional security under the Master Indenture by Life School or by anyone on its behalf to the Master Trustee, subject to the terms thereof, including, without limitation, funds of Life School held by the Master Trustee as security for the Master Notes;
- (v) any real and personal property subject to the lien of any Deed of Trust; and
- (vi) proceeds of the foregoing.

In addition, the Trust Estate under the Master Indenture includes all goods, documents, instruments, tangible and electronic chattel paper, letter of credit rights, investment property, accounts, deposit accounts, general tangibles (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 paragraphs above.

“*Adjusted Revenues*” means, for any period of calculation, the total of all operating and non-operating revenues of Life School, 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 of Life School for such period; *provided, however*, Adjusted Revenues exclude

(i) income derived from Defeasance Obligations that are irrevocably deposited in escrow to pay the principal of or interest on Debt, or Related Bonds, (ii) 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 of write-up of assets, or any other extraordinary gains or losses, (iii) 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 Master Notes (*i.e.* unrelated to the purposes for which such obligations were issued), (iv) net unrealized gain (losses) on investments and financial products agreements, and (v) proceeds of borrowing. State revenues received by each of Life School's campuses will be used in accordance with Section 12.107, Texas Education Code.

Revenue Fund

The Master Indenture provides for the creation of a Revenue Fund, which contains a principal account and an interest account. Upon an Event of Default under the Master Indenture, Life School is required to deposit to the Revenue Fund, within five (5) business days of receipt, all of its Adjusted Revenues, including without limitation, amounts subject to the Deposit Account Control Agreement for which a notice of exclusive control has been delivered (except as otherwise provided in the Master Indenture), as well as any insurance and condemnation proceeds, beginning on the first day of such Event of Default until no payment default exists. The Master Indenture provides that the Master Trustee shall immediately withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order of priority indicated:

- FIRST: to the Master Trustee any fees or expenses which are then due and payable;
- SECOND: equally and ratably to the Holder of each instrument evidencing a Master Note on which there has been a default in the payment of principal of, premium, if any, or interest on the Master Notes, an amount equal to all defaulted principal of, premium, if any, and interest on such Master Note;
- THIRD: to the Interest Account an amount necessary to accumulate in equal amounts the interest on the Master Notes due and payable on the next Interest Payment Date; *provided, however,* that to the extent available, each transfer made on the 5th Business Day before the end of the month immediately preceding each Interest Payment Date shall be in an amount to provide, together with amounts then on deposit in the Interest Account, the balance of the interest due on the Master Notes on the next succeeding Interest Payment Date. There shall be paid from the Interest Account equally and ratably to the Holder of each instrument evidencing a Master Note the amount of interest on each Master Note as such interest becomes due;
- FOURTH: to the Principal Account the amount necessary to accumulate in equal monthly installments the principal of the Master Notes maturing or subject to mandatory sinking fund redemption on the next Principal 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 Principal Payment Date granted pursuant to other provisions of the Master Indenture; *provided, however,* that to the extent available, the transfer made on the 5th business day before the end of each month immediately preceding such Principal 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 Principal Payment Date. There shall be paid from the Principal Account equally and ratably to the Holder of each instrument evidencing a Master Note the amount of principal payments due on each Master Note, whether at maturity or earlier mandatory redemption (other than by reason of acceleration of maturity or other demand for payment), as such principal becomes due;
- FIFTH: to the Holder of any Master Note entitled to maintain a reserve fund for the payment of such Master Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in 12 equal monthly installments or as otherwise required by the applicable bond documents; and

SIXTH: to Life School, the amount specified in a request of Life School as the amount of ordinary and necessary expenses of Life School for its operations for the following month.

The Master Indenture provides that 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 relating to the payment of the principal of, premium, if any, or interest or any other amount due on any Master Note have been cured or waived, will be paid to Life School at its depository bank upon request for deposit in a deposit account of Life School that is subject to a Deposit Account Control Agreement to be used for any lawful purpose.

Additional Debt

Under the Master Indenture, Additional Debt payable from the Adjusted Revenues of Life School may be delivered pursuant to the Master Indenture if the following conditions have been met:

- (i) an Officer's Certificate is delivered stating that the Master Indenture is in effect and no Event of Default exists under the Master Indenture or any Debt Outstanding or any agreement entered into in conjunction with such Debt;
- (ii) the additional Debt is secured on parity with respect to the Trust Estate; and
- (iii) (A) an Officer's Certificate is delivered stating that, for either Life School's most recently completed fiscal year or for any consecutive twelve (12) months out of the most recent eighteen (18) months immediately preceding the issuance of the Additional Debt, the Available Revenues equal at least 1.10 times Maximum Annual Debt Service on all Debt then Outstanding plus the Additional Debt to be incurred; or (B) an Independent Management Consultant selected by Life School provides a written report setting forth projections which indicate that the estimated Available Revenues are equal to at least 1.20 times the Maximum Annual Debt Service for all Debt then Outstanding plus the Additional Debt to be incurred, in the fiscal year immediately following the completion of the Projects being financed.

In lieu of the requirements described in **clause (iii)** above, Life School 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 Additional Debt.

Under the Master Indenture, if Additional Debt is being issued for the purpose of refunding any Outstanding Debt, the report required by **clause (iii)** above will not apply so long as both the total debt service and Maximum Annual Debt Service Requirements on all Outstanding Debt after issuance of the Additional Debt will not exceed both the total debt service and the Maximum Annual Debt Service Requirements on all Outstanding Debt prior to the issuance of such additional Debt.

If additional Debt is being issued or incurred for the purpose of completing any Projects (as that term is defined 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 Projects upon delivery of an Officer's Certificate that such additional Debt is required to fund the costs of completion and such additional Debt is not required to comply with the coverage provisions above; *provided that* such additional Debt must comply with any applicable requirements imposed by the Related Bond Indenture and Related Loan Documents (as defined in the Master Indenture).

Under the Master Indenture, Life School reserves the right to issue and incur Short-Term Debt.

Debt Service Coverage Ratio Covenant

Under the Master Indenture, Life School covenants that as long as the related Bonds remain outstanding, its Available Revenues for each fiscal year will be equal to at least 1.10 times the Annual Debt Service Requirements of Life School. If Life School does not maintain Available Revenues for any fiscal year ending on or after August 31, 2025, of at least 1.10 times the Annual Debt Service Requirements during such fiscal year, then, Life School will, at

its sole expense, promptly employ an Independent Management Consultant to review and analyze the operations and administration of Life School, inspect the facilities of Life School and submit to Life School and the Bond Trustee written reports, and make such recommendations as to the operation and administration of Life School as such Independent Management Consultant deems appropriate, including any recommendation as to revision of the methods of operation. Life School agrees to consider any recommendations by the Independent Management Consultant and, to the fullest extent practicable, to adopt and carry out such recommendations. Notwithstanding the preceding sentence, if the debt service coverage ratio falls below 1.0 times the Annual Debt Service Requirements of Life School, it shall constitute a default under the Master Indenture.

Working Capital Balance

For so long as the Bonds are outstanding, Life School agrees to budget and maintain operating reserves in an amount equal to fifteen (15) days of Expenses (“Working Capital Balance”). Such amounts will not be funded with Bond proceeds. This Working Capital Balance is required to be tested as of the end of each fiscal year, commencing with the fiscal year ending August 31, 2025.

Life School will deliver to the Trustee within one hundred fifty (150) days after the end of each fiscal year (commencing with the fiscal year ending August 31, 2025), a certificate executed by the Authorized Representative of Life School stating the Working Capital Balance for such fiscal year just ended. If Life School fails to maintain balances equal to the Working Capital Balance, Life School is required to retain, at its expense, an Independent Management Consultant to submit a written report and make recommendations (a copy of such report and recommendations shall be filed with the Trustee) with respect to revenues or other financial matters of Life School which are relevant to increasing the Working Capital Balance to equal or exceed fifteen (15) days of Expenses. So long as Life School is implementing these recommendations to the extent practical, Life School will be deemed to have complied with this covenant.

Disposition of Assets

Property and Equipment (“P&E”). No P&E of Life School may be sold or otherwise disposed of unless (i) the P&E is obsolete or worn out, (ii) fair market value is received in return, or (iii) the market value of all P&E disposed of in any fiscal year does not exceed five percent (5%) of the total market value of all P&E of Life School.

Cash, Investments and Other Current Assets (“Liquid Assets”). No Liquid Assets of Life School 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 Life School.

Negative Pledge

Life School 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, personal property or equipment included in a Deed of Trust other than a lien arising in connection with the issuance of Debt as permitted by Section 212 of the Master Indenture or as otherwise permitted by the Deed of Trust. Life School will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral described in the Granting Clauses of the Master Indenture 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 Bond Indenture

Under the Bond Indenture, the Issuer will grant to the Bond Trustee for the equal and ratable benefit 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 thereunder, the Note, any and all security 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 certain amounts agreed to be paid by Life School noted in such Loan Agreement (the “*Issuer’s Unassigned Rights*”), (ii) all money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) as described in

such Bond Indenture, and (iii) any and all property that may by delivery or by writing of any kind, be subjected to the lien and security interest of the Bond Indenture by the Issuer or by anyone on its behalf, subject to the limitations provided in the Bond Indenture. See “**APPENDIX F – SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND THE LOAN AGREEMENT – THE BOND INDENTURE**”

Debt Service Fund

The Bond Indenture establishes a Debt Service Fund for the Bonds. 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 Bond Indenture. The Bond Trustee is required to deposit to the credit of the corresponding account of the Debt Service Fund immediately upon receipt: (i) amounts due and payable by Life School pursuant to the terms of the Loan Agreement and the Note, (ii) any other amounts required by the Bond Indenture, and (iii) any other amounts delivered to the Bond Trustee for deposit thereto. On each Interest Payment Date, the Bond Trustee will withdraw money from the account of the Debt Service Fund to pay the principal and interest due on the Bonds.

The Loan Agreement

The Bonds are payable from and secured in part by a pledge and assignment to the Bond 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, Life School agrees to make Loan Payments sufficient to provide funds to make required payments of principal, premium, if any, and interest on the Bonds in full. See “**APPENDIX F – SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND THE LOAN AGREEMENT – THE LOAN AGREEMENT.**”

The Deed of Trust

In connection with the issuance of the Bonds, Life School will issue a supplement to the Deed of Trust and Security Agreement (with Assignment of Rents and Leases) dated May 24, 2018, as previously supplemented (as supplemented, the “Deed of Trust”). The Deed of Trust assigns certain Collateral (as defined in the Deed of Trust) in favor of the Master Trustee for the benefit of the holders of the Master Notes. The Collateral under the Deed of Trust includes certain of Life School’s real estate and premises described in the Deed of Trust, including the Duncanville Campus, as well as existing or future buildings and improvements on such real property, related fixtures, equipment, rents and leases, subject to certain Permitted Encumbrances as described in the Deed of Trust. The Deed of Trust permits the sale and release of portions of the real property included in the Deed of Trust upon certain conditions described therein (a “Permitted Sale”). The use of the sale proceeds of such Permitted Sale is limited to the acquisition of additional property to be pledged under the Deed of Trust, to deposit into the construction fund for the related indebtedness, or, if required, to repay the related indebtedness.

After the closing on the Bonds, the Master Notes entitled to the benefit of the Deed of Trust will include the Master Notes related to the Series 2021 Bonds and the Bonds, but not the Master Notes relating to the Series 2014Q Bonds.

DEBT SERVICE REQUIREMENTS⁽¹⁾

Set forth in the following table are the aggregate debt service requirements for the Series 2014Q Bonds, the Series 2021A Bonds, the Series 2021B Bonds, and the Bonds.

| Period Ending August 31 | OUTSTANDING BONDS ⁽²⁾ | THE BONDS ⁽⁴⁾ | | | Total Debt Service (\$) ⁽⁵⁾ | Debt Service Coverage Ratio ⁽⁶⁾ |
|-------------------------------|-------------------------------------|--------------------------|---------------|------------------------------|---|--|
| | Debt Service (\$) | Principal (\$) | Interest (\$) | Capitalized Interest (\$) | | |
| 2025 | 3,211,804 | - | 4,016,665 | (4,016,665) | 3,211,804 | 5.50x |
| 2026 | 3,209,604 | - | 4,836,119 | (4,836,119) | 3,209,604 | 5.50x |
| 2027 | 8,443,254 | 770,000 | 4,836,119 | - | 14,049,373 | 1.26x |
| 2028 | 8,345,804 | 910,000 | 4,797,619 | - | 14,053,423 | 1.26x |
| 2029 | 8,254,754 | 1,045,000 | 4,752,119 | - | 14,051,873 | 1.26x |
| 2030 | 8,159,679 | 1,195,000 | 4,699,869 | - | 14,054,548 | 1.26x |
| 2031 | 8,048,635 | 1,365,000 | 4,640,119 | - | 14,053,754 | 1.26x |
| 2032 | 7,945,260 | 1,535,000 | 4,571,869 | - | 14,052,129 | 1.26x |
| 2033 | 7,848,540 | 1,710,000 | 4,495,119 | - | 14,053,659 | 1.26x |
| 2034 | 7,764,150 | 1,875,000 | 4,409,619 | - | 14,048,769 | 1.26x |
| 2035 | 7,650,500 | 2,085,000 | 4,315,869 | - | 14,051,369 | 1.26x |
| 2036 | 7,531,975 | 2,305,000 | 4,211,619 | - | 14,048,594 | 1.26x |
| 2037 | 7,413,500 | 2,545,000 | 4,096,369 | - | 14,054,869 | 1.26x |
| 2038 | 7,289,925 | 2,795,000 | 3,969,119 | - | 14,054,044 | 1.26x |
| 2039 | 7,166,175 | 3,060,000 | 3,829,369 | - | 14,055,544 | 1.26x |
| 2040 | 7,037,100 | 3,335,000 | 3,676,369 | - | 14,048,469 | 1.26x |
| 2041 | 6,902,625 | 3,610,000 | 3,542,969 | - | 14,055,594 | 1.26x |
| 2042 | 6,767,825 | 3,890,000 | 3,398,569 | - | 14,056,394 | 1.26x |
| 2043 | 6,632,400 | 4,180,000 | 3,242,969 | - | 14,055,369 | 1.26x |
| 2044 | 6,491,200 | 4,485,000 | 3,075,769 | - | 14,051,969 | 1.26x |
| 2045 | 129,150 | 5,815,000 | 2,896,369 | - | 8,840,519 | 2.00x |
| 2046 | 131,000 | 6,055,000 | 2,656,500 | - | 8,842,500 | 2.00x |
| 2047 | 127,700 | 6,305,000 | 2,406,731 | - | 8,839,431 | 2.00x |
| 2048 | 129,400 | 6,565,000 | 2,146,650 | - | 8,841,050 | 2.00x |
| 2049 | 130,950 | 6,835,000 | 1,875,844 | - | 8,841,794 | 2.00x |
| 2050 | 127,350 | 7,115,000 | 1,593,900 | - | 8,836,250 | 2.00x |
| 2051 | 128,750 | 7,410,000 | 1,300,406 | - | 8,839,156 | 2.00x |
| 2052 | - | 7,715,000 | 994,744 | - | 8,709,744 | 2.03x |
| 2053 | - | 8,035,000 | 676,500 | - | 8,711,500 | 2.03x |
| 2054 | - | 8,365,000 | 345,056 | - | 8,710,056 | 2.03x |
| Total ⁽³⁾ : | 143,019,009 | 112,910,000 | 100,306,922 | (8,852,784) | 347,383,147 | |

⁽¹⁾ The foregoing table excludes certain capital leases and other obligations of Life School. See “APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – Debt Summary” and “APPENDIX C – FINANCIAL STATEMENTS.”

⁽²⁾ Amount shown is net of the federal subsidy on the Series 2014Q Bonds. The outstanding Variable Rate Taxable Series 2021A debt service assumes 3.00% rate until 2026 with 4.50% assumed rate thereafter.

⁽³⁾ Totals may not foot due to rounding of individual interest amounts.

⁽⁴⁾ Interest on the Bonds has been calculated at the rates set forth on page ii hereof.

⁽⁵⁾ Net of capitalized interest.

⁽⁶⁾ Coverage calculated based on Available Revenues for Debt Service in Fiscal Year 2023 in the amount of \$17,661,316. See “APPENDIX A – LIFE SCHOOL AND THE CHARTER SCHOOLS – Table 11: Historical Revenues and Expenses.”

STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS

Open-enrollment charter schools are entitled to funding from both Tier One and Tier Two of the Foundation School Program for traditional school districts. Accordingly, those and other related aspects of the State and local funding for traditional school districts is set forth below. A summary of certain additional funding provisions applicable specifically to open-enrollment charter schools is subsequently provided below under “STATE FUNDING FOR OPEN ENROLLMENT CHARTER SCHOOLS.”

Overview

During the 2019 Legislative Session, the Texas State Legislature (the “Legislature”) made numerous changes to the Texas public school finance system (the “Finance System”), the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 (“HB 3”) and Senate Bill 2 (“SB 2”). During the 2021 Legislative Session, the 87th Legislature introduced House Bill 1525 (“HB 1525”), which was originally intended as a “HB 3 cleanup” bill, but covered many school finance and education-related matters. Life School continues to monitor the ongoing guidance provided by TEA in connection with recent legislation. The information contained herein under the captions “STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS” and “STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS” is subject to change, and only reflects Life School’s understanding based on information available to Life School as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, HB 1525, Chapters 43 through 49 of the Texas Education Code, as amended, and Chapter 12 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations (“M&O”) tax to pay current expenses and an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value. Since 2006, the Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount. Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district’s M&O tax rate.

2023 Legislative Sessions

The regular session of the 88th Legislature (the “88th Regular Session”) began on January 10, 2023 and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Legislature (such special sessions, together with the 88th Regular Session, the “2023 Legislative Sessions”).

During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first \$0.08 cents of tax effort beyond a school district’s Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025. See “- State Funding for School Districts - Tier Two.” The Legislature also provided for an increase in funding for the school safety allotment to \$10.00 (from \$9.72 in the prior year) per ADA (as defined herein) and \$15,000 per campus. The Legislature set aside approximately \$4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during either the first, second or third called special sessions of the 88th Legislature.

During the second called special session, legislation was passed that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. At an election held on November 7, 2023, voters approved a State constitutional amendment effectuating the legislative changes. The legislation adopted during the second called special session reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

During the third and fourth called special sessions, the Legislature considered, but did not pass legislation affecting public schools. The proclamation for the fourth called special session included the consideration of (i) “legislation relating to primary and secondary education, including the establishment of an education savings account program, the certification, compensation, and health coverage of certain public school employees, the public school finance system, special education in public schools, measures to support the education of public school students that include certain educational grant programs, reading instruction, and early childhood education, the provision of virtual education, and public school accountability”; and (ii) “legislation related to school safety measures and related state funding mechanisms.” The Governor may call additional special sessions and the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including Life School. Life School can make no representations or predictions regarding the scope of additional legislation that may be considered during any additional called special sessions or the potential impact of such legislation at this time.

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the “Tier One Tax Rate”, which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as “Tier One”) under the Foundation School Program, as further described below, and the “Enrichment Tax Rate”, which is any local M&O tax effort in excess of its Tier One Tax Rate. The formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption “Local Funding for School Districts” is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements. Such distinctions are discussed under the subcaption “Local Revenue Level In Excess of Entitlement” herein.

State Compression Percentage. The “State Compression Percentage” or “SCP” is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2024, the SCP is set at 68.80%.

Maximum Compressed Tax Rate. The “Maximum Compressed Tax Rate” or the “MCR” is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the “State Compression Percentage” (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school

district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2023-2024 school year, the Legislature reduced the maximum MCR, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor.

Tier One Tax Rate. A school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

Enrichment Tax Rate. The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional \$0.17. The Enrichment Tax Rate is divided into two components: (i) "Golden Pennies" which are the first \$0.08 of tax effort in excess of a school district's Tier One Tax Rate; and (ii) "Copper Pennies" which are the next \$0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to certain limitations; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR for such year. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next. See "State Funding for School Districts – Tier Two" herein.

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the calculated M&O revenues generated by the school district's respective M&O tax rates.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as amended (see "Local Revenue Level In Excess of Entitlement" herein), and in some instances is required to be used for that purpose, Tier Two funding may not be used for the payment of debt service or capital outlay.

The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the Legislature appropriated funds in the amount of \$1,072,511,740 for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Legislature.

Tier One. Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction

divided by the number of State-mandated days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the educational programs the students are being served in, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment, (iii) a college, career and military readiness allotment to further the State's goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher compensation incentive allotment to increase teacher retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by \$6,160, is a school district's measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding.

The fast growth allotment weights are 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$315 million for the 2023-2024 school year.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA percent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$126.21 per student in WADA in 2024 and \$129.52 per student in WADA in 2025 for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the “IFA Yield”) in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Education Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025

State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the “EDA Yield”) is the lesser of (i) \$40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of \$60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were \$35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first \$0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the Legislature for the 2024-2025 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from \$40,000 to \$100,000. See “2023 Legislative Sessions.” Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. During the 2023 Legislative Sessions, the Legislature appropriated funds in the amount of \$100,000,000 for each fiscal year of the 2024-2025 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The Education Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Education Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

Furthermore, “property-wealthy” school districts that received additional State funds under the Finance System prior to the enactment of certain legislation passed during the 86th Legislature are entitled to an equalized wealth transition grant on an annual basis, which will be phased out in the 2023-2024 school year, in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. Additionally, school districts and open-enrollment charter schools may be entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th Legislature. Furthermore, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds \$400 million, the Education Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a “Chapter 49 school district”), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended (“Chapter 49”). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue in excess of entitlement, Chapter 49 school districts are generally subject to a process known as “recapture”, which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the

Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement" below. Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Education Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Education Commissioner do not provide for assumption of any of the transferring school district's existing debt.

STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS

As noted above, open-enrollment charter schools are entitled to funding from both Tier One and Tier Two of the Foundation School Program in accordance with the funding formulas for school districts generally described above under "STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS". The following description of additional State funding provisions applicable to open-enrollment charter schools constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

Tier One Funding for Open-Enrollment Charter Schools

A charter holder is entitled to receive for an open-enrollment charter school Tier One funding equal to the amount of Tier One funding per student in WADA, excluding (i) the adjustment under Section 48.052 of the Texas Education Code, as amended, (ii) the funding under Sections 48.101, 48.110, 48.111, and 48.112 of the Texas Education Code, as amended, and (iii) enrichment funding under Section 48.202(a) of the Texas Education Code, as amended, to which the charter holder would be entitled if the open-enrollment charter were a school district without a Tier One local share for purposes of calculating the distribution of the Foundation School Fund. For open-enrollment charter schools, the Tier One program allocations are determined by substituting the statewide average adjusted allotment in place of a school district's calculated adjusted allotment. The state average adjusted allotment is computed by averaging the adjusted allotment for each school district in the state for the relevant school year.

Student-Based Allotments

A charter holder of an open-enrollment charter school is entitled to receive an allotment per student in average daily attendance in an amount equal to the difference between (1) the product of (A) the quotient of (i) the total amount of funding provided to eligible school districts under Section 48.101(b) or (c) of the Texas Education Code, as amended, and (ii) the total number of students in average daily attendance in school districts that receive an allotment

under Section 48.101(b) or (c) of the Texas Education Code, as amended, and (B) the sum of one and the quotient of (i) the total number of students in average daily attendance in school districts that receive an allotment under 48.101(b) or (c) of the Texas Education Code, as amended, and (ii) the total number of students in average daily attendance in school districts statewide, and (2) \$125. In addition, a charter holder of an open-enrollment charter school is entitled to receive funding related to the (i) College Career, or Military Readiness Outcomes Bonus (Section 48.110 of the Texas Education Code, as amended), and (ii) Teacher Incentive Allotment (Section 48.112 of the Texas Education Code, as amended), if the charter holder would be entitled to such funding if the open-enrollment charter school were a school district.

Tier Two Funding for Open-Enrollment Charter Schools

A charter holder of an open-enrollment charter school is entitled to receive an amount of Tier Two funding based on the statewide “average tax effort” of school districts. An allocation for the guaranteed yield allotment for Tier Two of the Foundation School Program is determined by substituting a statewide average enrichment tax rate in place of a school district's calculated enrichment tax rate. The state average tax rate is computed by averaging the enrichment tax rate for each component of Tier Two for each school district in the state for the relevant school year. Open-enrollment charter schools are also entitled to funds that are available to school districts from the TEA or the Commissioner in the form of grants or other discretionary funding unless the authorizing statute specifically provides that open-enrollment charter schools are not entitled to such funding.

State Facilities Funding for Open-Enrollment Charter Schools

A charter holder of an open-enrollment charter school is entitled to receive additional facilities funding if the most recent overall performance rating assigned to an open-enrollment charter school reflects at least acceptable performance. Such additional facilities funding may be used for: (1) to lease an instructional facility; (2) to pay property taxes imposed on an instructional facility; (3) to pay debt service on bonds issued to finance an instructional facility; or (4) for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility.

Additional Funding for Open-Enrollment Charter Schools

A charter holder of an open-enrollment charter school is entitled to receive additional funding allotments, if the charter holder would be entitled to such funding allotments if the open-enrollment charter school were a school district, including the: (i) Transportation Allotment (Section 48.151 of the Texas Education Code, as amended); (ii) New Instructional Facilities Allotment (Section 48.152 of the Texas Education Code, as amended); Dropout Recovery School and Residential Placement Facility Allotment (Section 48.153 of the Texas Education Code, as amended); and (iv) Tuition Allotment for Districts Not Offering All Grade Levels (Section 48.154 of the Texas Education Code, as amended).

Timing of State Funding

Open-enrollment charter schools that have experienced a 10% or greater increase in enrollment year-over-year have the option to petition for an accelerated payment of Foundation School Program funding. Eligible charter schools that choose the accelerated payment schedule will receive accelerated payments for three (3) school years and then must reestablish eligibility. Life School is not eligible for accelerated payments, and receives Foundation School Program funding payments monthly in approximately even amounts. The amount of any installment can be modified to provide the proper amount to which Life School may be entitled and to correct errors in the allocation or distribution of funds.

LITIGATION RELATED TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM

General

On seven occasions in the last 30 years, the Texas Supreme Court (the “Court”) has issued decisions assessing the constitutionality of the Finance System. The litigation has primarily focused on whether the Finance System, as amended by the Legislature from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to “establish and make suitable provision for the support and maintenance

of an efficient system of public free schools,” or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court's previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al.*, 490 S.W.3d 826 (Tex. 2016) (“Morath”). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the State Constitution. In its opinion, the Court held that “despite the imperfections of the current school funding regime, it meets minimum constitutional requirements.” The Court also noted that:

Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding “system” is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Possible Effects of Changes in Law on Public School Obligations

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Financing System was “undeniably imperfect.” While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to Life School. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality “would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions” (collectively, the “Contract Clauses”), which prohibit the enactment of laws that impair prior obligations of contracts. As a matter of law, public school obligations, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses.

NEITHER LIFE SCHOOL NOR ANY OTHER PARTY TO THE BOND TRANSACTION CAN MAKE ANY REPRESENTATIONS OR PREDICTIONS CONCERNING THE EFFECT FUTURE CHANGES TO THE SCHOOL FINANCE SYSTEM MAY HAVE ON LIFE SCHOOL'S FINANCIAL CONDITION, REVENUES OR OPERATIONS.

LEGAL MATTERS

General

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the Issuer are subject to the approval of the Attorney General of the State and the legal opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel to the Issuer, to the effect that the Bonds have been duly authorized, executed and delivered in accordance with Texas law and constitute valid and legally binding obligations of the Issuer, and to the effect that interest on the Bonds is excludable from the gross income of the Holders as stated below. The proposed form of such opinion is set forth in “APPENDIX D – FORM OF BOND COUNSEL OPINION.” The opinion of Bond Counsel will express no opinion and make no comment with respect to the sufficiency of the security for, or the marketability of, the Bonds. Bond Counsel has not assumed any responsibility with respect to the preparation of this Official Statement or undertaken to verify any information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under “THE BONDS,” “SECURITY FOR THE BONDS” (but excluding the information contained under the subcaption “Deed of Trust”), and “TAX MATTERS” appearing in this Official Statement and the definitions and summaries of certain principal documents in “APPENDIX F SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND THE

LOAN AGREEMENT” for the purpose of verifying that such information and summaries conform to the matters described therein.

Certain legal matters will be passed upon by Locke Lorde LLP, Houston, Texas, as counsel to the Issuer; by Hunton Andrews Kurth LLP, Houston, Texas, as counsel to Life School; and by Bracewell LLP, Dallas, Texas, as counsel to the Underwriters. McCall, Parkhurst & Horton L.L.P., Dallas, Texas, will act as disclosure counsel to Life School.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment of the transaction opined upon or of the future performance of parties to such transaction. Further, the various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Pending and Threatened Litigation

No Proceedings Against Life School

In connection with the issuance of the Bonds, the Life School will deliver a certificate or certificates which will state that, as of the date of issuance of the Bonds, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or, to the best of its knowledge, threatened against or affecting Life School, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bond Indenture, the Master Indenture, the Loan Agreement, and the Bond Purchase Agreement (as defined herein), or this Official Statement, the validity and enforceability of the Bond Indenture, the Master Indenture, the Loan Agreement, the Bond Purchase Agreement or the Bonds or the operations (financial or otherwise) of Life School.

No Proceedings Against the Issuer

In connection with the issuance of the Bonds, the Issuer will deliver a certificate or certificates which will state that, as of the date of issuance of the Bonds, there is no pending or, to the actual knowledge of the Issuer, threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, questioning or affecting the validity of the Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, questioning or affecting the validity of the pledge or application of any moneys, revenues or security provided for the payment of the Bonds or questioning or affecting the right of the Issuer to enter into the Bond Indenture, the Loan Agreement, or the Bond Purchase Agreement, or questioning or affecting the existence or powers of the Issuer.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel’s opinion is given in reliance upon certifications by representatives of the Issuer and Life School as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The Issuer and Life School have covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the

Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the Issuer or Life School to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See “*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*”, 63 Bus. Law. 1277 (2008) and “*Legal Opinion Principles*”, 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the “Service”) or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals – Bond Counsel’s opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel’s opinion also states that under current law interest on the Bonds is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an “applicable corporation” generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds \$1 billion.

Other Tax Matters

The Bonds will not be designated as qualified tax-exempt obligations under Section 265(b) of the Code.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the Issuer as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the “Discount Bonds”). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder’s basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder’s adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder’s basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder’s basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See “**Appendix H – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**” for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix H is incorporated herein and made a part hereof for all purposes.

CONTINUING DISCLOSURE AGREEMENT

General

Life School will enter into and deliver a Continuing Disclosure Agreement with respect to the Bonds (the “*Continuing Disclosure Agreement*”). The Continuing Disclosure Agreement is made for the benefit of the registered and beneficial owners of the Bonds and in order to assist the Underwriters in complying with their obligations pursuant to Rule 15c2-12. See “**APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.**”

Compliance with Prior Undertakings

During the last five years, Life School has complied in all material respects with its continuing disclosure agreement in accordance with Rule 15c2-12.

FINANCIAL STATEMENTS

The annual financial report of Life School, as of August 31, 2023, included in this Official Statement in “**APPENDIX C – FINANCIAL STATEMENTS,**” has been audited by Hankins, Eastup, Deaton, Tonn & Seay, PC,

Denton, Texas (the “*Auditor*”), to the extent and for the periods indicated in their report thereon. Potential purchasers should read such financial statements in their entirety for more complete information concerning Life School’s financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. Life School has not requested the Auditor to perform, and the Auditor has not performed, any additional examination, assessment, procedures or evaluation with respect to such financial statement since the date thereof. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of Life School since the date of the financial statements, in connection with the issuance of the Bonds, Life School represents that there has been no material adverse change in the financial position or results of operations of Life School, nor has Life School incurred any material liabilities, which would make such financial statements misleading.

RATINGS

S&P Global Ratings, a division of Standard & Poor’s Financial Services, LLC (“*S&P*”) has assigned the rating of “AAA” to the Bonds based on the Permanent School Fund Guarantee (see “**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program**”). S&P has assigned an underlying rating on the Bonds (without considerations of credit enhancement) of “BBB-”. These ratings reflect only the views of S&P, and Life School makes no representation as to the appropriateness of such ratings. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

Underwriting

Subject to the terms and conditions of a bond purchase agreement (the “*Bond Purchase Agreement*”) entered into by and among the Issuer, Life School and the Underwriters, the Bonds are being sold by the Issuer to the Underwriters at an underwriting discount of \$594,050.00. Expenses associated with the issuance of the Bonds are being paid from proceeds of the Bonds. The right of the Underwriters to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds. The Underwriters have initially offered the Bonds to the public at the prices set forth on the inside front cover page of this Official Statement. Such prices may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other investment banking firms in offering the Bonds to the public.

Financial Advisor

RBC Capital Markets, LLC is employed as Financial Advisor to Life School in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. RBC Capital Markets, LLC, in its capacity as Financial Advisor, has relied upon the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor is not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Additional Information

The summaries of, or references to, constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Official Statement do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the Financial Advisor, 200 Crescent Court, Suite 1500, Dallas, Texas 75201.

Certification

The preparation of this Official Statement and its distribution have been authorized by Life School and the Issuer. This Official Statement is not to be construed as an agreement or contract between Life School or the Issuer and any purchaser, owner or holder of any of the Bonds.

LIFESCHOOL OF DALLAS

By: Megan Beck
Chief Financial Officer

APPENDIX A

LIFE SCHOOL AND THE CHARTER SCHOOLS

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LIFE SCHOOL AND THE CHARTER SCHOOLS

General

LifeSchool of Dallas (“*Life School*”) is a Texas nonprofit corporation founded in 1996 and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “*Code*”). As summarized in the table below, Life School currently operates nine (9) open-enrollment charter schools in the State of Texas (the “*State*”). See “**History, Vision, Mission, Curriculum, Extracurricular Activities, Growth History and Needs — Growth History and Needs**” below. The charter schools operate or will operate pursuant to a single open enrollment charter contract between Life School and the Texas State Board of Education (the “*State Board of Education*”) under Chapter 12 of the Texas Education Code, Section 12.001 *et seq.* (the “*Charter Schools Act*”). The charter has been renewed through July 31, 2033. Life School is a second-generation Texas charter school governed by a seven-member Board of Directors. Set forth below is a chart showing Life School’s existing schools.

| TABLE 1: CHARTER SCHOOLS | | | | |
|---|--------------------------------|--|---|--|
| CHARTER SCHOOL AND PRESENT ADDRESS | GRADES OFFERED ¹ | SCHOOL CAMPUS ENROLLMENT ² | EST. MAX. STUDENT CAPACITY ³ | YEAR OPENED; LOW INCOME % |
| Life School Carrollton 2660 E Trinity Mills Rd, Carrollton, TX (“ <i>Carrollton Campus</i> ”) | K-6 | 241 | 608 | 2019-20 Free & Reduced - Approximately 62.24% ⁵ |
| Life School Cedar Hill 129 W. Wintergreen Rd, Cedar Hill, TX (“ <i>Cedar Hill Campus</i> ”) | K-6 | 450 | 668 | 2010-11 Free & Reduced - Approximately 72.89% ⁵ |
| Life School Lancaster 950 S. Interstate 35E, Lancaster, TX (“ <i>Lancaster Campus</i> ”) | K-6 | 480 | 656 | 2007-08 Free & Reduced - Approximately 77.08% ⁵ |
| Life School Mountain Creek 5525 W. Illinois Ave, Dallas, TX (“ <i>Mountain Creek Campus</i> ”) | K-8 | 348 | 482 | 2013-14 Free & Reduced - Approximately 78.74% ⁵ |
| Life School Oak Cliff⁴ | K-6 | 714 | 1,661 | 1998-99 |
| Life School Oak Cliff Secondary⁴ 4400 S. R.L. Thornton, Dallas, TX (“ <i>Oak Cliff Campus</i> ”) | 7-12 | 764 | | Free & Reduced - Approximately 83.42% ⁵ |
| Life School Red Oak 777 South Interstate 35E, Red Oak, TX (“ <i>Red Oak Campus</i> ”) | K-6 | 1,040 | 1,054 | 2003-04 Free & Reduced - Approximately 56.15% ⁵ |
| Life School Waxahachie Middle School 3295 N. Hwy 77, Waxahachie, TX (“ <i>Waxahachie Middle School Campus</i> ”) | 7-8 | 595 | 615 | 2009-10 Free & Reduced - Approximately 62.89% ⁵ |
| Life School Waxahachie High School 170 Butcher Road, Waxahachie, TX (“ <i>Waxahachie High School Campus</i> ”) | 9-12 | 1,102 | 1,129 | 2015-16 Free & Reduced - Approximately 54.54% ⁵ |
| TOTAL | | 5,734 | 6,873 | |

Source: Life School

¹ Life School’s historic approach has been to begin with a few grade levels and expand to K through 12 over a period of several years.

² As of October 27, 2023 as reported from Public Education Information Management System Fall Snapshot 2023.

³ Estimated Maximum Student Capacity means the building’s maximum capacity. Pursuant to the Life School’s charter, maximum enrollment may not exceed 15,000 students.

⁴ For purposes of the Texas Education Agency (“*TEA*”) Life School Oak Cliff and Life School Oak Cliff Secondary are one campus.

⁵ This column shows the approximate percentage of the respective student body qualifying for free or reduced cost lunches based on data from Public Education Information Management System Fall Snapshot 2023.

History, Vision, Mission, Curriculum, Extracurricular Activities, Growth History and Needs

History

Dr. Tom Wilson founded Life School in 1989 to train adults who were jobless and without employable skills, homeless, without medical care and/or in need of job placement services. Activities for youth and children were also provided, but were limited in scope to a few hundred youth participants per year. Seeking a permanent change for Dallas youth, Dr. Wilson envisioned a tuition-free school to teach and train children to prevent gang participation and legal trouble.

In 1995, the Texas Legislature passed legislation making charter schools available to students as an alternative to traditional school districts. Lawyers, educators and community leaders all worked together with Dr. Wilson to complete the application for a new charter school. The charter was granted on March 6, 1998, and Life School opened its doors in August 1998 with 266 students enrolled at the Life School Oak Cliff Campus, and has now grown to serving over 5,700 students. With campuses located in Carrollton, Cedar Hill, Dallas, Lancaster, Red Oak, and Waxahachie, Life School is focused on its mission, vision and values where it strives to provide students with a robust experience by offering a wide range of fine arts and athletic programs to support diverse interests and passions. Life School's current accountability rating from the State is a "B" (see "**Accountability Ratings and Student Performance**" herein).

Vision, Mission, and Values

Though Life School has grown, its mission and vision have remained constant. The mission of Life School is to develop leaders with life skills through strong academics, character training, and partnerships with parents and the community. In recent years, Life School has enhanced its character training through an internally created "LifeLeader" character training program to fulfill Life School's vision to ensure every student is "Ready to Learn, Ready to Lead, and Ready for Life."

LifeLeader articulates the character attributes that Life School wants to develop in its students, staff, parents, and administration. LifeLeader is a common language for character instruction. A common language makes it easier for people to understand each other and helps people to focus their efforts. LifeLeader can be interwoven into instructional efforts. Character education is not something that Life School pauses instruction to do. It is something Life School models while teaching, serving, and working together.

Life School began utilizing CliftonStrengths as a strategic effort to build capacity in and retain key leaders within the organization. When key leaders leave a school, there is a disruption in school improvement efforts, teacher turnover increases and there is a negative impact on student achievement. In 2015, Life School invested in Gallup-Certified Strengths coaching for a small group of high potential leaders. The success of this initial group led to the decision to purchase the CliftonStrengths assessment for all staff and to invest in additional Gallup-Certified coaches to further integrate a strengths-based culture. By 2018, all campus principals and key district leaders were receiving individual coaching on a monthly basis.

Currently, the Strengths coaching team provides individual coaching to all directors, principals, assistant principals, coordinators and instructional coaches, totaling more than 80 individuals. Additionally, team coaching is provided for campus grade levels and professional learning communities several times per year. The Board of Directors, Executive Team and other departments are provided with group sessions throughout the year. During campus closures due to COVID-19, additional staff members, including some teachers, were able to receive individual well-being coaching sessions through the Spring and Summer months.

By rolling out Strengths slowly, the momentum and impact has increased each year. The strengths-based approach is integrated into who we are as an organization. Knowledge and understanding of our strengths allows us to live out our organizational values of building trust, valuing people and continuously improving. Our commitment to the strengths-based approach is included in our strategic plan for growth and development for students and staff, with the goal of positively impacting well-being, diversity and inclusion, teacher and staff retention, and ultimately student success.

Curriculum

In Academics, Life School's "why" is to close the opportunity gap for students. By providing the necessary instruction, support, and designed learning experiences for its students, Life School can prepare students to be "Ready to Learn, Ready to Lead, and Ready for Life."

Life School provides an integrated, interdisciplinary, values-based education in a safe and supportive environment and makes available an equitable opportunity for students in kindergarten through 12th grade to prepare for post-secondary

training or for a school-to-work transition, to develop marketable skills and to acquire a solid academic foundation – including in mathematics, humanities, science, technology, and the fine arts.

The curriculum of Life School is relevant to preparing students to compete in a global society and to meet all essential elements as required by the Texas Education Agency (the “TEA”).

Life School implements a reading curriculum in the elementary grades based on research in phonics and phonological awareness. Diagnostic testing is used to determine the reading level of each student. Curriculum for all grades focuses on reading comprehension, critical thinking and writing. In addition, students learn problem solving, critical thinking, teamwork and service.

Technology is used at all levels for remediation and enrichment. Teachers integrate the use of technology in their classrooms and students receive computer application instruction. Life School is a 1-1 district providing technology to every student.

Sufficient time is provided for teachers to teach and students to learn the essential elements in English language arts and reading, mathematics, science, social studies, fine arts, health, physical education, technology applications, and to the extent possible, languages other than English. Instruction may be provided in a variety of arrangements and settings, including mixed-age programs designed to permit flexible learning arrangements for developmentally appropriate instruction for all student populations to support student attainment of course and grade level standards.

Extracurricular Activities

Life School believes in using extracurricular programs as a tool to develop students for life after Life School. At the elementary level, it offers academic contests, clubs and choir. At the middle school and high school level, it offers academic contests, band, choir, one-act plays, baseball, basketball, cheer, cross-country, football, golf, power lifting, track and field, soccer, softball, and volleyball. Many of Life School’s campuses even have Special Olympics teams.

Students learn teamwork, group responsibility, how to deal with success and overcome adversity. With eleven (11) State Championships in athletics, two (2) advances to State in One-Act Play, and many other accomplishments, Life School not only participates, but excels in University Interscholastic League (“UIL”) activities.

Growth History

1998 – Life School Oak Cliff Elementary was established. District enrollment – 266 students.

1999 – Life Middle School Oak Cliff was established. District enrollment – 569 students.

2000 – Life High School Oak Cliff was established. District enrollment – 708 students.

2003 – Life School Red Oak Elementary was established. District enrollment – 1,250 students.

2007 – Life School Lancaster Elementary was established. District enrollment – 2,829 students.

2009 – Life Middle School Waxahachie was established. District enrollment – 3,434 students.

2010 – Life School Cedar Hill Elementary was established. District enrollment – 3,705 students.

2013 – Life School Mountain Creek Elementary was established. District enrollment – 4,644 students.

2015 – Life High School Waxahachie was established. District enrollment – 5,364 students.

2019 – Life School Carrollton Elementary was established. District enrollment – 5,604 students.

2023 – Life School pilots a 4-Day School week. District enrollment – 5,734 students.

Awards and Honors

- **First Charter School in Texas to Access the Permanent School Fund (PSF)**. Life School was the first charter school in the State of Texas to access the PSF which allows schools to participate in a bond guarantee program.

PSF allows charter schools to access bonds with the full faith and credit of the State of Texas, which gives them the highest bond rating available (AAA).

- **“Superior Achievement” Rating for School FIRST (Financial Integrity Rating System of Texas) Rating for Charter Schools.** The financial accountability rating system is designed to ensure that open-enrollment charter schools are held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. Life School earned the rating of “Superior Achievement,” the highest rating that can be earned for a charter school in the State of Texas, since 2010.
- **\$4.5 million Teacher Incentive Fund Grant from U.S. Department of Education.** Life School received a \$4.5 million Teacher Incentive Fund (“TIF”) grant from the U.S. Department of Education in the Fall of 2012, making it one of 35 districts nationwide and one of 3 recipients statewide to receive this grant. The goals of the TIF grant are to improve student achievement by increasing teacher and principal effectiveness, reforming teacher and principal compensation systems so that teachers and principals are rewarded for increases in student achievement, increasing the number of effective teachers teaching poor, minority, and disadvantaged students in hard-to-staff subjects and creating sustainable performance-based compensation systems. Life School was the only charter school in the State of Texas to receive this grant.
- **University of North Texas at Dallas Recognized Life School.** UNT Dallas recognized Life School in 2016 by in support of their Experiential Learning Program.
- **Dallas Baptist University Recognized Life School.** Each year DBU recognizes a public-school district for their outstanding contribution and influence in public education. Life School was selected as DBU’s 2018 Outstanding Educational Partner. Life School is the first charter school to receive this recognition.
- **Baylor Scott & White Medical Center – Waxahachie Selects Life School’s Health Science Program.** BSW selected Life School’s Health Science students to be the first program in Ellis County to participate in a yearlong practicum where students can receive 40 Clinical Hours towards a Nursing Certificate. Students in the program can also receive additional industry certificates such as Pharmacy Tech Certificate.
- **Life School Athletic Program – 2019 State Champions – 3A Boys Track Team.** Life High School Oak Cliff won its first team state title. Life School has won numerous district championships and each year advances teams to regional and state competitions. To date, Life School has 11 State Champions in various events.
- **LHSW Receives ‘Accelerating Women’s Success and Mastery in Computer Science’ Honor.** Life High School Waxahachie (LHSW) was recognized as a member of the inaugural Accelerating Women’s Success and Mastery (AWSM) in Computer Science Honor Roll at the 2022 WeTeach_CS Summit. Life High School Waxahachie achieved this award because young women made up at least 50% of computer science (CS) course enrollment in the 2020-2021 school year. The statewide average is just 27%.
- **Texas House of Representatives Honors Life School for 25 Years of Service.** Representative Brian Harrison presented a resolution on the floor of the Texas House of Representatives celebrating Life School for their milestone achievement.
- **Life School has received full system approval from the Texas Education Agency under the Teacher Incentive Allotment (TIA).** Only 25% of districts in the state currently hold this designation, according to the Texas Public Charter School Association.

Project Funds

A portion of the proceeds of the Bonds will be used by Life School for the purpose of financing the construction of a new 1,200 student high school campus to be located on land owned by Life School at 1000 East Daniieldale Road and 1600 South Cockrell Hill Road, Duncanville, Texas, serving grades 9-12 (the “Duncanville Campus”). See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” above. The Duncanville Campus high school is expected to be approximately 165,000 square feet and is expected to include athletic, art, career and technology facilities. The Duncanville Campus is projected to open during the 2027-2028 school year.

The Duncanville Campus is centrally located among the Life School’s Oak Cliff, Mountain Creek, Cedar Hill, and Lancaster campuses and will provide a natural pathway for current students into high school. Students attending the Life High School Oak Cliff campus are expected to be relocated to the new Duncanville Campus, while Oak Cliff Elementary and

Middle Schools will remain at the Oak Cliff Campus. The current enrollment of Life High School Oak Cliff is about 500 students, leaving room to expand enrollment at the Duncanville Campus.

Future Financings

Life School does not anticipate issuing any additional Debt on a parity with the Note over the next three years, *provided, however*, that such plans are tentative and subject to change.

Facilities

The following table provides information regarding the locations, description and ownership status of Life School's charter schools (including schools previously financed or to be financed with proceeds of the Bonds).

| TABLE 2: EXISTING/PROPOSED FACILITIES BY CAMPUS | | | |
|---|--|--|--|
| BUILDINGS | OWN OR LEASE | TYPE OF SCHOOL ROOMS | |
| Oak Cliff Campus ¹ | | | |
| Grades K-6 th ; One building Grades 7-12 th ; One building, 13 modular buildings Approximately 184,375 aggregate square feet Approximately 29 acre area facility site | Own | General Classrooms – 74 Science Labs – 3 Cafeteria/Kitchen – 3 Computer Labs – 5 Audiovisual/ Multimedia Lab – 1 Special Education Rooms – 5 Library – 1 Auditorium – 1 | Gymnasium – 1 Playground – 1 Administrative Offices Athletic Locker Rooms/Weight Room/Offices Football/Soccer Field (with Bleachers) Softball Field (with Bleachers) |
| Red Oak Campus | | | |
| Grades K-6 th ; Two buildings, six modular buildings Approximately 101,500 aggregate square feet Approximately 75 acre area facility site | Lease (Expires July 31, 2028) ² | General Classrooms – 45 Cafeteria/Kitchen – 1 Computer Labs – 1 Special Education Rooms – 5 Library – 1 | Auditorium – 1 ½ Gymnasium – 1 Administrative Offices/Other Playground – 1 Athletic Fields (Practice) |
| Waxahachie Middle School Campus ² | | | |
| Grades 7-8 th ; One building, 2 modular buildings, 1 storage building Approximately 65,000 aggregate square feet Approximately 16.85 acre area facility site | Own | General Classrooms – 29 Science Labs – 2 Cafeteria/Kitchen – 3 Computer Labs – 3 Audiovisual/ Multimedia Lab – 1 Special Education Rooms – 3 | Multipurpose Room – 1 ½ Gymnasium – 1 Administrative Offices/Athletics/Other Football/Softball Field (Practice) Athletic Locker Rooms/Offices |
| Waxahachie High School Campus | | | |
| Grades 9-12 th ; One building Approximately 132,623 aggregate square feet Approximately 45 acre area facility site Phase II Approximately 11,200 aggregate square feet Phase III (2025) Approximately 11,200 aggregate square feet | Own | General Classrooms – 42 Science Labs – 8 Cafeteria/Kitchen – 1 Computer Labs – 3 Audiovisual/ Multimedia Lab – 1 Special Education Rooms – 6 Library – 1 Theater Arts Room – 1 Career Tech Classrooms – 7 | Art Room – 1 Band/Choir Room – 1 Auditorium – 1 Gymnasium – 1 Weight Room – 1 Administrative Offices Athletic Locker Rooms/Offices Athletic Practice Fields Football/Soccer Field (with Bleachers) |
| Lancaster Campus | | | |
| Grades K-6 th ; One building Approximately 66,000 aggregate square feet Approximately 14 acre area facility site | Own | General Classrooms – 30 Cafeteria/Kitchen – 1 Computer Labs – 1 | Playground – 1 Campus Administrative Offices/Other |

| TABLE 2: EXISTING/PROPOSED FACILITIES BY CAMPUS | | | |
|---|--|---|---|
| BUILDINGS | OWN OR LEASE | TYPE OF SCHOOL ROOMS | |
| | | Special Education Rooms – 2 Gymnasium – 1 | |
| Cedar Hill Campus | | | |
| Grades K-6 th ; Two buildings Approximately 42,721 aggregate square feet Approximately 10 acre area facility site | Own | General Classrooms – 28 Cafeteria/Kitchen – 1 Computer Labs – 2 Science Lab – 1 Library – 1 | Special Education Rooms – 2 ½ Gymnasium – 1 Playground – 1 Administrative Offices/Other |
| Mountain Creek Campus | | | |
| Grades K-8 th ; Two buildings Approximately 40,000 aggregate square feet Approximately 29.48 acre area facility site | Lease (Expires July 31, 2027) ³ | General Classrooms – 8 Cafeteria/Kitchen – 1 Computer Labs – 1 Special Education Rooms – 1 | Gymnasium – 1 Auditorium – 1 Playground – 1 Administrative Offices/Other |
| Carrollton Campus | | | |
| Grades K-5 th ; Two Buildings Approximately 65,324 aggregate square feet Approximately 19 acre area facility area | Lease (Expires July 31, 2029) ⁴ | General Classrooms – 30 Cafeteria/Kitchen – 1 Special Education Rooms - 2 | Gymnasium – 1 Playground – 1 Administrative Offices/Other |
| Duncanville Campus ⁵ | | | |
| Grades 9-12 th ; One building Approximately 165,000 aggregate square feet Approximately 105 acre area facility site | Own | General Classrooms – 29 Science Labs – 9 Cafeteria/Kitchen – 1 Computer Labs – 8 Special Education Rooms – 5 Leadership/Mentoring Center – 1 Theater Arts Room –1 Career Tech Classrooms – 7 | Art Room – 2 Band andChoir Rooms – 2 Gymnasium – 2 Weight Room – 1 Administrative Offices Athletic Locker Rooms/ Offices Athletic Practice Fields Football/Soccer Field (with Bleachers) |
| Central Administrative Office | | | |
| Central Administrative Offices; One building Approximately 19,200 aggregate square feet Approximately 5 acre area facility site | Lease (Expires July 31, 2029) ⁶ | Office/cubicle spaces – 70 Break Room – 1 Conference Rooms - 3 | Training Rooms - 4 |

Source: Life School.

¹ Students attending the Life High School Oak Cliff campus are expected to be relocated to the Duncanville Campus, upon the opening of the Duncanville Campus which is projected to occur during the 2027-2028 school year, while Oak Cliff Elementary and Middle Schools will remain at the Oak Cliff Campus. See “—Project Funds” above.

² Life School has the option to extend the lease successive terms of twelve (12) months on the same terms as the original lease.

³ Life School has the option to extend the lease for five (5) additional lease years on the same terms as the original lease.

⁴ Life School has the option to extend the lease for ten (10) additional lease years on the same terms as the original lease.

⁵ The Duncanville Campus is projected to open during the 2027-2028 school year. Students attending the Life High School Oak Cliff campus are expected to be relocated to the Duncanville Campus, while Oak Cliff Elementary and Middle Schools will remain at the Oak Cliff Campus. See “—Project Funds” above.

⁶ Life School has the option to extend the lease for two (2) additional five (5) year terms on the same terms as the original lease.

Life School annually examines the strategic value of purchasing its leased facilities and the impact on its master facilities plan going forward.

Environmental Assessments

The subsections that follow provide summary information relating to environmental site assessments performed at each of the Life School campus sites and the headquarters site. Each report speaks only as of its date, and Life School has not requested that any additional environmental assessment be made. Further, the reports are subject to the limitations specified in each report, including that no environmental inspection can completely eliminate uncertainty regarding the potential for recognized environmental conditions (“RECs”) in connection with a property. Potential investors must refer to the complete reports for a full understanding of such limitations, and for additional information pertinent to the assessments.

Copies of the reports are available as described under “**MISCELLANEOUS — Additional Information**” in the forepart to this Official Statement. See also “**RISK FACTORS — Environmental Regulation.**”

Oak Cliff Campus

EnviroPhase Incorporated (“*EnviroPhase*”) performed a Phase I Environmental Site Assessment of the Oak Cliff Campus property. In that connection, EnviroPhase prepared a report dated January 17, 2014 (the “*Oak Cliff Campus Phase 1 Report*”). The Oak Cliff Campus Phase 1 Report states that EnviroPhase performed the assessment in general accordance with ASTM E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process* and All Appropriate Inquiry to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. The Oak Cliff Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the summary of findings, among other things, the Oak Cliff Campus Phase 1 Report states no RECs, historic recognized environmental conditions (“*HRECs*”) or controlled recognized environmental conditions (“*CRECs*”) were identified and that no further investigation was recommended at the time of the Oak Cliff Campus Phase 1 Report. Further, the Oak Cliff Campus Phase 1 Report noted that the subject property appears to be at low risk of potential environmental concern relative to onsite and off-site sources.

The Oak Cliff Campus Phase 1 Report did note that a portion of the property is located in flood zone AE, a high risk area for flooding within the 100 year flood plain, that a relatively permanent stream was observed on the property, which stream is a potential Section 404 water of the United States. As a result, it could require a permit be obtained before the stream is impacted. In addition, due to the building construction dates of 1961 and 1975, it is possible that asbestos, lead based paint, lead piping and/or lead solder could present an environmental concern. The improvements on the property are located in flood zone X, which is outside the 100 and 500 year flood plain.

Red Oak Campus

EnviroPhase performed a Phase I Environmental Site Assessment of the Red Oak Campus property. In that connection, EnviroPhase prepared a report dated January 17, 2014 (the “*Red Oak Campus Phase 1 Report*”). The Red Oak Campus Phase 1 Report states that EnviroPhase performed the assessment in general accordance with ASTM E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process* and All Appropriate Inquiry to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. The Red Oak Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the summary of findings, among other things, the Red Oak Campus Phase 1 Report states no RECs, HRECs or CRECs were identified and that no further investigation was recommended at the time of the Red Oak Campus Phase 1 Report.

Waxahachie Middle School Campus

EnviroPhase performed a Phase I Environmental Site Assessment of the Waxahachie Middle School property. In that connection, EnviroPhase prepared a report dated January 17, 2014 (the “*Waxahachie Middle School Campus Phase 1 Report*”). The Waxahachie Middle School Campus Phase 1 Report states that EnviroPhase performed the assessment in general accordance with ASTM E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process* and All Appropriate Inquiry to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. The Waxahachie Middle School Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the summary of findings, among other things, the Waxahachie Middle School Campus Phase 1 Report states no RECs, HRECs or CRECs were identified and that no further investigation was recommended at the time of the Waxahachie Middle School Campus Phase 1 Report. The Waxahachie Middle School Campus Phase 1 Report did note that a portion of the property is located in flood zone AE, a high risk area for flooding. The improvements on the property are located in flood zone X, which is outside the 100 and 500 year flood plain.

Lancaster Campus

EnviroPhase performed a Phase I Environmental Site Assessment of the Lancaster Campus property. In that connection, EnviroPhase prepared a report dated January 17, 2014 (the “*Lancaster Campus Phase 1 Report*”). The Lancaster

Campus Phase 1 Report states that EnviroPhase performed the assessment in general accordance with ASTM E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process* and All Appropriate Inquiry to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. The Lancaster Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the summary of findings, among other things, the Lancaster Campus Phase 1 Report states no RECs, HRECs or CRECs were identified and that no further investigation was recommended at the time of the Lancaster Campus Phase 1 Report. The Lancaster Campus Phase 1 Report did note that a portion of the property is located in flood zone A, a high risk area for flooding and that a relatively permanent stream was observed on the property, which stream is a potential Section 404 water of the United States that could require a permit before it is impacted. The improvements on the property are located in flood zone X, which is outside the 100 and 500 year flood plain.

Cedar Hill Campus

EnviroPhase performed a Phase I Environmental Site Assessment of the Cedar Hill Campus property. In that connection, EnviroPhase prepared a report dated January 17, 2014 (the "*Cedar Hill Campus Phase 1 Report*"). The Cedar Hill Campus Phase 1 Report states that EnviroPhase performed the assessment in general accordance with ASTM E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process* and All Appropriate Inquiry to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. The Cedar Hill Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the summary of findings, among other things, the Cedar Hill Campus Phase 1 Report states no RECs, HRECs or CRECs were identified and that no further investigation was recommended at the time of the Cedar Hill Campus Phase 1 Report.

Mountain Creek Campus

EnviroPhase performed a Phase I Environmental Site Assessment of the Mountain Creek Campus property. In that connection, EnviroPhase prepared a report dated January 17, 2014 (the "*Mountain Creek Campus Phase 1 Report*"). The Mountain Creek Campus Phase 1 Report states that EnviroPhase performed the assessment in general accordance with ASTM E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process* and All Appropriate Inquiry to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. The Mountain Creek Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the summary of findings, among other things, the Mountain Creek Campus Phase 1 Report states that the site usage could not be documented prior to 1959, although aerial photographs show that the southeast quadrant of the property had improved areas in 1942 that appeared commercial in building style. Based on the commercial appearance of the improvement and the lack of information, EnviroPhase considered the data gap to be significant enough to constitute a REC. No HRECs or CRECs were identified. EnviroPhase recommended a Phase II Limited Subsurface Investigation in certain areas of the property to determine potential negative impact from unknown use. The Mountain Creek Campus Phase 1 Report noted that the subject property appears to be at low risk of potential environmental concern relative to onsite and off-site sources. Life School has not engaged anyone to perform a Phase II Limited Subsurface Investigation.

The Mountain Creek Campus Phase 1 Report noted numerous piles of asphalt, concrete, rocks and fill material located on the site. EnviroPhase was unable to document the origin or content of the piles, but did note that they appeared to be refuse from nearby road construction. Although EnviroPhase noted that the visible material did not constitute an environmental concern, they did note that the piles should be removed so not to encourage additional dumping. Also, thermal insulation at the site was observed to be labeled "DANGEROUS ASBESTOS" and the Mountain Creek Campus Phase 1 Report noted that it is possible that additional asbestos-containing materials could be present. The report noted that it is possible that lead based paint, lead piping and/or lead solder could be present in the building. Finally, the Mountain Creek Campus Phase 1 Report noted that a quarry that operated from at least 1959-1968 was adjacent to the site and constitutes a potential environmental concern.

Waxahachie High School Campus

Alan Plummer Associates, Inc. ("*Plummer*") performed a Phase I Environmental Site Assessment of the Waxahachie High School. Plummer prepared a report dated November 4, 2013 (the "*Waxahachie High School Phase 1 Report*"). The

Waxahachie High School Phase 1 Report states that it adheres to the ASTM Standard E 1527-05, *Environmental Site Assessment: Phase I Environmental Site Assessment Process*. The Waxahachie High School Phase 1 Report states that the purpose of the assessment was to determine, within the limits of practicable activities, the environmental conditions of the property for the range of contaminants listed in the Comprehensive Environmental Response, Compensation and Liability Act and potential environmental risks associated with past uses of the subject property.

In the findings, it was noted that the only area observed in the area of investigation that would warrant further investigation would be the PCB potential associated with an older electrical transformer. According to the Waxahachie High School Phase 1 Report, aside from the transformer, no other potential concerns for contamination were observed. The Waxahachie High School Phase 1 Report also noted that an adjoining parcel of land held a structure containing rubbish consisting of paint canisters, drums, tires, automobile parts, oil/petroleum canisters, herbicide and fungicide canisters, television screens and computer monitors and general trash. The Waxahachie High School Phase 1 Report suggested that at a minimum the current land owner should clean and remove all debris and rubbish from the subject property. Finally, it was noted that the subject property was historically used for agricultural purposes and the potential for agricultural related chemicals used and or stored on the parcels is a possibility. However, the assessor concluded that the former use of agricultural chemicals does not represent a recognized environmental condition or a human health risk. It should be noted that a portion of the property is located within the 100-year and 500-year floodplains.

Carrollton Campus

eScreenLogic performed a Phase I Environmental Site Assessment of the Carrollton Campus. In that connection, eScreenLogic prepared a report dated January 18, 2019 (the “*Carrollton Campus Phase 1 Report*”). The Carrollton Campus Phase 1 Report states that eScreenLogic performed the assessment in general accordance with the scope and limitations of ASTM E 1527-13, to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. The Carrollton Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the project summary, among other things, the Carrollton Campus Phase 1 Report states no RECs, HRECs or CRECs were identified and the executive summary states that no further investigation was recommended at the time of the Carrollton Campus Phase 1 Report.

Duncanville Campus

EnviroPhase performed a Phase I Environmental Site Assessment of the Duncanville Campus property. In that connection, EnviroPhase prepared a report dated August 30, 2024 (the “*Duncanville Campus Phase 1 Report*”). The Duncanville Campus Phase 1 Report states that EnviroPhase performed the assessment in general accordance with ASTM E1527-21, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process and All Appropriate Inquiry* to ascertain whether evidence exists indicating the potential presence or absence of hazardous substances. EnviroPhase also searched for evidence of the presence or absence of petroleum products or materials. The Duncanville Campus Phase 1 Report states that the purpose of the assessment was to assist Life School with an assessment concerning environmental conditions as they exist at the property.

In the summary of findings, among other things, the Duncanville Campus Phase 1 Report states no RECs, HRECs or CRECs were identified and that no further investigation was recommended at the time of the Duncanville Campus Phase 1 Report. The Duncanville Campus Phase 1 Report did note that the majority of the property is primarily located in flood Zone X, an area of minimal flood hazard outside of the 100 and 500 year flood plains. The southwest corner of the property is located in flood Zone AE, an area that has approximately a 1% chance of flooding each year.

Charter Contract

General

The Charter Schools Act provides for the creation of charter schools in order to improve student learning, to increase the choice of learning opportunities within the public school system, to create professional opportunities that will attract new teachers to the public school system, to establish a new form of accountability for public schools and to encourage different and innovative learning methods. The Charter Schools Act provides for three kinds of charter contracts: home-rule school district charters, campus or campus programs charters and open-enrollment charters. Life School operates pursuant to an open-enrollment charter. A charter contract governs such matters as the recipient’s authority to operate, student admissions and performance, financial management, and governance and operations. The term of an open-enrollment charter contract is not specifically provided under Texas law.

The TEA issued the initial charter to Life School for a period of five years from August 1, 1998, to July 31, 2003. After the initial charter period, Life School applied for and received a charter renewal in July 2003 extending the charter ten years to July 31, 2013. Life School applied for and received a second charter renewal on August 29, 2013 extending the charter ten years to July 31, 2023. Life School applied for and received a third charter renewal on February 27, 2023 extending the charter ten years to July 31, 2033. Maximum enrollment permitted under the charter was increased from 2,000 to 3,000 in May 2005. In April 2008, maximum enrollment was again increased from 3,000 to 5,000 effective August 1, 2008. Maximum enrollment was increased from 5,000 to 10,000 students in August 2010, and subsequently to 15,000 effective July of 2016.

Revocation, Nonrenewal, Modification of Governance and Automatic Revocation

Under the Charter Schools Act and the terms of the Life School's charter contract, the Texas Commissioner of Education (the "*Commissioner*") is required to revoke the charter or reconstitute the governing body of the charter holder of an open-enrollment charter school if the Commissioner determines that the charter holder:

- (i) committed a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter;
- (ii) failed to satisfy generally accepted accounting standards of fiscal management;
- (iii) failed to protect the health, safety, or welfare of the students enrolled at the school;
- (iv) failed to comply with any applicable law or rule;
- (v) failed to satisfy the performance framework standards adopted under Section 12.1181 of the Texas Education Code; or
- (vi) is imminently insolvent as determined by the Commissioner in accordance with Commissioner rule.

Any action the Commissioner takes in this respect must be based on the best interest of the school's students, the severity of the violation, any previous violation the school has committed and the accreditation status of the school.

The Commissioner shall also be required to revoke the charter of an open-enrollment charter school if:

- (i) the charter holder has been assigned an unacceptable performance rating under Subchapter C, Chapter 39 of the Texas Education Code (the "*Accountability Rating*") for the three preceding school years;
- (ii) the charter holder has been assigned a financial accountability performance rating under Subchapter D, Chapter 39 of the Texas Education Code (the "*FIRST Rating*") indicating performance lower than satisfactory for the three preceding school years; or
- (iii) the charter holder has been assigned any combination of the ratings described in (i) or (ii) for the three preceding school years.

The Commissioner shall deny renewal of the charter of an open-enrollment charter school if:

- (i) the charter holder has been assigned the lowest performance rating as its Accountability Rating for any three of the five preceding school years;
- (ii) the charter holder has been assigned a financial accountability performance rating as its FIRST Rating indicating financial performance that is lower than satisfactory for any three of the five preceding school years;
- (iii) the charter holder has been assigned any combination of the ratings described in (i) or (ii) for any three of the five preceding school years; or
- (iv) any campus operating under the charter has been assigned the lowest performance rating as its Accountability Rating for the three preceding school years and such campus has not been closed.

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, to the extent the Commissioner determines necessary, if an open-enrollment charter school:

- (i) commits a material violation of the school's charter;
- (ii) fails to satisfy generally accepted accounting standards of fiscal management; or
- (iii) fails to comply with subchapter A of Chapter 12 of the Texas Education Code or another applicable rule or law.

After the Commissioner takes any such action as set forth above, the school may not receive funding and may not resume operating until a determination is made that:

- (i) 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
- (ii) the conditions at the school that presented a danger of material harm to the health, safety, or welfare of students have been corrected.

Not later than the third (3rd) business day after the date the Commissioner takes action, the Commissioner must provide the school an opportunity for a hearing, after which the Commissioner must take action or cease any temporary sanctions. Texas law provides that relevant provisions of the Texas Government Code do not apply to a hearing related to a modification, placement on probation, revocation, or denial of renewal of a charter. Hence, the determination of the Commissioner is final and may not be appealed. For additional information, see “**APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW – GENERAL – Charter Revision, Revocation and Non-Renewal, and Modification of Governance**”.

Board of Directors

As permitted under the Charter Schools Act, Life School operates as a Texas nonprofit corporation under the Business Organizations Code. Life School is governed by applicable law and its articles of incorporation and bylaws. Life School's articles of incorporation provide that Life School is managed by a Board of Directors. The Board is authorized to organize standing committees, including an Executive Committee and others.

Life School's bylaws provide that the Board is to consist of five to nine persons and that the Directors serve one-year terms and vacancies are filled by the vote of the remaining Directors. The bylaws provide that Life School's officers shall include, at a minimum, a President, a Secretary, a Treasurer and other officers as may be elected in accordance with the bylaws. Officers are elected by the Board and hold office, at the pleasure of the Board, for a period of one year or until his or her successor has been duly elected and has qualified, and may be removed by the Board whenever in its judgment the best interest of Life School is served thereby. Vacancies among the officers are filled by the Board. Set forth below are brief biographies for Life School's current Board members.

Dr. Brent Wilson – Board President/Superintendent

Brent Wilson, Ed.D., serves as the Board President and Superintendent of Life School, where he oversees the academic, development, operations, culture, talent, and financial departments. Dr. Wilson joined the Life School Executive Team as Chief Operations Officer in July 2009 after a successful fourteen-year career in the private sector. His leadership is focused on building and strengthening infrastructure, creating and refining systems and processes, and instilling a professional management culture at all levels of leadership within Life School.

Before his tenure at Life School, Dr. Wilson developed a collaborative, systems-based management style in various corporate settings. At Merck & Co., he performed management coordination, gaining valuable experience in corporate operations. He also managed several major multi-year projects in the energy sector for Kvaerner Oilfield Products, demonstrating his ability to handle complex, large-scale initiatives. Additionally, Dr. Wilson served as an operational manager at Brinker International, where he oversaw logistical channels between Brinker International and other private sector companies, further honing his strategic and operational skills.

Dr. Wilson's educational background is as impressive as his professional career. He received a Bachelor of Science degree from Texas A&M University in 1995, followed by a Master of Education in Educational Leadership from Dallas Baptist University in August 2014. In 2019, he earned an Ed.D. from Dallas Baptist University, underscoring his commitment to educational excellence and leadership.

Dr. Wilson's diverse experiences in both the private sector and educational administration uniquely position him to lead Life School with vision and expertise. His dedication to fostering a positive and effective learning environment continues to drive the success and growth of Life School, making him a pivotal figure in the institution's ongoing development

Mr. Christopher Clemmons – Board Member

Christopher Clemmons has been a dedicated member of the Life School Board of Directors since 2010 and currently serves as the treasurer. He holds the position of Title Examinations Manager at Precise Title Company, where his expertise in title examinations is highly valued. Mr. Clemmons earned his degree in Economics and Finance Applications degree from Southern Methodist University, equipping him with a strong foundation in financial strategy and economic principles.

Ms. Sharon Williams – Board Member/Secretary

Sharon Williams has been a dedicated member of the Life School Board of Directors since 2002, bringing over two decades of invaluable experience and unwavering commitment to the role. She has held the crucial position of Board Secretary for several years, playing an integral part in the board's effective governance and strategic decision-making. Now retired, Ms. Williams was an accomplished independent Energy Consultant, respected for her expertise and innovative solutions in the energy sector. She remains deeply committed to serving her community, actively involved in various local initiatives and charitable organizations. Her blend of professional acumen and heartfelt community service embodies the spirit of leadership and dedication.

Mr. Ruben Martinez – Board Member/Treasurer

Ruben Martinez has been a dedicated member of the Life School Board of Directors since 2004 and is one of the founding Board members. Throughout the years, he has significantly contributed to various community boards and associations, including the Oak Cliff Assembly of God Church Board, the Membership Board of the Hispanic Contractors Association, the Home Depot Safety (InFocus) Team, and the Red Cross during Hurricane Katrina. Additionally, he has served as a referee and assessor for the United States Soccer Federation and the National Federation of High School Soccer (UIL), and has been involved with the Advisory Board to Royal Rangers Organization and the Friends of the Library. Professionally, Mr. Martinez is an Account Development Manager for PPG Architectural Coatings, where he excels in strategic planning and business development.

Dr. Sharon Lee– Board Member

Sharon Lee, Ed.D., has been a member of the Life School Board of Directors since 2019. Now retired, Dr. Lee was the Director of Research in K-12 Education at Dallas Baptist University, with a career spanning 46 years in curriculum, instruction, and research. Her extensive experience in teaching and leadership has fostered innovative STEM education initiatives. Before moving to Texas, she helped establish the Division of Technology and Innovation at the University of South Dakota. Dr. Lee holds a Bachelor of Arts, Master of Arts, and Doctor of Philosophy degrees from Texas A&M University, and her contributions include several books and journal presentations.

Mr. Chris Ransbottom – Board Member

Chris Ransbottom has been a dedicated member of the Life School Board of Trustees since 2019. He serves as the Discipleship Pastor at First Baptist Midlothian and previously contributed significantly to Life School as the Mission Advancement Coordinator. Chris holds a degree in Sociology from Texas A&M University and a Master of Divinity degree from Southwestern Theological Seminary in Ft. Worth. His pastoral experience, academic background, and commitment to community service underscore his dedication to fostering growth and positive change.

Mr. Randall Mays – Board Member

Randall Mays was appointed to the Life School Board of Directors in 2021. A proud Life School alumnus, Mr. Mays graduated from Life School Oak Cliff in 2007. Since then, he has dedicated himself to public service as a police officer while also successfully owning and managing his own businesses. His diverse experiences and commitment to both his community and professional endeavors make him a valuable member of the Board.

Senior Leadership

Listed below are members of Life School's senior leadership, along with a brief description of their respective positions and biographical information pertaining to each.

Dr. Brent Wilson, Superintendent

See “**Board of Directors**” above.

Dr. Scott Fuller, Chief of Staff

Scott Fuller, Ed.D., has been a foundational member of Life School since its inception. As Chief of Staff, Dr. Fuller collaborates with Life School leadership to develop and implement systems that track reliable information on strategic initiatives throughout the organization. With over twenty-five years of experience in non-profit administration, he previously served as the Director of Finance and Facilities for both The Oaks Fellowship church and Life School. In August 2009, he transitioned to the full-time role of Chief Financial Officer for Life School, a position he held until becoming Chief of Staff.

Dr. Fuller holds a Bachelor of Science in Management, a Master of Education in Educational Leadership, and an Ed.D., all from Dallas Baptist University, completed in 2019. His extensive academic background, combined with his practical experience, makes him a vital asset to Life School. His strategic vision and leadership have been instrumental in supporting the school's mission and ensuring its continued growth and success. Additionally, Dr. Fuller serves on the Red Oak Chamber of Commerce board, further demonstrating his commitment to community involvement and leadership.

Dr. Troy Mooney, Chief Academic Officer

Troy Mooney, Ed.D., joined Life School as Chief Academic Officer in 2012. In this role, he oversees Life School's academic programs and supervises all campus principals, ensuring the delivery of high-quality education across the institution. Before joining Life School, Dr. Mooney served as Assistant Superintendent for Waller Independent School District for two years, principal of Kempner High School in Fort Bend Independent School District for two years, principal of Waller Junior High for six years, and assistant principal of Waller High School for three years. Additionally, he has experience teaching and coaching secondary students, bringing a well-rounded perspective to his leadership role.

Dr. Mooney graduated from Alief Hastings High School and earned a B.A. in Political Science from Texas A&M University. He furthered his education with a Master's degree in Educational Administration from Prairie View A&M University and an Ed.D. from Dallas Baptist University in 2019. His extensive experience in educational leadership and his commitment to academic excellence make him a vital asset to Life School, driving the institution's mission to provide exceptional education to its students.

Barry West, Chief Operations Officer

Barry West has served as the Chief Operations Officer for Life School since 2010. In this role, he is responsible for overseeing Life School's Operations, Information Management, and Security departments, as well as the school's marketing and communication efforts. Mr. West's strategic leadership ensures that the school operates efficiently and effectively, supporting its mission to provide quality education. Prior to joining Life School, he worked as a marketing consultant for Hearst Media Services in Houston, Texas, and provided estate and financial planning services to retirees at Advanced Planning.

Mr. West holds a Bachelor of Business Administration in Marketing from Baylor University, which he earned in 1994. He is also a 2013 graduate of Leadership Southwest, Inc., reflecting his commitment to continuous professional development. Actively engaged in his community, he recently served as a board member with the DeSoto Chamber of Commerce and Leadership Southwest, Inc. Barry West's extensive experience in operations and marketing, combined with his dedication to community service, make him a vital asset to Life School.

Jennifer Wilson, Chief Culture Officer

Jennifer Wilson (no relation to Brent Wilson) joined Life School in April 2012 as the Chief Financial Officer and served in that role for six years before becoming the Chief Culture Officer in August 2018. As Chief Culture Officer, Ms. Wilson is responsible for aligning organizational goals, communication, and recognition with the mission of Life School. Her leadership of the Culture Group, which includes Community and Public Relations, Communications, and Employee

Engagement, ensures that all district strategies, programs, and initiatives support and enhance the mission and vision of Life School.

Ms. Wilson received a Bachelor of Business Administration in Accounting from Texas A&M University in 1997 and is a Certified Public Accountant. Additionally, she is a certified Gallup Strengths coach, leveraging her expertise to foster a positive and productive work environment. Her comprehensive background in finance and her dedication to cultivating a strong organizational culture make her an invaluable asset to Life School.

Megan Beck, Chief Financial Officer

Megan Beck joined Life School in 2014 as Director of Finance and served in that role for four years before becoming the Chief Financial Officer in August 2018. As Chief Financial Officer, Ms. Beck is responsible for managing the financial affairs of Life School, ensuring the institution's financial stability and growth. Her leadership in financial management supports the school's mission and enables it to provide high-quality education to its students.

Before joining the Life School team, Ms. Beck earned a Bachelor of Business Administration in Finance from Texas A&M University in 2007 and a Master of Business Administration from The University of Texas at Dallas in 2011. She also gained valuable experience serving six years in accounting at Celanese Corporation. Her extensive educational background and professional experience in finance and accounting make her a crucial asset to Life School's leadership team.

Dr. Stephanie Colwell, Chief Talent Officer

Stephanie Colwell, Ed.D., joined Life School in 2005 and has been a dedicated member of the team ever since. Currently serving as the Chief Talent Officer, Dr. Colwell oversees the human resource aspects of the district, ensuring that Life School attracts, retains, and develops top talent to support its educational mission. During her tenure at Life School, she has taught at the elementary, middle, and high school levels, served as Assistant Principal for the Lancaster campus, and as Principal of the Mountain Creek campus.

Dr. Colwell holds a Bachelor of Science in Elementary Education from Southwestern Assemblies of God University, a Master of Education in Educational Leadership, and a Doctor of Education from Dallas Baptist University. Her extensive experience in teaching and leadership, combined with her strong educational background, equips her with the skills and insights necessary to manage and develop the district's human resources effectively. Her dedication to fostering a positive and supportive work environment continues to make a significant impact on Life School.

Eddie Davis, Chief Development Officer

Eddie Davis joined the Life School family as a member of the Board of Trustees in 2014 and has been serving as Chief Development Officer since 2019. In this role, Mr. Davis oversees the marketing and enrollment departments, ensuring that Life School effectively communicates its mission and attracts students to its programs. He also serves as the Executive Director of the Life School Education Foundation, where he leads initiatives to support the school's growth and development.

Mr. Davis holds a Bachelor's Degree in Christian Education and a Master's Degree in Practical Theology from Southwestern Assemblies of God University, where he also served as Vice President for Enrollment and Retention. With over 25 years of non-profit experience in the private sector, he brings a wealth of knowledge and expertise to his role at Life School. His extensive background in education and non-profit management, combined with his strategic leadership, plays a crucial role in advancing the mission and vision of Life School.

Shawn Thomas, Director of Operations

Shawn Thomas became the Director of Operations at Life School in July 2006. As Director of Operations, Mr. Thomas is responsible for creating building operational standards and ensuring that Life School's assets are planned, constructed, and maintained to the highest level in a cost-effective manner. Working in partnership with Life School's Board of Directors and Executive Team, he supervises construction, capital improvements, and daily building maintenance operations across six campuses, encompassing 35 buildings with approximately 600,000 square feet.

Mr. Thomas served as Life School's Director of Facilities for five years before being appointed Director of Operations in 2010. He brought 20 years of maintenance and construction experience from the multi-family and retail industries, having served the majority of that time as Area Maintenance Supervisor for Post Properties, managing a portfolio that spanned multiple states. During his tenure at Life School, Mr. Thomas has been instrumental in the school's growth from two to six locations, overseeing the acquisition and renovation of over 300,000 square feet of building space, 25,000 square

feet of new construction, and the addition of 170 classrooms and multiple athletic facilities. He has managed approximately 140,000 square feet of new construction and 500,000 square feet of renovations, with combined project costs of approximately \$40 million, reflecting his significant impact on Life School's infrastructure and growth.

Bryon Ding, Strategic Planner

Bryon Ding assumed the role of Life School Strategic Planner in Spring 2012. In this position, he works closely with Chief of Staff Scott Fuller on large special projects, contributing to the strategic direction and planning of the district. Before this role, Mr. Ding served for nine years as Life School's Business Administrator, where he oversaw various facets of the district's operations, including technology, insurance, operational planning, and finances.

Mr. Ding founded and coached the golf team at the Life School Oak Cliff campus for nine years, demonstrating his commitment to student development beyond the classroom. He holds the certification of Registered Texas School Business Official from the Texas Association of School Business Officials and the designation of Registered School Business Official from the Association of School Business Officials International. Mr. Ding received his Bachelor of Business Administration in 1998 and his Master of Business Administration in 1999, both from the University of Mary Hardin-Baylor. His extensive experience in school business operations, strategic planning, and financial management makes him a valuable asset to Life School.

Devonne Hutson, Director of Talent

Devonne Hutson has been a dedicated member of Life School's Talent department for 11 years. With over 15 years of prior experience in human resources, she brings a wealth of knowledge and expertise to her role. Mrs. Hutson is instrumental in overseeing talent management and development, ensuring that Life School attracts and retains top-quality staff.

Mrs. Hutson holds a Bachelor's Degree in Sociology from the University of Texas at Arlington and a Master's Degree in Human Resource Development from the University of Texas at Tyler. Her extensive background in human resources and her commitment to fostering a supportive and effective work environment make her a vital asset to Life School's leadership team.

Diana Maturino, Director of Finance

Diana Maturino was introduced to Life School in the summer of 2015 as an intern and officially joined the Life School family as a staff accountant in February 2016. Her dedication and skill quickly led to opportunities for growth, resulting in her promotion to Payroll Coordinator in 2017 and Finance Manager in 2018. In her current role, Ms. Maturino oversees various financial operations, ensuring the smooth and efficient management of Life School's finances.

Ms. Maturino graduated with a Bachelor of Arts in Accounting from the University of Texas at Arlington and is currently pursuing her Master's in Accounting. Her strong educational background and rapid professional advancement within Life School highlight her commitment to excellence and continuous development. Diana's expertise in accounting and finance management makes her an invaluable asset to the Life School team.

Ryan McElhany, Director of Marketing

Ryan McElhany has been a Marketing and Public Relations professional for 20 years. Before joining Life School, he worked in business-to-business marketing for Lockton Companies of Dallas. He then joined Southwestern Assemblies of God University (SAGU) to build their marketing department, where he has served as Director of Marketing and Public Relations for 15 years.

Mr. McElhany earned his bachelor's degree in Management from SAGU in Waxahachie and his MBA with a specialization in Marketing from Texas A&M University - Commerce. His extensive experience and expertise in marketing and public relations have been instrumental in driving the success and visibility of the organizations he has worked with, making him a valuable asset to Life School.

Stefani Pudgurney, Director of Business Services

Stefani Pudgurney joined Life School in February 2015 as the Director of Business Services. In this role, she oversees various business operations, ensuring the efficiency and effectiveness of the school's administrative functions.

Before joining Life School, Stefani served Duncanville ISD for 11 years, bringing with her a wealth of experience and expertise in educational administration.

Mrs. Pudgurney earned her Bachelor of Business Administration from Northwood University while on a soccer scholarship, graduating Magna Cum Laude and being elected to the NAIA All-Conference Team. She furthered her education by completing a Master of Business Administration from Amberton University in 2002. Stefani's strong academic background, coupled with her extensive professional experience, makes her a valuable asset to Life School's leadership team.

Scott Thrush, Director of Athletics

After graduating from the University of Mary-Hardin Baylor, Scott joined Life School as a teacher and coach in 2002 at the Oak Cliff campus and has been an integral part of the success, growth and culture of the Life School district. His vision for the athletic program is to use athletics as a tool to prepare students for life after Life. He became Oak Cliff's Campus Athletic Coordinator in 2013 and served as the Assistant Director of Athletics prior to his current role.

A certified Texas Athletic Administrator, Scott is an active member of the Texas High School Athletic Directors Association, the Texas High School Coaches Association, and serves as a UIL District Executive Committee chair. His dedication to athletic excellence and student development continues to make a significant impact on the Life School community.

Joy Shepard, Director of Student Services

Joy Shepherd began her career with Life School in 2006, teaching 2nd and 3rd grade at the Life School Red Oak campus. In 2010, she was selected to serve in a combined role of assistant principal/counselor to help open the Life School Cedar Hill (LSCH) campus. Joy's desire to learn and grow led her to become the principal at LSCH in 2012. In 2016, she returned to the Red Oak campus to serve as principal of the district's largest elementary campus.

In 2020, Joy moved into the position of Director of Student Services, where she oversees both elementary and secondary campuses, supporting campus leadership and ensuring the well-being and success of all students. Mrs. Shepherd earned her Bachelor's Degree in Education from John Brown University in 1996 and her Master's Degree in Educational Leadership from Dallas Baptist University in 2010. She is currently in the Doctor of Education program at Dallas Baptist University and plans to graduate in December 2026. Her extensive experience and dedication to educational leadership have been instrumental in fostering a positive and effective learning environment across the district's schools.

Kim Riepe, Director of School Leadership

Kim Riepe joined Life School in August 2008 as a 6th-grade teacher at Life School Red Oak (LSRO). She later served as an assistant principal at LSRO for four years. Since her time at LSRO, Kim has served as a principal at three additional Life School campuses, including Life School Mountain Creek, Life Middle School Waxahachie, and Life High School Waxahachie. Mrs. Riepe earned her Bachelor's Degree in Marketing in 2002 before deciding to move into the education field. After obtaining her teaching certification, she earned her Master's Degree in Educational Leadership from the University of North Texas and her Superintendent's Certification from Lamar University. During her time with Life School, she has received the district award for Professionalism twice and was named Principal of the Year in 2019.

In 2020, Mrs. Riepe moved into the position of Director of Secondary Leading and Learning, where she oversees all secondary campuses and supports campus leadership. She is currently in the Doctor of Education program at Dallas Baptist University and plans to graduate in December 2026. Her extensive experience in educational leadership and her dedication to student success make her a valuable asset to Life School.

Melissa Brown, Director of Teaching and Learning

Melissa Brown was appointed as the Director of Teaching and Learning at Life School, effective July 10, 2023. She earned her Bachelor of Science in Biomedical Science from Texas A&M University and a Master of Education in Educational Leadership from the University of Texas at Arlington. Melissa began her career in education in 2004 with Dallas ISD as an elementary science teacher. In 2013, she joined Life School and has spent the past 10 years serving as the K-6 Science Coordinator.

Melissa brings a wealth of experience and a passion for educational excellence to her new role. Her dedication to fostering academic growth and her innovative approach to teaching and learning make her a valuable asset to Life School. Melissa is excited about the opportunity to lead and support the academic endeavors of the district in her new capacity.

Joe Beck, Director of Academic Systems

Joe Beck graduated from Northwood University with a Bachelor's Degree in Marketing/Management in 2006 and later earned his Master's Degree in Educational Leadership from the University of Texas at Arlington in 2017. He is entering his 19th year in education, bringing a wealth of experience as a Teacher, Coach, Campus Administrator, and District Administrator. In 2024, Joe became the Director of Academic Systems at Life School.

Joe is passionate about innovating and improving academic processes to enrich the educational experience for both students and educators. His dedication to educational excellence and continuous improvement makes him a valuable asset to Life School.

Candace Johnson, Director of Special Education

Candace Johnson joined Life School in 2013 as the assistant principal at Life School Lancaster (LSL), where she served for three years. In 2016, she transitioned to Life School Cedar Hill (LSCH), serving as the principal for four years. Before joining Life School, Candace spent 12 years in various positions at the high school level, including head softball coach, assistant volleyball coach, high school English teacher, testing coordinator, and administrative intern. In 2023, she became the Director of Special Education, where she now oversees the special education programs across all Life School campuses.

Mrs. Johnson received her Bachelor of Arts degree in English from Sam Houston State University in 2001. After a decade of teaching, she earned a Master's in Educational Leadership from the University of Texas at Arlington. With her extensive background in education and leadership, Candace brings a wealth of experience and a passion for student success to her role at Life School.

Kay Bateman, Director of State and Federal Programs

Kay Bateman joined Life School in August 2003 and has been a dedicated member of the team ever since. Currently serving as the Director of State and Federal Programs, Kay oversees various state/federal grants, as well as the child nutrition program ensuring the efficiency and effectiveness of the state and federal programs awarded to Life School. She is entering her 22nd year in education, bringing a wealth of experience as a Teacher, Counselor, Federal Programs Coordinator, and Federal Programs Manager. In 2024, Kay became the Director of State and Federal Programs at Life School.

Mrs. Bateman earned her Bachelor of Education from College of the Southwest. She furthered her education by completing a Master of Education in the field of Curriculum and Instruction from College of the Southwest, and a Master of Education in School Counseling from Dallas Baptist University. Kay's strong academic background, coupled with her extensive professional experience, makes her a valuable asset to Life School's leadership team.

Mark Molina, Director of Outreach and Enrollment

Mark Molina became the Director of Outreach and Enrollment at Life School in December 2022. He brings extensive experience in outreach, recruitment, and relationship building from his previous role at "One Child." Mark also has a background in higher education admissions and has worked with at-risk students and families at Adams High School (DISD).

Mark's dedication to fostering strong community connections and his expertise in enrollment strategies make him a valuable asset to Life School. His passion for supporting students and their families aligns perfectly with Life School's mission, and he is excited to contribute to the school's continued growth and success.

Johnathan Griffin, Principal of Life School Oak Cliff Secondary

Johnathan Griffin became the Principal of Life School Oak Cliff Secondary in 2021. He joined Life School Oak Cliff in 2013 as a Middle School Math Teacher and has since served in multiple roles, including Assistant Principal, Associate Principal, and Interim Principal. Mr. Griffin attended Texas A&M University – Commerce, where he received both his Bachelor of Applied Arts and Sciences and his Master of Educational Administration. His passion for serving the Life School Oak Cliff staff, students, and parents is evident in his commitment to educational excellence and community engagement. Johnathan's leadership and dedication make him a valuable asset to Life School Oak Cliff.

Freddie Stanmore, Principal of Life School High School Waxahachie

Freddie Stanmore became the Principal of Life High School Waxahachie in 2023. He received a Bachelor of Science in Chemistry from East Texas State University in 1995 and a Master of Education in Educational Administration from Texas A&M Commerce in 2015. Mr. Stanmore joined the Life School team as an 8th-grade science teacher in August 2009 after a seven-year career in the business sector. He served as the Principal of Life Middle School Waxahachie from 2018 to 2023. Throughout his years with Life School, Mr. Stanmore has collaborated with school and community partners to serve those in need of food, clothing, toys, and lifesaving blood. He has contributed to Life School's growth as a member of the leadership team and has been honored with "Teacher of the Year," "Support Person of the Year," and "Principal of the Year" awards. Mr. Stanmore's professionalism, interpersonal communication, relationship skills, and creativity drive his efforts to grow learner achievement. He is a firm believer that all learners possess greatness and is dedicated to nurturing their potential at Life High School Waxahachie.

Kelsey Whiteley, Principal of Life School Middle School Waxahachie

Kelsey Whiteley became the Principal of Life Middle School Waxahachie in 2023. She earned her bachelor's degree in education from Stephen F. Austin State University and a master's degree in Curriculum and Instruction with an emphasis on Educational Leadership from Texas A&M University - Commerce. With 15 years of experience in education, she has served students across all grade levels, from kindergarten through high school. Kelsey joined Life School in July 2015 as the Secondary Special Education Coordinator and Transition Specialist. She subsequently served as the Secondary Special Education Instructional Coach and then as Assistant Principal at Life High School Waxahachie. Kelsey's dedication and expertise continue to foster a positive and effective learning environment at Life Middle School Waxahachie.

Jennifer Villavaso, Principal of Life School Carrollton

Jennifer Villavaso became the Principal of Life School Carrollton in 2018. She brings with her 14 years of educational experience, having served as a high school mathematics teacher, instructional coach, assistant principal, and now Principal. Jennifer has spent 10 of those 14 years in Carrollton and is excited to return and serve this community once again. She received her Bachelor of Science degree in Mathematical Statistics from the University of Texas at Dallas in 2004. After teaching high school mathematics for eight years, she earned her Master's in Educational Leadership and Policy Studies from the University of Texas at Arlington in 2012. Passionate about continuous growth, Jennifer loves to learn and aims to grow as a professional while fostering the growth of students and staff. Life School Carrollton aims to be a collaborative environment filled with educators focused on student success and developing the whole student to be a lifelong learner. Under Jennifer's leadership, the campus is committed to working hard while enjoying the camaraderie of colleagues. Jennifer believes in finding the right fit and being the right fit by being passionate, dedicated, knowledgeable, and growth-oriented. She seeks to bring the very best to the families and students Life School Carrollton serves.

Veronica Pelton, Principal of Life School Mountain Creek Elementary

Veronica Pelton became the Principal of Life School Mountain Creek Elementary (LSMC) in 2022. She began her career in education in 2008 at Dallas ISD, where she served as a special education teacher and a 3rd and 5th-grade teacher. In 2015, she joined Life School as a Reading Specialist and was later selected to serve as Assistant Principal for Life School Lancaster. Mrs. Pelton earned a Master's in Curriculum & Instruction from The University of Texas at Arlington in 2008 and a Master's in Educational Leadership from Lamar University in 2018. She holds Principal, Generalist, and Special Education Certifications. Her diverse background and dedication to educational excellence make her a valuable asset to Life School, where she is committed to fostering a positive and effective learning environment for all students.

Anita Sanders, Principal of Life School Cedar Hill Elementary

Anita Sanders became the Principal of Life School Cedar Hill Elementary in 2022. She joined Life School as an assistant principal in 2014 and has served the Life School community with dedication, initially working at Life School Oak Cliff Elementary. Before joining Life School, Mrs. Sanders was a teacher and instructional coach in Cedar Hill ISD. With 21 years of experience in education across elementary, middle, and high school levels, she brings a wealth of knowledge and expertise to her role. Before returning to education, Mrs. Sanders held several leadership positions in the private sector, which enriched her leadership skills and perspective. She holds a bachelor's degree from Southern University and a master's degree from Concordia University. Her extensive experience and commitment to educational excellence make her a valuable asset to the Life School community.

Danielle Dillard, Principal of Life School Red Oak

Danielle Dillard became the Principal of Life School Red Oak (LSRO) in 2020. She began her career with Life School in 2010, teaching Kindergarten, 3rd, and 4th grade at Life School Cedar Hill. In 2016, she was selected to serve as assistant principal at Life School Red Oak, where she served for four years before being named principal. Her dedication to fostering a supportive and effective learning environment has been evident throughout her tenure. Mrs. Dillard earned her Bachelor's Degree in Interdisciplinary Studies from The University of North Texas in 2008 and her Master's Degree in Educational Leadership from The University of Texas at Arlington in 2017. Her extensive experience in teaching and leadership, combined with her strong educational background, make her a valuable asset to the Life School community.

Dr. Deb Garton, Principal of Life School Lancaster

Dr. Deb Garton became the Principal of Life School Lancaster in 2018. She graduated from SAGU with a degree in Secondary Education, holds a Master's Degree in Educational Administration from UT Tyler, and earned a doctorate degree in Educational Leadership from Dallas Baptist University. With over twenty years of experience in both traditional public and charter schools in Waco and Waxahachie, Dr. Garton has served in various roles, including classroom teacher, state testing coordinator, elementary and middle school campus principal, and coordinator of special populations. She has also led district-wide programs such as ESL, academic interventions, and 504. Dr. Garton holds a Superintendent certification, Principal certification, Special Education certification, and Teaching Certification in grades 1-12 and English as a Second Language. Dr. Garton's passion lies in building people and empowering them to realize their purpose, potential, and possibilities. Her extensive experience and dedication to educational excellence make her a valuable asset to the Life School community.

QuaNesha Stovall, Principal of Life School Oak Cliff Elementary

QuaNesha Stovall became the Principal of Life School Oak Cliff Elementary (LSOCE) in 2022. An Oak Cliff native and a 10-year veteran educator, Mrs. Stovall began her educational career at Life School Oak Cliff Elementary. She spent five years teaching before accepting the role of Assistant Principal, where she served in a myriad of roles that allowed her to grow as a leader and build strong relationships with teachers, students, and parents. Mrs. Stovall holds a bachelor's degree in Sociology and a Master's degree in Educational Leadership from the University of North Texas. She believes that a thriving school is evident through teachers teaching, students learning, engaged parents, and community involvement. Her dedication to fostering a positive and effective learning environment is evident in her commitment to the success and well-being of the Life School Oak Cliff Elementary community.

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Employees

General

The following table provides information regarding the number of professional staff and faculty that Life School employed as of the first day of the school year for the years set forth below:

| TABLE 4: | | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| PROFESSIONAL STAFF AND FACULTY | | | | | |
| FACULTY & STAFF | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Teachers | 347 | 357 | 342 | 346 | 341 |
| Professional Support | 92 | 106 | 107 | 103 | 99 |
| Campus Administration | 20 | 24 | 24 | 22 | 22 |
| Central Administration | 10 | 12 | 13 | 13 | 13 |
| Educational Aides | 71 | 76 | 73 | 77 | 78 |
| Auxiliary Staff | 73 | 81 | 81 | 75 | 74 |
| Total | 613 | 560 | 640 | 636 | 627 |
| FACULTY | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Beginning Teachers | 43 | 34 | 30 | 35 | 54 |
| 1-5 Years Experience | 157 | 161 | 129 | 132 | 123 |
| 6-10 Years Experience | 65 | 67 | 84 | 82 | 66 |
| Over 10 Years Experience | 82 | 95 | 81 | 97 | 98 |
| STUDENT - TEACHER RATIO | | | | | |
| Number of Students Per Teacher | 16.4 | 15.7 | 16.2 | 16.1 | 16.1 |

Source: Life School.

Labor Relations

Except for the Superintendent of Life School (Dr. Brent Wilson), all of Life School's teachers, support staff and other employees are at-will employees of and are compensated by Life School. Dr. Wilson and Life School entered into a five-year employment contract which terminates on July 31, 2028. Life School believes that the faculty, administration and the Board have a strong and collaborative working relationship. Life School's teacher retention rate between the 2022-23 and 2023-24 school years was approximately 72.5%. Life School considers relations with the teachers to be very good.

Enrollment

Enrollment in Life School's charter schools is open to residents of Texas within certain geographic boundaries surrounding its schools, subject to compliance with State law, which prohibits discrimination in admission policy on the basis of sex, national origin, ethnicity, religion, disability, academic, artistic, or athletic ability, or the district the applicant would otherwise attend. Texas law requires that open-enrollment charter schools such as Life School must (i) require applicants to complete and submit an application not later than a reasonable deadline established by the school, and (ii) upon receipt of more acceptable applications for admission than available positions in the school, fill the available positions either by lottery, or if the school has published a notice of the opportunity to apply the school may fill available positions in the order in which applications were received before the application deadline.

Applications for each school year are accepted during the Open Registration Period. For the 2023-24 school year, the Open Registration Period ran from February 1 to February 28, 2023. All applications remaining on the wait list from the current year must be re-activated for the following year. The wait list is only good for the current school year.

The following table sets forth data provided by Life School regarding the school's historical and projected enrollment. For the years 2019-20 through 2023-24, data presented is based on data from Public Education Information Management System ("PEIMS") Fall Snapshot of each year. As of October 26, 2023, there is a wait-list totaling 654 potential students. For 2023-24 and thereafter, data presented represents projected enrollment as estimated by Life School, and is subject to the general qualifications and limitations described under "INTRODUCTION — Forward-Looking Statements," above. The table includes projected information for Life School's currently existing campuses.

Life School’s charter contract currently limits the number of students that may enroll in the charter school to 15,000, and the maximum capacities of Life School’s existing facilities (as described in **TABLE 2**, above) also limit Life School’s maximum enrollment.

| TABLE 5: | | | | | | | | | | |
|---|--------------|--------------------------|----------------|----------------|----------------|----------------|-------------------------------------|----------------|----------------|----------------|
| HISTORICAL AND FUTURE PROJECTED ENROLLMENT | | | | | | | | | | |
| SCHOOL | GRADE | <i>HISTORICAL</i> | | | | | <i>PROJECTED¹</i> | | | |
| | | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Life School Oak Cliff | K | 81 | 81 | 86 | 77 | 78 | 60 | 81 | 85 | 85 |
| | 1 | 87 | 91 | 85 | 96 | 88 | 90 | 100 | 100 | 100 |
| | 2 | 103 | 90 | 89 | 93 | 93 | 90 | 100 | 100 | 100 |
| | 3 | 113 | 113 | 100 | 90 | 101 | 100 | 110 | 117 | 117 |
| | 4 | 111 | 114 | 112 | 100 | 100 | 100 | 110 | 117 | 117 |
| | 5 | 119 | 127 | 111 | 113 | 113 | 115 | 117 | 124 | 124 |
| | 6 | 107 | 124 | 120 | 108 | 141 | 144 | 144 | 144 | 144 |
| | 7 | 146 | 146 | 151 | 147 | 138 | 135 | 150 | 220 | 220 |
| | 8 | 148 | 153 | 152 | 143 | 149 | 135 | 150 | 220 | 220 |
| | 9 | 140 | 145 | 146 | 136 | 135 | 138 | 150 | 200 | 250 |
| | 10 | 128 | 130 | 124 | 118 | 132 | 129 | 125 | 200 | 220 |
| | 11 | 100 | 125 | 100 | 115 | 111 | 115 | 125 | 150 | 190 |
| | 12 | 120 | 97 | 116 | 90 | 99 | 89 | 110 | 120 | 150 |
| | | 1,503 | 1,536 | 1,492 | 1,426 | 1,478 | 1,440 | 1,572 | 1,897 | 2,037 |
| Life School Red Oak | K | 149 | 152 | 147 | 149 | 153 | 154 | 154 | 154 | 154 |
| | 1 | 148 | 149 | 151 | 148 | 147 | 150 | 150 | 150 | 150 |
| | 2 | 149 | 148 | 141 | 147 | 149 | 150 | 150 | 150 | 150 |
| | 3 | 148 | 148 | 139 | 148 | 148 | 150 | 150 | 150 | 150 |
| | 4 | 151 | 148 | 146 | 149 | 148 | 150 | 150 | 150 | 150 |
| | 5 | 148 | 155 | 149 | 146 | 149 | 150 | 150 | 150 | 150 |
| | 6 | 151 | 154 | 146 | 150 | 146 | 150 | 150 | 150 | 150 |
| | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 1,044 | 1,054 | 1,019 | 1,037 | 1,040 | 1,054 | 1,054 | 1,054 | 1,054 |
| Life School Lancaster | K | 49 | 41 | 59 | 46 | 60 | 39 | 63 | 66 | 69 |
| | 1 | 55 | 47 | 58 | 60 | 70 | 70 | 50 | 77 | 81 |
| | 2 | 71 | 48 | 66 | 48 | 70 | 63 | 73 | 77 | 81 |
| | 3 | 80 | 56 | 58 | 57 | 62 | 63 | 63 | 67 | 70 |
| | 4 | 68 | 75 | 64 | 60 | 71 | 63 | 76 | 79 | 82 |
| | 5 | 89 | 66 | 84 | 61 | 70 | 79 | 73 | 75 | 79 |
| | 6 | 86 | 89 | 63 | 83 | 77 | 79 | 81 | 84 | 88 |
| | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 498 | 422 | 452 | 415 | 480 | 458 | 479 | 525 | 550 |

| TABLE 5: HISTORICAL AND FUTURE PROJECTED ENROLLMENT | | | | | | | | | | |
|--|-------|-------------------|---------|---------|---------|---------|-------------------------------|---------|---------|---------|
| | | <i>HISTORICAL</i> | | | | | <i>PROJECTED</i> ¹ | | | |
| SCHOOL | GRADE | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Life School Cedar Hill | K | 68 | 60 | 66 | 47 | 46 | 42 | 48 | 53 | 58 |
| | 1 | 74 | 85 | 72 | 73 | 63 | 52 | 66 | 66 | 70 |
| | 2 | 74 | 68 | 84 | 70 | 76 | 63 | 62 | 74 | 76 |
| | 3 | 89 | 67 | 65 | 78 | 59 | 75 | 62 | 68 | 88 |
| | 4 | 78 | 83 | 68 | 63 | 77 | 72 | 80 | 85 | 86 |
| | 5 | 90 | 76 | 71 | 59 | 66 | 86 | 72 | 80 | 87 |
| | 6 | 77 | 89 | 71 | 59 | 63 | 66 | 76 | 80 | 84 |
| | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 550 | 528 | 497 | 449 | 450 | 457 | 466 | 506 | 549 |
| Life School Mountain Creek | K | 38 | 26 | 37 | 39 | 44 | 35 | 46 | 48 | 48 |
| | 1 | 52 | 40 | 27 | 41 | 37 | 42 | 42 | 42 | 42 |
| | 2 | 51 | 45 | 48 | 26 | 44 | 42 | 46 | 48 | 48 |
| | 3 | 56 | 49 | 44 | 43 | 31 | 42 | 46 | 48 | 48 |
| | 4 | 51 | 40 | 39 | 37 | 49 | 42 | 50 | 50 | 52 |
| | 5 | 63 | 41 | 37 | 33 | 47 | 42 | 50 | 50 | 52 |
| | 6 | 64 | 51 | 40 | 42 | 47 | 52 | 52 | 52 | 52 |
| | 7 | 0 | 0 | 0 | 0 | 32 | 42 | 50 | 50 | 50 |
| | 8 | 0 | 0 | 0 | 0 | 17 | 25 | 42 | 50 | 50 |
| | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 375 | 292 | 272 | 261 | 348 | 362 | 424 | 438 | 442 |

| TABLE 5: HISTORICAL AND FUTURE PROJECTED ENROLLMENT | | | | | | | | | | |
|--|-------|-------------------|---------|---------|---------|---------|-------------------------------|---------|---------|---------|
| | | <i>HISTORICAL</i> | | | | | <i>PROJECTED</i> ¹ | | | |
| SCHOOL | GRADE | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Life School Carrollton | K | 55 | 50 | 46 | 43 | 26 | 36 | 44 | 44 | 44 |
| | 1 | 29 | 57 | 47 | 46 | 35 | 42 | 42 | 48 | 52 |
| | 2 | 34 | 34 | 44 | 48 | 47 | 42 | 42 | 48 | 52 |
| | 3 | 31 | 41 | 35 | 42 | 47 | 63 | 48 | 52 | 52 |
| | 4 | 31 | 33 | 37 | 34 | 37 | 42 | 60 | 50 | 52 |
| | 5 | 10 | 30 | 30 | 26 | 29 | 42 | 42 | 60 | 48 |
| | 6 | 0 | 0 | 16 | 23 | 20 | 21 | 52 | 52 | 60 |
| | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 190 | 245 | 255 | 262 | 241 | 288 | 330 | 354 | 360 |
| Life School Waxahachie Middle School | K | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 7 | 253 | 277 | 291 | 304 | 298 | 293 | 300 | 305 | 310 |
| | 8 | 248 | 259 | 294 | 296 | 297 | 298 | 300 | 305 | 305 |
| | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 501 | 536 | 585 | 600 | 595 | 591 | 600 | 610 | 615 |
| Life School Waxahachie High School | K | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 9 | 250 | 230 | 305 | 314 | 309 | 280 | 310 | 300 | 300 |
| | 10 | 233 | 245 | 216 | 291 | 286 | 280 | 305 | 300 | 300 |
| | 11 | 233 | 244 | 234 | 230 | 286 | 290 | 300 | 300 | 300 |
| | 12 | 228 | 215 | 231 | 213 | 221 | 279 | 285 | 300 | 300 |
| | | 944 | 934 | 986 | 1,048 | 1,102 | 1,129 | 1,200 | 1,200 | 1,200 |
| Total | | 5,605 | 5,547 | 5,558 | 5,498 | 5,734 | 5,779 | 6,125 | 6,584 | 6,807 |

Source: Life School.

¹ Certain projected enrollment figures included above require new construction or classroom expansion to be financed with proceeds of the Bonds. See “History, Vision, Mission, Curriculum, Extracurricular Activities, Growth History and Needs” and “The Project” above. See also “RISK FACTORS — Operating History; Reliance on Projections,” and “– Construction Risks” above.

Wait List

In each year, Life School has historically had more applications than spaces available at its schools. Therefore, all admission applications that are turned in during the designated Open Registration Period (February 1 to February 28, 2023 for the 2023-24 school year) are entered into a lottery. Life School then conducts a lottery at the beginning of March. Life School offers admission to the students in the order pulled, to the extent of available space. If there is no available space, the students are put on a wait list in the order in which their names were drawn. After the designated Open Registration Period, applications will also be added to the wait list in the order that Life School receives them. All applications remaining on the wait list from the current year must be re-activated for the following year. The wait list is only good for the current school year and a new wait list is created in each subsequent year. Generally, the wait list will decrease over the course of the school year as students from the wait list are granted admission to Life School or request that they be removed from the wait list. The table below sets forth the wait list for Life School as of the end of February for the prior three years.

| TABLE 6: WAIT LIST DATA | | | | |
|--------------------------------------|------------|------------|------------|--|
| SCHOOL | 2021 | 2022 | 2023 | |
| Life School Oak Cliff | 95 | 54 | 69 | |
| Life School Oak Cliff Secondary | 27 | 41 | 29 | |
| Life School Red Oak | 162 | 1 | 312 | |
| Life School Waxahachie Middle School | 113 | 0 | 72 | |
| Life School Waxahachie High School | 1 | 2 | 116 | |
| Life School Lancaster | 40 | 2 | 28 | |
| Life School Cedar Hill | 41 | 5 | 27 | |
| Life School Mountain Creek | 17 | 3 | 1 | |
| Life School Carrollton | 3 | 5 | 0 | |
| TOTAL | 499 | 113 | 654 | |

Source: Life School Enrollment Report

Student Retention

The following table shows the number of Life School students (aggregate, for all campuses) at the beginning of the 2023-24 school year which Life School retained as of the end of the 2023-24 school year. The end of 2023-24 student retention numbers are calculated using conservative criteria as such numbers include students that have moved out of the Life School geographical region, those that only attended for three days at the beginning of the year and those that left enrollment and returned.

| TABLE 7: STUDENT RETENTION DATA | | | | |
|------------------------------------|-----------------------------|--|---|-----------------------|
| | <u>BEGINNING OF 2023-24</u> | <u>ENTERED DURING THE COURSE OF THE YEAR</u> | <u>EXITED DURING THE COURSE OF THE YEAR</u> | <u>END OF 2023-24</u> |
| STUDENTS | 5,381 | 749 | 617 | 5,513 |

Source: Life School.

Service Area and Competing Schools

Life School serves students in the southern Dallas County, Texas area and the Ellis County, Texas area along with the neighboring counties. Life School's students generally reside within the "Region 10 Education Service Center" ("Region

10 ESC”), within close proximity to the schools they attend. Region 10 ESC is located in north central Texas and serves Dallas, Ellis, Collin, Fannin, Grayson, Hunt, Kaufman, Rockwall and Van Zandt County. There are currently thirty-four (34) charter school holders with one hundred eighty-six (186) charter school campuses, approximately seventy-nine (79) traditional public school districts, and numerous private schools serving grades K-12 in the Region 10 ESC. As of October 2023, Life School’s student body resided in various school districts as set forth in the following table (districts comprising less than 1.0% of the Life School student body were excluded):

| TABLE 8: STUDENTS’ RESIDENT DISTRICTS | |
|--|-----------------|
| NAME OF DISTRICT | % OF ENROLLMENT |
| Carrollton-Farmers Branch ISD | 2% |
| Cedar Hill ISD | 7% |
| Dallas ISD | 34% |
| DeSoto ISD | 12% |
| Duncanville ISD | 2% |
| Lancaster ISD | 12% |
| Red Oak ISD | 16% |
| Waxahachie ISD | 10% |

Source: Life School.

Life School’s existing facilities are located in Carrollton, Cedar Hill, Dallas, Lancaster, Red Oak, and Waxahachie.

- According to 2020 U.S. Census data, Dallas County’s estimated population was 2,613,539, of which approximately 21.97% was African-American and 40.48% was Latino or Hispanic. Also according to 2020 U.S. Census data, Dallas County’s median household income was approximately \$70,852 (in 2022 inflation-adjusted dollars), which falls below the comparable Texas State median of \$72,284.
- According to 2020 U.S. Census data, Ellis County’s estimated population was 192,455, of which approximately 12.63% was African-American and 27.04% was Latino or Hispanic. Also according to 2020 U.S. Census data, Ellis County’s median household income was approximately \$89,856 (in 2022 inflation-adjusted dollars), which is above the comparable Texas State median of \$72,284.

Charter schools face constant competition for students and there can be no assurance that they will continue to attract and retain the number of students that are needed to generate sufficient revenues for Life School to make payments representing debt service on the Bonds. See “**RISK FACTORS — Competition for Students.**”

Accountability Ratings and Student Performance

State Accountability

The Accountability Rating is an academic accountability rating. Charter schools in Texas receive annual Accountability Ratings which are assigned at both the district level and the campus level (starting in 2018-19 with respect to campuses) on a letter scale, as follows:

- A = Exemplary Performance
- B = Recognized Performance
- C = Acceptable Performance
- D = In Need of Improvement
- F = Unacceptable Performance

There are three “domains” that school districts and campuses are evaluated under: Student Achievement, School Progress and Closing the Gaps. Student Achievement is measured based on STAAR Performance, College Career and

Military Readiness and Graduation Rates. School Progress is measured based on Academic Growth and Relative Performance.

The table below sets forth Life School’s accountability results (as a district) from 2021 to 2023. The TEA received approval from the United States Department of Education to waive statewide assessment and accountability requirements for the 2020-21 school year; therefore, all districts and campuses will be labeled “Not Rated: Declared State of Disaster” due to the spread of COVID-19 (see “**RISK FACTORS – Impact of the Spread of COVID-19**”).

| TABLE 9: | | | | |
|---|--|------------------------|-------------------------|-------------------------------|
| ACCOUNTABILITY RATINGS (2021 – 2023) | | | | |
| ACCOUNTABILITY RATING | STUDENT ACHIEVEMENT | SCHOOL PROGRESS | CLOSING THE GAPS | ACCOUNTABILITY RESULTS |
| 2023 | Texas Education Agency has not released official ratings | | | |
| 2022 | B | B | B | B |
| 2021 | Not Rated: Declared State of Disaster | | | |

The table below compares Life School (as a district) with other traditional school districts from which Life School obtains a substantial number of students.

| TABLE 10: | | | | |
|---|----------------------------|------------------------|-------------------------|-------------------------------|
| 2022 TEXAS EDUCATION AGENCY ACCOUNTABILITY RATINGS | | | | |
| DISTRICT NAME | STUDENT ACHIEVEMENT | SCHOOL PROGRESS | CLOSING THE GAPS | ACCOUNTABILITY RESULTS |
| LIFE SCHOOL | B | B | B | B |
| CARROLLTON-FARMERS BRANCH ISD | B | A | B | B |
| CEDAR HILL ISD | C | C | C | C |
| DALLAS ISD | C | B | C | B |
| DESOTO ISD | C | B | C | B |
| DUNCANVILLE ISD | C | B | C | B |
| LANCASTER ISD | B | A | B | B |
| RED OAK ISD | B | B | C | B |
| WAXAHACHIE ISD | B | B | B | B |

Federal Accountability

On December 10, 2015, the President signed into law the “Every Student Succeeds Act” (“*ESSA*”) which reauthorized new federal accountability provisions of Title I of the Elementary and Secondary Education Act (“*ESEA*”). In its most basic form, ESSA is a state regulated version of No Child Left Behind (“*NCLB*” the 2001 reauthorization of ESEA) but without the following NCLB components: Highly Qualified Teacher requirements (now left up to the States), Supplemental Education Service providers, and Adequate Yearly Progress. ESSA also marks a shift in authority away from Secretary of Education to State Education Agencies.

This law went into effect with the beginning of the 2016-17 school year, which is a transition year for states to obtain approval for the new federal accountability measures for data and achievement by student subgroups. Each State Education Agency (“*SEA*”) was responsible for developing its own accountability system, and in consultation with its local education agencies, must implement a system of high-quality, yearly student academic assessments that includes, at a minimum,

academic assessments in mathematics, reading/language arts, and science. The plan submitted by the State was approved by the U.S. Department of Education in March 2018 (the “*Texas Plan*”). Under the Texas Plan, the TEA will maintain rigorous, yet achievable goals for all student groups; create stronger alignment between all State and federal program areas; shift the proficiency level for students from the “Approaches” label on STAAR to the “Meets” label; and better align federal funding with priorities within TEA’s strategic plan. These accountability measures went into place for the 2017-18 school year.

TEA has proposed certain ESSA addendums and amendment requests for the 2023-2024 School year. Information regarding the addendum and requests, along with any waivers of ESSA requirements for the Charter Schools for the 2023-2024 school year is available at <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence>.

Financial Accountability

According to the TEA, the purpose of the FIRST Rating is to encourage schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes. For more information about the Accountability Rating. For a description of the data used by the Commissioner to assign the FIRST Rating, see Title 19 Texas Administrative Code Chapter 109, Budget, Accounting and Auditing Subchapter AA, Commissioner’s Rules Concerning Financial Accountability Section 109.1001. The following tables reflects how the TEA evaluates charters for determining the FIRST Rating and shows Life School’s scores for the 2022-23 school year (based on Fiscal Year 2022 Data):

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| LIFE SCHOOL: CHARTER FIRST RATING: 2022-23 RATINGS BASED ON FISCAL YEAR 2022 DATA | | |
|---|---|----------------------------|
| CRITICAL INDICATORS | | SCORE |
| 1 | Was the complete annual financial report (AFR) and charter school financial data submitted to TEA within 30 days of the November 27 or January 28 deadline depending on the charter school's fiscal year end date of June 30 or August 31, respectively? | YES |
| 2 | Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.) | YES |
| 3 | Was the charter school in compliance with the payment terms of all debt agreements at fiscal year end? (If the charter school was in default in a prior fiscal year, an exemption applies in following years if the charter school is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.) | YES |
| 4 | Did the charter school make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | YES, Ceiling Not Activated |
| 5 | Was the total net asset balance in the Statement of Financial Position for the charter school greater than zero? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average of 7 percent growth in students year over year until it completes its fifth year of operations. After the fifth year of operations, the calculation changes to the 7 percent increase in 5 years.) | YES, Ceiling Not Activated |
| 6 | Was the average change in total net assets over 3 years less than a 25 percent decrease or did the current year total net asset balance exceed 75 days of operational expenses [(total expenses less depreciation) /365] *75 days? | Passed |
| 7 | Was the number of days of cash on hand and current investments for the charter school sufficient to cover operating expenses? The calculation will use expenses, excluding depreciation. | 10 |
| 8 | Was the measure of current assets to current liabilities ratio for the charter school sufficient to cover short-term debt? | 10 |
| 9 | Did the charter school's revenues equal or exceed expenses, excluding depreciation? If not, was the charter school's number of days of cash on hand greater than or equal to 40 days? The calculation will use expenses, excluding depreciation. | 5 |
| 10 | This indicator is not being evaluated. | 10 |
| 11 | Was the ratio of long-term liabilities to total assets for the charter school sufficient to support long-term solvency? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average of 7 percent growth in students year over year until it completes its fifth year of operations. After the fifth year of operations, the calculation changes to the 7 percent increase in 5 years.) | 4 |
| 12 | Was the debt service coverage ratio sufficient to meet the required debt service? | 10 |
| 13 | Did the charter school have a debt-to-capitalization percentage that was reasonable for the charter school to continue operating? | 5 |
| 14 | Was the charter school's administrative cost ratio equal to or less than the threshold ratio? | 8 |
| 15 | This indicator is not being evaluated. | 10 |
| 16 | This indicator is not being evaluated. | 5 |
| 17 | Did the comparison of Public Education Information Management System (PEIMS) data to like information in the charter school's AFR result in a total variance of less than 3 percent of all expenses by function? | Passed |
| 18 | Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds and free from substantial doubt about the charter school's ability to continue as a going concern? (The AICPA defines material weakness.) | Passed |
| 19 | Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.) | 10 |
| 20 | Did the charter school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the charter school's fiscal year end? | 5 |
| DETERMINATION OF CHARTER SCHOOL RATING | | |
| | Weighted Sum | 92 |
| | Multiplier Sum | 1 |
| | Score | 92 |
| FINAL RATING | | |
| | Did the charter school fail any of the critical indicators 1,2,3,4,5 (parts 1 and 2)? If so, the charter school's rating is F for Substandard Achievement, regardless of points earned. | |
| | Determine rating by applicable number of points. | POINTS |
| | A = Superior | 90 through 100 |
| | B = Above Standard | 80 through 89 |
| | C = Meets Standard | 70 through 79 |
| | F = Substandard Achievement (The charter school receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, 4, 5, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis.) | 0 through 69 |

Financial and Operations Information

Audited Year-End Financial Statements

See “**APPENDIX C — FINANCIAL STATEMENTS**” for information regarding Life School’s financial position in and for the fiscal years ending August 31, 2022 and August 31, 2023, including Life School’s Comparative Statements of Financial Position, Statement of Activities and Statements of Cash Flows. It should be noted that Life School’s use of the temporarily restricted classification, as described in the audited Statement of Activities shown in **APPENDIX C**, is in conformity with the Financial Accountability System Resource Guide published by the TEA, which prescribes financial accounting rules for charter schools in the State of Texas. The temporarily restricted description requires Life School to use state funding for the benefit of educating students enrolled in Life School. Compliance with this requirement allows Life School to use these funds as unrestricted and, in its discretion, to further educate its students.

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Statement of Financial Position for the Years Ended August 31, 2021, 2022 and 2023

The following is derived from Life School's audited financial statements for fiscal years ended August 31, 2021, 2022, and 2023.

| | Year Ended (8/31) | | |
|--|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$36,156,050 | \$28,421,075 | \$22,563,216 |
| Cash and cash equivalents – restricted | 3,544,969 | 3,162,460 | 2,263,501 |
| Due from State and other governments | 7,781,235 | 11,951,047 | 8,338,221 |
| Prepaid expenses | 115,386 | 225,300 | 284,677 |
| Other receivables | 337,686 | 358,491 | 188,613 |
| Total Current Assets | <u>47,935,326</u> | <u>44,118,373</u> | <u>33,638,228</u> |
| Property and Equipment | | | |
| Land | 12,668,946 | 5,642,748 | 5,657,748 |
| Building and improvements | 90,700,927 | 89,955,582 | 89,937,500 |
| Furniture and equipment | 7,830,962 | 7,428,686 | 7,356,914 |
| Vehicles | 918,710 | 918,710 | 708,014 |
| Capital lease | 999,324 | 999,324 | 999,324 |
| Construction in progress | 297,168 | 220,536 | 144,163 |
| Accumulated depreciation | (37,259,741) | (34,239,752) | (31,196,868) |
| Right-to-use asset – net ⁽¹⁾ | 14,873,251 | 17,209,582 | - |
| Total Property and Equipment | <u>91,029,547</u> | <u>88,135,416</u> | <u>73,606,795</u> |
| Other Assets | | | |
| Capitalized Debt Issuance Costs | 4,068,531 | 4,266,335 | 4,464,139 |
| Other Assets | 135,650 | 465,766 | 356,579 |
| | <u>4,204,181</u> | <u>4,732,101</u> | <u>4,820,718</u> |
| Total Assets | <u>143,169,054</u> | <u>136,985,890</u> | <u>112,065,741</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable | 923,004 | 773,384 | 1,061,128 |
| Accrued wages | 1,683,203 | 1,316,065 | 1,112,129 |
| Due to state government | 26,330 | 174 | 251 |
| Due to student groups | 63,258 | 54,586 | 42,027 |
| Unearned revenues | 314 | 58,347 | 419,578 |
| Accrued employee benefits | 134,651 | 464,765 | 344,827 |
| Accrued interest expense | 137,977 | 138,546 | 486,295 |
| Current portion of capital lease payable | 2,361,101 | 2,277,855 | |
| Current portion of notes payable | 104,425 | 101,297 | 60,331 |
| Current portion of bonds payable | 55,000 | 50,000 | 40,000 |
| Total Current Liabilities | <u>5,489,263</u> | <u>5,235,019</u> | <u>3,566,566</u> |
| Long Term Debt (net of current portions) | | | |
| Capital lease payable | 14,344,686 | 16,705,787 | |
| Notes payable | 85,933 | 189,127 | 186,423 |
| Bonds payable | 102,987,095 | 103,266,999 | 103,541,903 |
| Total Long-Term Debt | <u>117,417,714</u> | <u>120,161,913</u> | <u>103,728,326</u> |
| Total Liabilities | <u>122,906,977</u> | <u>125,396,932</u> | <u>107,294,892</u> |
| Net Assets | | | |
| Without donor restriction | 1,366,998 | 1,372,299 | 1,346,223 |
| With donor restriction | 18,895,079 | 10,216,659 | 3,424,626 |
| Total Net Assets | <u>20,262,077</u> | <u>11,588,958</u> | <u>4,770,849</u> |
| Total Liabilities and Net Assets | <u>\$143,169,054</u> | <u>\$136,985,890</u> | <u>\$112,065,741</u> |

⁽¹⁾ Life School's annual financial report for the Fiscal Year ended August 31, 2023 reflects the implementation of FASB ASC 842, *Leases*, which impacts the Statement of Financial Position for the fiscal years ending August 31, 2023 and 2022, but did not result in a prior period adjustment or restatement for the fiscal year ending August 31, 2021. For additional information, see Note 13 to the annual financial report of Life School included as "APPENDIX C – FINANCIAL STATEMENTS" hereto.

Statement of Activities for the Years Ended August 31, 2021, 2022 and 2023

The following is derived from Life School's audited financial statements for the fiscal years ended August 31, 2021, 2022 and 2023.

| | Year Ended (8/31) | | |
|---|-------------------|--------------|-------------|
| | 2023 | 2022 | 2021 |
| Revenues | | | |
| Local Support: | | | |
| Contributions | \$135,014 | \$150,898 | \$172,426 |
| Food Service Activity | 535,120 | 122,216 | 74,520 |
| Athletic Activities | 338,592 | 322,694 | 251,692 |
| Rent | 20,471 | 8,237 | 13,752 |
| Interest | 1,730,438 | 145,787 | 9,300 |
| Other Revenues | 467,964 | 362,684 | 282,727 |
| Total Local Support | 3,227,599 | 1,112,516 | 804,417 |
| State Program Revenues | | | |
| Foundation School Program | 58,239,627 | 57,476,032 | 58,265,719 |
| Other State Grants | 915,361 | 307,019 | 470,873 |
| Food Service | 13,023 | 8,428 | 11,786 |
| Total State Program Revenues | 59,168,011 | 57,791,479 | 58,748,378 |
| Federal Program Revenues | | | |
| CARES Act Stimulus Grant | - | - | 34,541 |
| CARES Provider Relief Fund | - | - | 13,580 |
| Emergency Connectivity Fund | 824,000 | 549,600 | - |
| COVID-19 School Health Support Grant | 16,895 | 171,177 | - |
| IDEA Part B, Formula | 982,827 | 835,733 | 781,427 |
| ESEA Title I Part A Improving Basic Programs | 1,755,158 | 1,234,466 | 1,589,826 |
| ESEA Title II Part A Teacher and Principal Training | 208,857 | 185,448 | 227,163 |
| ESEA Title IV Part A Student Support | 107,827 | 105,089 | 160,361 |
| Instructional Continuity Grant | - | - | 22,587 |
| ESSER Relief Fund II | 1,677,350 | 3,337,133 | - |
| ESSER Relief Fund III | 2,154,672 | 3,030,517 | 2,161,307 |
| Medicaid Administrative Claiming Program-MAC | 40,003 | 31,089 | 30,182 |
| National School Breakfast and Lunch Program | 2,178,325 | 2,927,241 | 1,351,404 |
| P-EBT Administrative Costs Grant | 3,135 | 3,063 | - |
| TCLAS - ESSER III | 134,408 | 2,800 | - |
| Title III Part A – English Language Acquisition and Enhancement | 18,449 | 38,435 | 25,485 |
| School Health and Related Services | 1,140,192 | 772,600 | 571,327 |
| Prior Purchase Reimbursement Program Grant | - | - | 701,449 |
| Texas Department of Emergency Management Grant | - | - | 32,549 |
| Career & Technical – Basic Grant | 83,023 | 74,494 | 63,679 |
| Summer School LEP | 2,918 | - | - |
| Total Federal Program Revenues | 11,328,039 | 13,298,885 | 7,766,867 |
| Total Revenues | 73,723,649 | 72,202,880 | 67,319,662 |
| Expenses | | | |
| Program Services: | | | |
| Instruction and Instructional Related Services | 33,418,025 | 32,460,023 | 32,530,899 |
| Instructional and School Leadership | 4,797,142 | 4,675,701 | 4,607,592 |
| Support Services: | | | |
| Administrative Support Services | 3,810,448 | 3,740,374 | 3,790,728 |
| Support Services – Non-Student Based | 11,347,178 | 10,628,869 | 11,215,714 |
| Support Services – Student (Pupil) | 8,032,912 | 8,424,489 | 6,354,598 |
| Ancillary Services | 210,752 | 303,813 | 365,128 |
| Debt Service | 3,434,073 | 3,515,936 | 9,021,273 |
| Total Expenses | 65,050,530 | 63,749,205 | 67,885,932 |
| Change in Net Assets | 8,673,119 | 8,453,675 | (566,270) |
| Net Assets, Beginning of Year | 11,588,958 | 4,770,849 | 5,337,119 |
| Net Assets, End of Year | \$20,262,077 | \$11,588,958 | \$4,770,849 |

Debt Summary

The table below sets forth the debt obligations of Life School that are secured by the Trust Estate, after the issuance of the Bonds.

| DEBT SUMMARY | | |
|-------------------|---------------------------|-----------------------------|
| TYPE OF DEBT | ORIGINAL AMOUNT (\$) | OUTSTANDING AMOUNT (\$) |
| Series 2014Q Note | 6,515,000 ⁽²⁾ | 3,449,120 ⁽¹⁾⁽³⁾ |
| Series 2021 Notes | 91,890,000 ⁽²⁾ | 91,745,000 ⁽¹⁾ |
| Series 2024 Note | 112,910,000 | 112,910,000 |
| Total | 211,315,000 | 208,104,120 |

Source: Life School. See also “**APPENDIX C – FINANCIAL STATEMENTS.**”

⁽¹⁾ The Outstanding Amounts shown are current as of August 15, 2024.

⁽²⁾ Debt issued under, and entitled to the benefit of, the Master Indenture. The Series 2014Q Note is not entitled to the benefit of the pledge of real property under the Deed of Trust.

⁽³⁾ Outstanding amount shown is net of the cumulative sinking fund deposits made by Life School for the benefit of 2014Q Note.

Financial Controls

Life School adopted the following policies related to Fiscal Management in November 2023.

- Authority of Fiscal Matters
- Code of Ethics and Fiscal Stewardship
- Authorization for the Obligation and Expenditure of Funds
- Allowable and Prohibited Uses of Funds
- Fiscal Compliance Monitoring
- Financial Management System
- Accounts Payable
- Grant Accounting
- Travel
- Activity Funds
- Financial Reporting
- Cash Management
- Corporate Credit Accounts
- Fundraising
- Capital Assets
- Investment of Funds

- Purchasing and Contracting
- Criminal History Checks for Contracted Services
- Internal Audits

Conflicts Policy

Life School adopted an Ethics, Conflicts of Interest and Nepotism Policy (the “*Policy*”) in April 2014 and it was last updated on January 17, 2024. The Policy provides that Directors and Officers are responsible for exercising their duties honestly, in good faith and with a high standard of diligence and care. The Policy sets forth certain expectations for Life School, including expectations relating to personal and professional integrity, financial stewardship, public accountability, accuracy and retention of records, political activities, endorsements and other matters. The Policy also establishes procedures for dealing with conflicts of interest. Finally, the Policy includes provisions relating to nepotism and related party transactions.

Insurance Coverage

In the Master Indenture, Life School has covenanted at all times following completion of any Related Project (as defined therein) to 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, all as further described in the Master Indenture. Additionally, Life School has covenanted to review each year the insurance carried by Life School with respect to Life School and the Related Project and, to the extent feasible, to carry insurance insuring against the risks and hazards described in the Master Indenture to the same extent that other entities comparable to Life School and owning or operating facilities of the size and type comparable to the Related Project carry such insurance. Life School has a covenant to retain an Independent Insurance Consultant (as defined in the Master Indenture) at least once every two years for the purpose of reviewing the insurance coverage of, and the insurance required for, Life School and the Related Project and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to Life School and the Related Project. The insurance requirements of the Master Indenture will be deemed modified or superseded as necessary to conform with the recommendations contained in said report to the extent the report recommends additional or increased coverage.

Life School last engaged an Independent Insurance Consultant to conduct a review of the Borrower’s insurance coverage as of July 20, 2024. Life School currently maintains commercial general liability insurance, property insurance, automobile liability, commercial automotive insurance, and excess liability insurance through The Hanover Insurance Group, school leader’s risk protection insurance through Minnesota Life and Met Life, as well as employer’s liability insurance with Texas Mutual Insurance Company (an A.M. Best “AXV” rated carrier). The aggregate coverage amounts for Life School’s real and business personal property are \$91,006,835 and \$20,122,746, respectively. The commercial general liability policy is limited to \$1,000,000 per occurrence, \$3,000,000 aggregate. The commercial automotive insurance under the Policy has a liability coverage limit of \$1,000,000. The school leader’s risk protection policy has an aggregate limit of \$4,000,000 with a lower individual limit of \$500,000.

Revenues and Expenditures

This Official Statement contains certain “forward-looking” statements of the type described in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See “**INTRODUCTION — Forward-Looking Statements**” above. Although Life School believes that the assumptions upon which the forward-looking statements contained in this Official Statement are based are reasonable, any of the assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. All phases of the operations of the charter schools by Life School involve risks and uncertainties, many of which are outside of Life School’s control and any one of which, or a combination of which, could materially affect Life School’s results with respect to the charter schools’ operations. Factors that could cause actual results to differ from those expected include, but are not limited to, general economic conditions; the willingness of the State to fund public schools including charter schools at present or increased levels; competitive conditions within the charter schools’ service area; lower-than-projected enrollment; unanticipated expenses; changes in government regulation including changes in the law governing charter schools in Texas; future claims for accidents against Life School and the extent of insurance coverage for such claims; and other risks discussed in this Official Statement. See “**RISK FACTORS**” above.

Life School is providing the following Historical Revenues and Expenses table for illustrative purposes only. These projections have been prepared by Life School with assistance from its Independent Management Consultant, based on Life School's operating history with respect to charter schools and its assumptions about future State funding levels and future operations of the charter schools, including student enrollment and expenses. Life School's projections have not been independently verified by any party other than Life School. Life School's projections have not been prepared in accordance with generally accepted accounting principles ("GAAP"). No feasibility studies have been conducted with respect to operations of Life School pertinent to the Bonds. The Underwriter has not independently verified Life School's projections, and make no representations nor give any assurances that such projections, or the assumptions underlying them, are complete or correct.

NO REPRESENTATION OR ASSURANCE CAN BE GIVEN THAT THE BORROWER WILL REALIZE REVENUES IN AMOUNTS SUFFICIENT TO MAKE ALL REQUIRED DEBT SERVICE PAYMENTS ON THE BONDS. THE REALIZATION OF FUTURE REVENUES DEPENDS ON, AMONG OTHER THINGS, THE MATTERS DESCRIBED IN "**RISK FACTORS**," AND FUTURE CHANGES IN ECONOMIC AND OTHER CONDITIONS THAT ARE UNPREDICTABLE AND CANNOT BE DETERMINED AT THIS TIME. THE UNDERWRITER MAKES NO REPRESENTATION AS TO THE ACCURACY OF THE PROJECTIONS CONTAINED HEREIN, NOR AS TO THE ASSUMPTIONS ON WHICH THE PROJECTIONS ARE BASED.

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TABLE 11:
HISTORICAL REVENUES AND EXPENSES
Life School
Historical Operating Results - All Campuses

| | | HISTORICAL | | | | |
|---|-----------------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | | 8/31/2019 | 8/31/2020 | 8/31/2021 | 8/31/2022 | 8/31/2023 |
| REVENUES | | | | | | |
| Enrollment | | 5,703 | 5,602 | 5,547 | 5,558 | 5,498 |
| | <i>Enrollment Growth %</i> | <i>0.7%</i> | <i>-1.8%</i> | <i>-1.0%</i> | <i>0.2%</i> | <i>-1.1%</i> |
| Average Daily Attendance (ADA) | | 5,425 | 5,160 | 5,246 | 5,258 | 5,129 |
| | <i>Average Attendance %</i> | <i>95.1%</i> | <i>92.1%</i> | <i>94.6%</i> | <i>94.6%</i> | <i>93.3%</i> |
| | <i>State Funding/ADA</i> | <i>10,063</i> | <i>10,461</i> | <i>11,199</i> | <i>10,991</i> | <i>11,536</i> |
| State Revenues | | \$54,594,590 | \$53,982,479 | \$58,748,378 | \$57,791,479 | \$59,168,011 |
| Local & Intermediate Revenues | | 2,119,443 | 1,371,097 | 804,417 | 1,112,516 | 3,227,599 |
| Federal Revenues | | 4,757,372 | 5,609,633 | 7,766,867 | 13,298,885 | 11,328,039 |
| Total Revenues | | \$61,471,405 | \$60,963,209 | \$67,319,662 | \$72,202,880 | \$73,723,649 |
| EXPENSES | | | | | | |
| 11 Instruction | | \$27,866,166 | \$30,352,429 | \$30,039,393 | \$29,902,549 | \$31,056,819 |
| 12 Instructional Resources & Media Services | | 96,309 | 90,797 | 99,093 | 97,245 | 13,885 |
| 13 Curriculum & Instructional Staff Development | | 2,128,499 | 2,405,683 | 2,392,413 | 2,460,229 | 2,347,321 |
| 21 Instructional Leadership | | 952,212 | 1,045,759 | 1,149,440 | 1,127,028 | 1,222,212 |
| 23 School Leadership | | 3,193,299 | 3,396,124 | 3,458,152 | 3,548,673 | 3,574,930 |
| 31 Guidance, Counseling, & Evaluation Services | | 2,070,090 | 2,492,014 | 2,454,599 | 2,812,488 | 2,779,809 |
| 33 Health Services | | 466,636 | 523,950 | 504,708 | 605,312 | 609,563 |
| 34 Student Transportation | | 80,456 | 80,197 | 40,739 | 239,390 | 273,135 |
| 35 Food Services | | 2,313,226 | 1,553,814 | 1,205,168 | 2,454,336 | 1,984,167 |
| 36 Cocurricular/Extracurricular Activities | | 2,484,579 | 2,234,207 | 2,149,384 | 2,312,963 | 2,386,238 |
| 41 General Administration | | 3,420,417 | 4,003,903 | 3,790,728 | 3,740,374 | 3,810,448 |
| 51 Plant Maintenance & Operations | | 7,781,172 | 8,267,681 | 8,151,815 | 7,589,074 | 7,773,792 |
| 52 Security & Monitoring Services | | 989,359 | 799,095 | 902,608 | 976,285 | 1,301,431 |
| 53 Data Processing Services | | 1,718,945 | 1,996,207 | 2,161,291 | 2,063,510 | 2,271,955 |
| 61 Community Services | | 143,978 | 171,676 | 163,636 | 151,794 | 48,244 |
| 71 Debt Service | | 3,932,093 | 3,830,855 | 9,021,273 | 3,515,936 | 3,434,073 |
| 81 Fundraising | | 243,529 | 199,882 | 201,492 | 152,019 | 162,508 |
| Total Expenses | | \$59,880,965 | \$63,444,273 | \$67,885,932 | \$63,749,205 | \$65,050,530 |
| Change in Net Assets | | \$ 1,590,440 | \$ (2,481,064) | \$ (566,270) | \$ 8,453,675 | \$ 8,673,119 |
| ADD BACKS | | | | | | |
| Depreciation & Amortization | | \$ 3,399,209 | \$ 3,647,309 | \$ 2,892,794 | \$ 5,379,215 | \$ 5,356,320 |
| Amortization of Debt Issuance Costs | | 130,617 | 130,617 | 145,939 | 197,804 | 197,804 |
| Debt Service | | 3,932,093 | 3,830,855 | 9,021,273 | 3,515,936 | 3,434,073 |
| Extraordinary Items | | - | 1,926,341 | - | - | - |
| Available Revenues for Debt Service | | \$ 9,052,359 | \$ 7,054,058 | \$11,493,736 | \$17,546,630 | \$17,661,316 |
| DEBT SERVICE COVERAGE | | | | | | |
| Total Debt Service | | \$ 5,725,875 | \$ 5,726,125 | \$ 2,237,554 | \$ 3,555,584 | \$ 3,211,004 |
| Debt Service Coverage | | 1.58x | 1.23x | 5.14x | 4.93x | 5.50x |

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW

This Appendix summarizes certain provisions of Texas charter school law. This Appendix provides a summary only and is for informational purposes only. Potential investors should refer to and independently evaluate applicable provisions of the charter school law in their entirety, with assistance from counsel as necessary, for a complete understanding of their terms. Further, potential investors should note that the provisions summarized below are subject to change, and this summary only pertains to certain aspects of currently existing law. See, “RISK FACTORS – Future Changes to Charter School Laws.”

The regular session of the 88th Texas Legislature convened on January 10, 2023 and concluded on May 29, 2023, as discussed above under “STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS – 2023 Legislative Session.” Laws enacted by the 88th Texas Legislature may materially change certain provisions of Texas law and practice as it pertains to school districts and charter school operations, including those provisions discussed in this summary. This Appendix merely summarizes the text of relevant laws as they affect charter schools and does not speculate as to any interpretation or enforcement procedure TEA or the Commissioner may or may not institute. Varying interpretations and enforcement of these laws may materially change Texas charter school standards and requirements.

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GENERAL

BACKGROUND

Purposes of Chapter (Texas Education Code §§ 12.001, 12.0011)

In 1995, the Texas legislature adopted Chapter 12 of the Texas Education Code, which provides for the creation and development of public charter schools to be operated within the State of Texas. The stated purposes of authorizing charter schools are to improve student learning, increase the choice of learning opportunities within the public school system, create professional opportunities that will attract new teachers to the public school system, establish a new form of accountability for public schools, and encourage different and innovative learning methods. As an alternative to operating in the manner generally provided in the Texas Education Code, the Texas legislature authorized independent school districts, school campuses, and educational programs to choose to operate under a charter in accordance with Chapter 12 of the Texas Education Code.

Classes of Charter; Authorization (Texas Education Code §§ 12.002, 12.152)

Three classes of charters are provided for under the Texas Education Code: (i) home-rule school district charters, (ii) campus or campus programs charters, and (iii) open-enrollment charters. In addition, the legislature has authorized granting a charter on the application of a public senior college or university or a public junior college for an open-enrollment charter school to operate on the campus of the public senior college or university or public junior college or in the same county in which the campus of the public senior college or university or public junior college is located. Each of these types of charters is governed under a different subchapter of Chapter 12 of the Texas Education Code.

The remaining sections that follow provide additional information applicable to open-enrollment charter schools, such as the Borrower, and with respect to the Foundation School Program, which is the funding scheme for charter schools.

Charter Applicants (Texas Education Code § 12.101)

(a) In accordance with this subchapter, the commissioner 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, an eligible entity, or a school district, including a home-rule school district. In this subsection, “eligible entity” means:

- (1) an institution of higher education as defined under Section 61.003;
- (2) a private or independent institution of higher education as defined under Section 61.003;
- (3) an organization that is exempt from taxation under Section 501(c)(3), Internal Revenue Code of 1986 (26 U.S.C. Section 501(c)(3)); or
- (4) a governmental entity.

(b) After thoroughly investigating and evaluating an applicant, the commissioner, in coordination with a member of the State Board of Education designated for the purpose by the chair of the board, may grant a charter for an open-enrollment charter school only to an applicant that meets any financial, governing, educational, and operational standards adopted by the commissioner under this subchapter, that the commissioner determines is capable of carrying out the responsibilities provided by the charter and likely to operate a school of high quality, and that:

- (1) has not within the preceding 10 years had a charter under this chapter or a similar charter issued under the laws of another state surrendered under a settlement agreement, revoked, denied renewal, or returned; or
- (2) is not, under rules adopted by the commissioner, considered to be a corporate affiliate of or substantially related to an entity that has within the preceding 10 years had a charter under this chapter or a similar charter issued under the laws of another state surrendered under a settlement agreement, revoked, denied renewal, or returned.

(b-0) The commissioner shall notify the State Board of Education of each charter the commissioner proposes to grant under this subchapter. Unless, before the 90th day after the date on which the board receives the notice from the commissioner, a majority of the members of the board present and voting, vote against the grant of that charter, the commissioner's proposal to grant the charter takes effect. The board may not deliberate or vote on any grant of a charter that is not proposed by the commissioner.

(b-1) In granting charters for open-enrollment charter schools, the commissioner may not grant a total of more than:

- (1) 215 charters through the fiscal year ending August 31, 2014;
- (2) 225 charters beginning September 1, 2014;
- (3) 240 charters beginning September 1, 2015;
- (4) 255 charters beginning September 1, 2016;
- (5) 270 charters beginning September 1, 2017; and
- (6) 285 charters beginning September 1, 2018.

(b-2) Beginning September 1, 2019, the total number of charters for open-enrollment charter schools that may be granted is 305 charters.

(b-3) The commissioner may not grant more than one charter for an open-enrollment charter school to any charter holder. The commissioner may consolidate charters for an open-enrollment charter school held by multiple charter holders into a single charter held by a single charter holder with the written consent to the terms of consolidation by or at the request of each charter holder affected by the consolidation.

(b-4) Notwithstanding Section 12.114, approval of the commissioner under that section is not required for establishment of a new open-enrollment charter school campus if the requirements of this subsection are satisfied. A charter holder having an accreditation status of accredited and at least 50 percent of its student population in grades assessed under Subchapter B, Chapter 39, or at least 50 percent of the students in the grades assessed having been enrolled in the school for at least three school years may establish one or more new campuses under an existing charter held by the charter holder if:

- (1) the charter holder is currently evaluated under the standard accountability procedures for evaluation under Chapter 39 and received a district rating in the highest or second highest performance rating category under Subchapter C, Chapter 39, for three of the last five years with at least 75 percent of the campuses rated under the charter also receiving a rating in the highest or second highest performance rating category and with no campus with a rating in the lowest performance rating category in the most recent ratings;
- (2) the charter holder provides written notice to the commissioner of the establishment of any campus under this subsection in the time, manner, and form provided by rule of the commissioner; and
- (3) not later than the 60th day after the date the charter holder provides written notice under Subdivision (2), the commissioner does not provide written notice to the charter holder that the commissioner has determined that the charter holder does not satisfy the requirements of this section.

(b-5) The initial term of a charter granted under this section is five years.

(b-6) The commissioner shall adopt rules to modify criteria for granting a charter for an open-enrollment charter school under this section to the extent necessary to address changes in performance rating categories or in the financial accountability system under Chapter 39.

(b-7) A charter granted under this section for a dropout recovery school is not considered for purposes of the limit on the number of charters for open-enrollment charter schools imposed by this section. For purposes of this subsection, an open-enrollment charter school is considered to be a dropout recovery school if the school meets the criteria for designation as a dropout recovery school under Section 12.1141(c).

(b-8) In adopting any financial standards under this subchapter that an applicant for a charter for an open-enrollment charter school must meet, the commissioner shall not:

- (1) exclude any loan or line of credit in determining an applicant's available funding; or
- (2) exclude an applicant from the grant of a charter solely because the applicant fails to demonstrate having a certain amount of current assets in cash.

(b-10) The commissioner by rule shall allow a charter holder to provide written notice of the establishment of a new open-enrollment charter school under Subsection (b-4)(2) up to 36 months before the date on which the campus is anticipated to open. Notice provided to the commissioner under this section does not obligate the charter holder to open a new campus.

(c) If the facility to be used for an open-enrollment charter school is a school district facility, the school must be operated in the facility in accordance with the terms established by the board of trustees or other governing body of the district in an agreement governing the relationship between the school and the district.

(d) An educator employed by a school district before the effective date of a charter for an open-enrollment charter school operated at a school district facility may not be transferred to or employed by the open-enrollment charter school over the educator's objection.

Charter Authorization for High-Performing Entities (Texas Education Code § 12.1011)

(a) Notwithstanding Section 12.101(b), the commissioner may grant a charter for an open-enrollment charter school to an applicant that is:

- (1) an eligible entity under Section 12.101(a)(3) that proposes to operate the charter school program of a charter operator that operates one or more charter schools in another state and with which the eligible entity is affiliated and, as determined by the commissioner in accordance with commissioner rule, has performed at a level of performance comparable to performance under the highest or second highest performance rating category under Subchapter C, Chapter 39; or
- (2) an entity that has operated one or more charter schools established under this subchapter or Subchapter C or E and, as determined by the commissioner in accordance with commissioner rule, has performed in the highest or second highest performance rating category under Subchapter C, Chapter 39.

(b) A charter holder granted a charter for an open-enrollment charter school under Subsection (a) may vest management of corporate affairs in a member entity provided that the member entity may change the members of the governing body of the charter holder before the expiration of a member's term only with the express written approval of the commissioner.

(c) The initial term of a charter granted under this section is five years.

(d) The commissioner shall adopt rules to modify criteria for granting a charter for an open-enrollment charter school under this section to the extent necessary to address changes in performance rating categories under Subchapter C, Chapter 39.

Charter Authorizer Accountability (Texas Education Code § 12.1013)

(a) The commissioner shall select a center for education research authorized by Section 1.005 to prepare an annual report concerning the performance of open-enrollment charter schools by authorizer compared to campus charters and matched traditional campuses, which shall be provided annually under Subchapters J and K, Chapter 39.

(b) The format of the report must enable the public to distinguish and compare the performance of each type of public school by classifying the schools as follows:

- (1) open-enrollment charters granted by the State Board of Education;
- (2) open-enrollment charters granted by the commissioner;
- (3) charters granted by school districts; and
- (4) matched traditional campuses.

(c) The report must include the performance of each public school in each class described by Subsection (b) as measured by the achievement indicators adopted under Section 39.053(c) and student attrition rates.

(d) The report must also:

- (1) aggregate and compare the performance of open-enrollment charter schools granted charters by the State Board of Education, open-enrollment charter schools granted charters by the commissioner, campuses and programs granted charters by school districts, and matched traditional campuses; and
- (2) rate the aggregate performance of elementary, middle or junior high, and high schools within each class described by Subsection (b) as indicated by the composite rating that would be assigned to the class of elementary, middle or junior high, and high schools if the students attending all schools in that class were cumulatively enrolled in one elementary, middle or junior high, or high school.

(e) The report must also include an analysis of whether the performance of matched traditional campuses would likely improve if there were consolidation of school districts within the county in which the campuses are located. This subsection applies only to a county that includes at least seven school districts and at least 10 open-enrollment charter schools.

**Charter Authorization for Grant of Charters for Schools Primarily Serving Students with Disabilities
(Texas Education Code § 12.1014)**

(a) The commissioner may grant under Section 12.101 a charter on the application of an eligible entity for an open-enrollment charter school intended primarily to serve students eligible to receive services under Subchapter A, Chapter 29.

(b) The limit on the number of charters for open-enrollment charter schools imposed by Section 12.101 does not apply to a charter granted under this section to a school at which at least 50 percent of the students are eligible to receive services under Subchapter A, Chapter 29. Not more than five charters may be granted for schools described by this subsection.

(c) For purposes of the applicability of state and federal law, including a law prescribing requirements concerning students with disabilities, an open-enrollment charter school described by Subsection (a) is considered the same as any other school for which a charter is granted under Section 12.101.

(d) To the fullest extent permitted under federal law, a parent of a student with a disability may choose to enroll the parent's child in an open-enrollment charter school described by Subsection (a) regardless of whether a disproportionate number of the school's students are students with disabilities.

(e) This section does not authorize an open-enrollment charter school to discriminate in admissions or in the services provided based on the presence, absence, or nature of an applicant's or student's disability.

(f) The commissioner and the State Board for Educator Certification shall adopt rules as necessary to administer this section.

Authority Under Charter (Texas Education Code § 12.102)

An open-enrollment charter school: (i) shall provide instruction to students at one or more elementary or secondary grade levels as provided by the charter; (ii) is governed under the governing structure described by the charter; (iii) retains authority to operate under the charter to the extent authorized under Sections 12.1141, and 12.115 of the Texas Education Code and Chapter 39A of the Texas Education Code; and (iv) does not have authority to impose taxes.

General Applicability of Laws, Rules, and Ordinances to Open-Enrollment Charter School (Texas Education Code § 12.103)

(a) Except as provided by Subsection (b) or (c), an open-enrollment charter school is subject to federal and state laws and rules governing public schools and to municipal zoning ordinances governing public schools.

(b) An open-enrollment charter school is subject to this code and rules adopted under this code only to the extent the applicability to an open-enrollment charter school of a provision of this code or a rule adopted under this code is specifically provided.

(c) Repealed.

Applicability of Title (Texas Education Code § 12.104)

(a) An open-enrollment charter school has the powers granted to schools under this title.

(a-1) The governing body of an open-enrollment charter school may:

- (1) employ security personnel and commission peace officers in the same manner as a board of trustees of a school district under Section 37.081; and
- (2) enter into a memorandum of understanding with a local law enforcement agency to assign a school resource officer, as that term is defined by Section 1701.601, Occupations Code, to the school.

(a-2) A reference in law to a peace officer commissioned under Section 37.081 includes a peace officer commissioned by an open-enrollment charter school in accordance with Subsection (a-1), and a charter school peace officer has the same powers, duties, and immunities as a peace officer commissioned under that section.

(b) An open-enrollment charter school is subject to:

- (1) a provision of this title establishing a criminal offense;
- (2) the provisions in Chapter 554, Government Code; and
- (3) a prohibition, restriction, or requirement, as applicable, imposed by this title or a rule adopted under this title, relating to:
 - (A) the Public Education Information Management System (PEIMS) to the extent necessary to monitor compliance with this subchapter as determined by the commissioner;
 - (B) criminal history records under Subchapter C, Chapter 22;
 - (C) reading instruments and accelerated reading instruction programs under Section 28.006;
 - (D) accelerated instruction under Section 28.0211;
 - (E) high school graduation requirements under Section 28.025;
 - (F) special education programs under Subchapter A, Chapter 29;

- (G) bilingual education under Subchapter B, Chapter 29;
- (H) prekindergarten programs under Subchapter E or E-1, Chapter 29, except class size limits for prekindergarten classes imposed under Section 25.112, which do not apply;
- (I) extracurricular activities under Section 33.081;
- (J) discipline management practices or behavior management techniques under Section 37.0021;
- (K) health and safety under Chapter 38;
- (L) the provisions of Subchapter A, Chapter 38;
- (M) public school accountability and special investigations under Subchapters A, B, C, D, F, G, and J, Chapter 39, and Chapter 39A;
- (N) the requirement under Section 21.006 to report an educator's misconduct;
- (O) intensive programs of instruction under Section 28.0213;
- (P) the right of a school employee to report a crime, as provided by Section 37.148;
- (Q) bullying prevention policies and procedures under Section 37.0832;
- (R) the right of a school under Section 37.0052 to place a student who has engaged in certain bullying behavior in a disciplinary alternative education program or to expel the student;
- (S) the right under Section 37.0151 to report to local law enforcement certain conduct constituting assault or harassment;
- (T) a parent's right to information regarding the provision of assistance for learning difficulties to the parent's child as provided by Sections 26.004(b)(11) and 26.0081(c) and (d);
- (U) establishment of residency under Section 25.001
- (V) school safety requirements under Sections 37.0814, 37.108, 37.1081, 37.1082, 37.1083, 37.1084, 37.1085, 37.1086, 37.109, 37.113, 37.114, 37.1141, 37.115, 37.207, and 37.2071 and Subchapter J, Chapter 37;
- (W) the early childhood literacy and mathematics proficiency plans under Section 11.185;
- (X) the college, career, and military readiness plans under Section 11.186; and
- (Y) parental options to retain a student under Section 28.02124.

(b-1) During the first three years an open-enrollment charter school is in operation, the agency shall assist the school as necessary in complying with requirements under Subsection (b)(2)(A).

(b-2) An open-enrollment charter school is subject to the requirement to establish an individual graduation committee under Section 28.0258.

(b-3) An open-enrollment charter school is subject to the graduation qualification procedure established by the commissioner under Section 28.02541.

(b-4) Section 11.201(c) applies to an open-enrollment charter school as though the governing body of the school were the board of trustees of a school district and to the superintendent or, as applicable, the administrator

serving as educational leader and chief executive officer of the school as though that person were the superintendent of a school district.

(c) An open-enrollment charter school is entitled to the same level of services provided to school districts by regional education service centers. The commissioner shall adopt rules that provide for the representation of open-enrollment charter schools on the boards of directors of regional education service centers.

(d) The commissioner may by rule permit an open-enrollment charter school to voluntarily participate in any state program available to school districts, including a purchasing program, if the school complies with all terms of the program.

Status (Texas Education Code § 12.105)

Open-enrollment charter schools are part of the Texas public school system.

Applicability of Open Meetings and Public Information Laws (Texas Education Code § 12.1051)

(a) With respect to the operation of an open-enrollment charter school, the governing body of a charter holder and the governing body of an open-enrollment charter school are considered to be governmental bodies for purposes of Chapters 551 and 552, Government Code.

(b) With respect to the operation of an open-enrollment charter school, any requirement in Chapter 551 or 552, Government Code, or another law that concerns open meetings or the availability of information, that applies to a school district, the board of trustees of a school district, or public school students applies to an open-enrollment charter school, the governing body of a charter holder, the governing body of an open-enrollment charter school, or students attending an open-enrollment charter school.

Applicability of Laws Relating to Local Government Records (Texas Education Code § 12.1052)

(a) With respect to the operation of an open-enrollment charter school, an open-enrollment charter school is considered to be a local government for purposes of Subtitle C, Title 6, Local Government Code, and Subchapter J, Chapter 441, Government Code.

(b) Records of an open-enrollment charter school and records of a charter holder that relate to an open-enrollment charter school are government records for all purposes under state law.

(c) Any requirement in Subtitle C, Title 6, Local Government Code, or Subchapter J, Chapter 441, Government Code, that applies to a school district, the board of trustees of a school district, or an officer or employee of a school district applies to an open-enrollment charter school, the governing body of a charter holder, the governing body of an open-enrollment charter school, or an officer or employee of an open-enrollment charter school except that the records of an open-enrollment charter school that ceases to operate shall be transferred in the manner prescribed by Subsection (d).

(d) The records of an open-enrollment charter school that ceases to operate shall be transferred in the manner specified by the commissioner to a custodian designated by the commissioner. The commissioner may designate any appropriate entity to serve as custodian, including the agency, a regional education service center, or a school district. In designating a custodian, the commissioner shall ensure that the transferred records, including student and personnel records, are transferred to a custodian capable of:

(1) maintaining the records;

(2) making the records readily accessible to students, parents, former school employees, and other persons entitled to access; and

(3) complying with applicable state or federal law restricting access to the records.

(e) If the charter holder of an open-enrollment charter school that ceases to operate or an officer or employee of such a school refuses to transfer school records in the manner specified by the commissioner under Subsection (d),

the commissioner may ask the attorney general to petition a court for recovery of the records. If the court grants the petition, the court shall award attorney's fees and court costs to the state.

Public Purchasing and Contracting (Texas Education Code § 12.1053)

(a) This section applies to an open-enrollment charter school unless the school's charter otherwise describes procedures for purchasing and contracting and the procedures are approved by the commissioner.

(b) An open-enrollment charter school is considered to be:

(1) a governmental entity for purposes of:

(A) Subchapter D, Chapter 2252, Government Code; and

(B) Subchapter B, Chapter 271, Local Government Code;

(2) a political subdivision for purposes of Subchapter A, Chapter 2254, Government Code; and

(3) a local government for purposes of Sections 2256.009-2256.016, Government Code.

(c) To the extent consistent with this section, a requirement in a law listed in this section that applies to a school district or the board of trustees of a school district applies to an open-enrollment charter school, the governing body of a charter holder, or the governing body of an open-enrollment charter school.

Conflicts of Interest (Texas Education Code § 12.1054)

(a) A member of the governing body of a charter holder, a member of the governing body of an open-enrollment charter school, or an officer of an open-enrollment charter school is considered to be a local public official for purposes of Chapter 171, Local Government Code. For purposes of that chapter:

(1) a member of the governing body of a charter holder or a member of the governing body or officer of an open-enrollment charter school is considered to have a substantial interest in a business entity if a person related to the member or officer in the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, has a substantial interest in the business entity under Section 171.002, Local Government Code;

(2) notwithstanding any provision of Section 12.1054(1), an employee of an open-enrollment charter school rated acceptable or higher under Section 39.054 for at least two of the preceding three school years may serve as a member of the governing body of the charter holder or the governing body of the school if the employees do not constitute a quorum of the governing body or any committee of the governing body; however, all members shall comply with the requirements of Sections 171.003-171.007, Local Government Code.

(b) To the extent consistent with this section, a requirement in a law listed in this section that applies to a school district or the board of trustees of a school district applies to an open-enrollment charter school, the governing body of a charter holder, or the governing body of an open-enrollment charter school.

Applicability of Nepotism Laws (Texas Education Code § 12.1055)

(a) An open-enrollment charter school is subject to a prohibition, restriction, or requirement, as applicable, imposed by state law or by a rule adopted under state law, relating to nepotism under Chapter 573, Government Code.

(b) Repealed.

(c) Section 11.1513(f) applies to an open-enrollment charter school as though the governing body of the school were the board of trustees of a school district and to the superintendent or, as applicable, the administrator serving as educational leader and chief executive officer of the school as though that person were the superintendent of a school district.

(d) Notwithstanding any other provision of this section, a person who was not restricted or prohibited under this section as this section existed before September 1, 2013, from being employed by an open-enrollment charter school and who was employed by an open-enrollment charter school before September 1, 2013, is considered to have been in continuous employment as provided by Section 573.062(a), Government Code, and is not prohibited from continuing employment with the school.

Immunity from Liability and Suit (Texas Education Code § 12.1056)

(a) In matters related to operation of an open-enrollment charter school, an open-enrollment charter school or charter holder is immune from liability and suit to the same extent as a school district, and the employees and volunteers of the open-enrollment charter school or charter holder are immune from liability and suit to the same extent as school district employees and volunteers. A member of the governing body of an open-enrollment charter school or of a charter holder is immune from liability and suit to the same extent as a school district trustee.

(b) An open-enrollment charter school is a governmental unit as defined by Section 101.001, Civil Practice and Remedies Code, and is subject to liability only as provided by Chapter 101, Civil Practice and Remedies Code, and only in the manner that liability is provided by that chapter for a school district.

(c) An open-enrollment charter school is a local government as defined by Section 102.001, Civil Practice and Remedies Code, and a payment on a tort claim must comply with Chapter 102, Civil Practice and Remedies Code.

(d) An open-enrollment charter school is a local governmental entity as defined by Section 271.151, Local Government Code, and is subject to liability on a contract as provided by Subchapter I, Chapter 271, Local Government Code, and only in the manner that liability is provided by that subchapter for a school district.

Membership in Teacher Retirement System (Texas Education Code § 12.1057)

(a) An employee of an open-enrollment charter school who qualifies for membership in the Teacher Retirement System of Texas shall be covered under the system to the same extent a qualified employee of a school district is covered.

(b) 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.

Applicability of Other Laws (Texas Education Code § 12.1058)

(a) An open-enrollment charter school is considered to be:

- (1) a local government for purposes of Chapter 791, Government Code;
- (2) a local government for purposes of Chapter 2259, Government Code, except that an open-enrollment charter school may not issue public securities as provided by Section 2259.031(b), Government Code;
- (3) a political subdivision for purposes of Chapter 172, Local Government Code;
- (4) a local governmental entity for purposes of Subchapter I, Chapter 271, Local Government Code;
- (5) a political subdivision for purposes of Section 180.008, Local Government Code.
- (6) a political subdivision for purposes of Section 16.061, Civil Practice and Remedies Code, with respect to any property purchased, leased, constructed, renovated, or improved with state funds under Section 12.128 of this code; and
- (7) a political subdivision for purposes of Section 11.11, Tax Code.

(b) An open-enrollment charter school may elect to extend workers' compensation benefits to employees of the school through any method available to a political subdivision under Chapter 504, Labor Code. An open-enrollment charter school that elects to extend workers' compensation benefits as permitted under this subsection is considered to be a political subdivision for all purposes under Chapter 504, Labor Code. An open-enrollment charter school that self-insures either individually or collectively under Chapter 504, Labor Code, is considered to be an insurance carrier for purposes of Subtitle A, Title 5, Labor Code.

(c) Notwithstanding Subsection (a) or (b), an open-enrollment charter school operated by a tax exempt entity as described by Section 12.101(a)(3) is not considered to be a political subdivision, local government, or local governmental entity unless:

- (1) a statute specifically states that the statute applies to an open-enrollment charter school; or
- (2) a provision in this chapter states that a specific statute applies to an open-enrollment charter school.

(d) A political subdivision shall consider an open-enrollment charter school a school district for purposes of zoning, project permitting, platting and replatting processes, business licensing, franchises, utility services, signage, subdivision regulation, property development projects, the requirements for posting bonds or securities, contract requirements, land development standards as provided by Section 212.902, Local Government Code, tree and vegetation regulations, regulations of architectural features of a structure, construction of fences, landscaping, garbage disposal, noise levels, fees or other assessments, and construction or site development work if the charter school provides to the political subdivision the certification described by Subsection (e).

(e) To be considered a school district by a political subdivision in accordance with Subsection (d), the governing body of an open-enrollment charter school must certify in writing to the political subdivision that no administrator, officer, or employee of the charter school and no member of the governing body of the charter school or its charter holder derives any personal financial benefit from a real estate transaction with the charter school.

(f) An open-enrollment charter school considered a school district under this section shall comply with the same requirements imposed by the political subdivision on a campus of a school district.

(g) An open-enrollment charter school does not have the power of eminent domain.

(h) A political subdivision may not consider an open-enrollment charter school a school district under Section 395.022, Local Government Code, for the purposes of the collection of impact fees imposed under Chapter 395, Local Government Code, by the political subdivision for providing capital funding for public water and wastewater facilities.

(i) A political subdivision may not take any action that prohibits an open-enrollment charter school from operating a public school campus, educational support facility, athletic facility, or administrative office within the political subdivision's jurisdiction or on any specific property located within the jurisdiction of the political subdivision that it could not take against a school district. A political subdivision shall grant approval in the same manner and follow the same timelines as if the charter school were a school district located in that political subdivision's jurisdiction, provided that, for a new campus, the charter school provide notice, in the manner provided by and to the persons listed in Section 12.1101, of the location of the new campus within 20 business days of closing on the purchase or lease of real property for that campus.

(j) This section applies to both owned and leased property of the open-enrollment charter school under Section 12.128.

(k) Except as otherwise provided by this section, this section does not affect the authority granted by state law to a political subdivision to regulate an open-enrollment charter school through applicable health and safety ordinances imposed by the political subdivision.

(l) In this section, "political subdivision" does not include a school district.

(m) This subsection applies only to information of a financial nature related to property transactions of an open-enrollment charter school subject to this section. A nonprofit entity operating an open-enrollment charter school

under Chapter 12 or a management company providing management services to the nonprofit entity is considered a governmental body for purposes of Chapter 552, Government Code, and financial information related to property transactions that is managed or possessed by the entity or company is subject to disclosure under Chapter 552, Government Code.

Tuition and Fees Restricted (Texas Education Code § 12.108)

(a) An open-enrollment charter school may not charge tuition to an eligible student who applies under Section 12.117.

(b) The governing body of an open-enrollment charter school may require a student to pay any fee that the board of trustees of a school district may charge under Section 11.158(a). The governing body may not require a student to pay a fee that the board of trustees of a school district may not charge under Section 11.158(b).

Transportation (Texas Education Code § 12.109)

An open-enrollment charter school shall 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.

CHARTER APPLICATION, CONTENT AND FORM

Application (Texas Education Code § 12.110)

(a) The commissioner shall adopt:

- (1) an application form and a procedure that must be used to apply for a charter for an open-enrollment charter school; and
- (2) criteria to use in selecting a program for which to grant a charter.

(b) The application form must provide for including the information required under Section 12.111 to be contained in a charter.

(c) As part of the application procedure, the commissioner may require a petition supporting a charter for a school signed by a specified number of parents or guardians of school-age children residing in the area in which a school is proposed or may hold a public hearing to determine parental support for the school.

(d) The commissioner shall approve or deny an application based on:

- (1) documented evidence collected through the application review process;
- (2) merit; and
- (3) other criteria as adopted by the commissioner, which must include:

(A) criteria relating to the capability of the applicant to carry out the responsibilities provided by the charter and the likelihood that the applicant will operate a school of high quality;

(B) criteria relating to improving student performance and encouraging innovative programs; and

(C) a statement from any school district whose enrollment is likely to be affected by the open-enrollment charter school, including information relating to any financial difficulty that a loss in enrollment may have on the district.

(e) The commissioner shall give priority to applications that propose an open-enrollment charter school campus to be located in the attendance zone of a school district campus assigned an unacceptable performance rating under Section 39.054 for the two preceding school years.

Charter Content (Texas Education Code § 12.111)

(a) Each charter granted under this subchapter must:

(1) describe the educational program to be offered, which must include the required curriculum as provided by Section 28.002;

(2) provide that continuation of the charter is contingent on the status of the charter as determined under Section 12.1141 or 12.115 or under Chapter 39A;

(3) specify the academic, operational, and financial performance expectations by which a school operating under the charter will be evaluated, which must include applicable elements of the performance frameworks adopted under Section 12.1181;

(4) specify:

(A) any basis, in addition to a basis specified by this subchapter or Chapter 39A, on which the charter may be revoked, renewal of the charter may be denied, or the charter may be allowed to expire; and

(B) the standards for evaluation of a school operating under the charter for purposes of charter renewal, denial of renewal, expiration, revocation, or other intervention in accordance with Section 12.1141 or 12.115 or Chapter 39A, as applicable;

(5) prohibit discrimination in admission policy on the basis of sex, national origin, ethnicity, religion, disability, academic, artistic, or athletic ability, or the district the child would otherwise attend in accordance with this code, although the charter may:

(A) provide for the exclusion of a student who has a documented history of a criminal offense, a juvenile court adjudication, or discipline problems under Subchapter A, Chapter 37; and

(B) provide for an admission policy that requires a student to demonstrate artistic ability if the school specializes in performing arts;

(6) specify the grade levels to be offered;

(7) describe the governing structure of the program, including:

(A) the officer positions designated;

(B) the manner in which officers are selected and removed from office;

(C) the manner in which members of the governing body of the school are selected and removed from office;

(D) the manner in which vacancies on that governing body are filled;

(E) the term for which members of that governing body serve; and

(F) whether the terms are to be staggered;

(8) specify the powers or duties of the governing body of the school that the governing body may delegate to an officer;

(9) specify the manner in which the school will distribute to parents information related to the qualifications of each professional employee of the program, including any professional or educational degree held by each employee, a statement of any certification under Subchapter B, Chapter 21, held by each employee, and any relevant experience of each employee;

(10) describe the process by which the person providing the program will adopt an annual budget;

(11) describe the manner in which an annual audit of the financial and programmatic operations of the program is to be conducted, including the manner in which the person providing the program will provide information necessary for the school district in which the program is located to participate, as required by this code or by commissioner rule, in the Public Education Information Management System (PEIMS);

(12) describe the facilities to be used;

(13) describe the geographical area served by the program;

(14) specify any type of enrollment criteria to be used;

(15) provide information, as determined by the commissioner, relating to any management company that will provide management services to a school operating under the charter; and

(16) specify that the governing body of an open-enrollment charter school accepts and may not delegate ultimate responsibility for the school, including the school's academic performance and financial and operational viability, and is responsible for overseeing any management company providing management services for the school and for holding the management company accountable for the school's performance.

(b) A charter holder of an open-enrollment charter school shall consider including in the school's charter a requirement that the school develop and administer personal graduation plans under Sections 28.0212 and 28.02121.

CHARTER REVISION, REVOCATION AND NON-RENEWAL AND MODIFICATION OF GOVERNANCE

Revision (Texas Education Code § 12.114)

(a) A revision of a charter of an open-enrollment charter school may be made only with the approval of the commissioner.

(b) Not more than once each year, an open-enrollment charter school may request approval to revise the maximum student enrollment described by the school's charter.

(c) Not later than the 60th day after the date that a charter holder submits to the commissioner a completed request for approval for an expansion amendment, as defined by commissioner rule, including a new school amendment, the commissioner shall provide to the charter holder written notice of approval or disapproval of the amendment.

(d) A charter holder may submit a request for approval for an expansion amendment up to 36 months before the date on which the expansion will be effective. A request for approval of an expansion amendment does not obligate the charter holder to complete the proposed expansion.

Renewal of Charter; Denial of Renewal; Expiration (Texas Education Code § 12.1141)

(a) The commissioner shall develop and by rule adopt a procedure for renewal, denial of renewal, or expiration of a charter for an open-enrollment charter school at the end of the term of the charter. The procedure must include consideration of the performance under Chapters 39 and 39A of the charter holder and each campus operating under the charter and must include three distinct processes, which must be expedited renewal, discretionary consideration of renewal or denial of renewal, and expiration. To renew a charter at the end of the term, the charter

holder must submit a petition for renewal to the commissioner in the time and manner established by commissioner rule.

(b) At the end of the term of a charter for an open-enrollment charter school, if a charter holder submits to the commissioner a petition for expedited renewal of the charter, the charter automatically renews unless, not later than the 30th day after the date the charter holder submits the petition, the commissioner provides written notice to the charter holder that expedited renewal of the charter is denied. The commissioner may not deny expedited renewal of a charter if:

- (1) the charter holder has been assigned the highest or second highest performance rating under Subchapter C, Chapter 39, for the three preceding school years;
- (2) the charter holder has been assigned a financial performance accountability rating under Subchapter D, Chapter 39, indicating financial performance that is satisfactory or better for the three preceding school years; and
- (3) no campus operating under the charter has been assigned an unacceptable performance rating under Subchapter C, Chapter 39, for the three preceding school years or such a campus has been closed.

(c) At the end of the term of a charter for an open-enrollment charter school, if a charter holder submits to the commissioner a petition for renewal of the charter and the charter does not meet the criteria for expedited renewal under Subsection (b) or for expiration under Subsection (d), the commissioner shall use the discretionary consideration process. The commissioner's decision under the discretionary consideration process must take into consideration the results of annual evaluations under the performance frameworks established under Section 12.1181. The renewal of the charter of an open-enrollment charter school that is registered under the agency's alternative education accountability procedures for evaluation under Chapter 39 shall be considered under the discretionary consideration process regardless of the performance ratings under Subchapter C, Chapter 39, of the open-enrollment charter school or of any campus operating under the charter, except that if the charter holder has been assigned a financial accountability performance rating under Subchapter D, Chapter 39, indicating financial performance that is lower than satisfactory for any three of the five preceding school years, the commissioner shall allow the charter to expire under Subsection (d). In considering the renewal of the charter of an open-enrollment charter school that is registered under the agency's alternative education accountability procedures for evaluation under Chapter 39, such as a dropout recovery school or a school providing education within a residential treatment facility, the commissioner shall use academic criteria established by commissioner rule that are appropriate to measure the specific goals of the school. The criteria established by the commissioner shall recognize growth in student achievement as well as educational attainment. For purposes of this subsection, the commissioner shall designate as a dropout recovery school an open-enrollment charter school or a campus of an open-enrollment charter school:

- (1) that serves students in grades 9 through 12 and has an enrollment of which at least 60 percent of the students are 16 years of age or older as of September 1 of the school year as reported for the fall semester Public Education Information Management System (PEIMS) submission; and
- (2) that meets the eligibility requirements for and is registered under alternative education accountability procedures adopted by the commissioner.

(d) At the end of the term of a charter for an open-enrollment charter school, if a charter holder submits to the commissioner a petition for renewal of the charter, the commissioner may not renew the charter and shall allow the charter to expire if:

- (1) the charter holder has been assigned an unacceptable performance rating under Subchapter C, Chapter 39, for any three of the five preceding school years;
- (2) the charter holder has been assigned a financial accountability performance rating under Subchapter D, Chapter 39, indicating financial performance that is lower than satisfactory for any three of the five preceding school years;

(3) the charter holder has been assigned any combination of the ratings described by Subdivision (1) or (2) for any three of the five preceding school years; or

(4) any campus operating under the charter has been assigned an unacceptable performance rating under Subchapter C, Chapter 39, for the three preceding school years and such a campus has not been closed.

(e) Notwithstanding any other law, a determination by the commissioner under Subsection (d) is final and may not be appealed.

(f) Not later than the 90th day after the date on which a charter holder submits a petition for renewal of a charter for an open-enrollment charter school at the end of the term of the charter, the commissioner shall provide written notice to the charter holder, in accordance with commissioner rule, of the basis on which the charter qualified for expedited renewal, discretionary consideration, or expiration, and of the commissioner's decision regarding whether to renew the charter, deny renewal of the charter, or allow the charter to expire.

(g) Except as provided by Subsection (e), a decision by the commissioner to deny renewal of a charter for an open-enrollment charter school is subject to review by the State Office of Administrative Hearings. Notwithstanding Chapter 2001, Government Code:

(1) the administrative law judge shall uphold a decision by the commissioner to deny renewal of a charter for an open-enrollment charter school unless the judge finds the decision is arbitrary and capricious or clearly erroneous; and

(2) a decision of the administrative law judge under this subsection is final and may not be appealed.

(h) If a charter holder submits a petition for renewal of a charter for an open-enrollment charter school, notwithstanding the expiration date of the charter, the charter term is extended until the commissioner has provided notice to the charter holder of the renewal, denial of renewal, or expiration of the charter.

(i) The term of a charter renewed under this section is 10 years for each renewal.

(j) The commissioner shall adopt rules to modify criteria for renewal, denial of renewal, or expiration of a charter for an open-enrollment charter school under this section to the extent necessary to address changes in performance rating categories or in the financial accountability system under Chapter 39.

Basis for Charter Revocation or Modification of Governance (Texas Education Code § 12.115)

(a) Except as provided by Subsection (c), the commissioner shall revoke the charter of an open-enrollment charter school or reconstitute the governing body of the charter holder if the commissioner determines that the charter holder:

(1) committed a material violation of the charter, including by a failure to:

(A) satisfy accountability provisions prescribed by the charter; or

(B) comply with the duty to discharge or refuse to hire certain employees or applicants for employment, as provided by Section 12.1151;

(2) failed to satisfy generally accepted accounting standards of fiscal management;

(3) failed to protect the health, safety, or welfare of the students enrolled at the school;

(4) failed to comply with this subchapter or another applicable law or rule;

(5) failed to satisfy the performance framework standards adopted under Section 12.1181; or

(6) is imminently insolvent as determined by the commissioner in accordance with commissioner rule.

(b) The action the commissioner takes under Subsection (a) shall be based on the best interest of the open-enrollment charter school's students, the severity of the violation, any previous violation the school has committed, and the accreditation status of the school.

(c) The commissioner shall revoke the charter of an open-enrollment charter school if:

(1) the charter holder has been assigned an unacceptable performance rating under Subchapter C, Chapter 39, for the three preceding school years;

(2) the charter holder has been assigned a financial accountability performance rating under Subchapter D, Chapter 39, indicating financial performance lower than satisfactory for the three preceding school years; or

(3) the charter holder has been assigned any combination of the ratings described by Subdivision (1) or (2) for the three preceding school years.

(d) In reconstituting the governing body of a charter holder under this section, the commissioner shall appoint members to the governing body. In appointing members under this subsection the commissioner:

(1) shall consider:

(A) local input from community members and parents; and

(B) appropriate credentials and expertise for membership, including financial expertise, whether the person lives in the geographic area the charter holder serves, and whether the person is an educator; and

(2) may reappoint current members of the governing body.

(e) If a governing body of a charter holder subject to reconstitution under this section governs enterprises other than the open-enrollment charter school, the commissioner may require the charter holder to create a new, single-purpose organization that is exempt from taxation under Section 501(c)(3), Internal Revenue Code of 1986, to govern the open-enrollment charter school and may require the charter holder to surrender the charter to the commissioner for transfer to the organization created under this subsection. The commissioner shall appoint the members of the governing body of an organization created under this subsection.

(f) This section does not limit the authority of the attorney general to take any action authorized by law.

(g) The commissioner shall adopt rules necessary to administer this section.

Failure to Discharge or Refusal to Hire Certain Employees or Applicants (Texas Education Code §12.1151)

An open-enrollment charter school commits a material violation of the school's charter if the school fails to comply with the duty to discharge or refuse to hire certain employees or applicants for employment under Section 12.1059, 22.085, or 22.092.

Procedure for Revocation, Modification of Governance, or Denial of Renewal (Texas Education Code § 12.116)

(a) The commissioner shall adopt an informal procedure to be used for:

(1) revoking the charter of an open-enrollment charter school or for reconstituting the governing body of the charter holder as authorized by Section 12.115; and

(2) denying the renewal of a charter of an open-enrollment charter school as authorized by Section 12.1141(c).

(a-1) The procedure adopted under Subsection (a) for the denial of renewal of a charter under Section 12.1141(c) or the revocation of a charter or reconstitution of a governing body of a charter holder under Section 12.115(a) must allow representatives of the charter holder to meet with the commissioner to discuss the commissioner's decision and must allow the charter holder to submit additional information to the commissioner relating to the commissioner's decision. In a final decision issued by the commissioner, the commissioner shall provide a written response to any information the charter holder submits under this subsection.

(b) Chapter 2001, Government Code, does not apply to a procedure that is related to a revocation or modification of governance under this subchapter.

(c) A decision by the commissioner to revoke a charter is subject to review by the State Office of Administrative Hearings. Notwithstanding Chapter 2001, Government Code:

(1) the administrative law judge shall uphold a decision by the commissioner to revoke a charter unless the judge finds the decision is arbitrary and capricious or clearly erroneous; and

(2) a decision of the administrative law judge under this subsection is final and may not be appealed.

(d) If the commissioner revokes the charter of an open-enrollment charter school, the commissioner may:

(1) manage the school until alternative arrangements are made for the school's students; and

(2) assign operation of one or more campuses formerly operated by the charter holder who held the revoked charter to a different charter holder who consents to the assignment.

Effect of Revocation, Non-Renewal or Surrender (Texas Education Code § 12.1161)

(a) If the commissioner revokes or denies the renewal of a charter of an open-enrollment charter school, or an open-enrollment charter school surrenders its charter, the school may not:

(1) continue to operate under this subchapter; or

(2) receive state funds under this subchapter.

Additional Sanctions (Texas Education Code § 12.1162)

(a) The commissioner shall take any of the actions described by Subsection (b) or by Section 39A.001, 39A.002, 39A.004, 39A.005, or 39A.007), to the extent the commissioner determines necessary, if an open-enrollment charter school, as determined by a report issued under Section 39.004(b):

(1) commits a material violation of the school's charter;

(2) fails to satisfy generally accepted accounting standards of fiscal management; or

(3) fails to comply with this subchapter or another applicable rule or law.

(b) 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.

(c) After the commissioner acts under Subsection (b), the open-enrollment charter school may not receive funding and may not resume operating until a determination is made that:

- (1) 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
- (2) the conditions at the school that presented a danger of material harm to the health, safety, or welfare of students have been corrected.
- (d) Not later than the third business day after the date the commissioner acts under Subsection (b), the commissioner shall provide the charter holder an opportunity for a hearing.
- (e) Immediately after a hearing under Subsection (d), the commissioner must cease the action under Subsection (b) or initiate action under Section 12.116.
- (f) The commissioner shall adopt rules implementing this section. Chapter 2001, Government Code, does not apply to a hearing under this section.

Audit by Commissioner (Texas Education Code § 12.1163)

- (a) To the extent consistent with this section, the commissioner may audit the records of:
 - (1) an open-enrollment charter school;
 - (2) a charter holder; and
 - (3) a management company.
- (b) An audit under Subsection (a) must be limited to matters directly related to the management or operation of an open-enrollment charter school, including any financial and administrative records.
- (c) Unless the commissioner has specific cause to conduct an additional audit, the commissioner may not conduct more than one on-site audit during any fiscal year, including any financial and administrative records. For purposes of this subsection, an audit of a charter holder or management company associated with an open-enrollment charter school is not considered an audit of the school.
- (d) If the aggregate amount of all transactions between a charter holder and a related party, as defined by commissioner rule adopted under Section 12.1166, exceeds \$5,000, an audit under Subsection (a) may include the review of any real property transactions between the charter holder and the related party. If the commissioner determines that a transaction with a related party using funds received under Section 12.106 was structured in a manner that did not benefit the open-enrollment charter school or that the transaction was in excess of fair market value, the commissioner may order that the transaction be reclassified or that other action be taken as necessary to protect the school's interests. Failure to comply with the commissioner's order is a material violation of the charter.

Notice to Teacher Retirement System of Texas (Texas Education Code § 12.1164)

- (a) The commissioner must notify the Teacher Retirement System of Texas in writing of the revocation, denial of renewal, expiration, or surrender of a charter under this subchapter not later than the 10th business day after the date of the event.
- (b) The commissioner must notify the Teacher Retirement System of Texas in writing that an open-enrollment charter school is no longer receiving state funding not later than the 10th business day after the date on which the funding ceases.
- (c) The commissioner must notify the Teacher Retirement System of Texas in writing that an open-enrollment charter school has resumed receiving state funds not later than the 10th business day after the date on which funding resumes.

Related Party Transactions (Texas Education Code § 12.1166)

(a) The commissioner shall adopt a rule defining “related party” for purposes of this subchapter. The definition of “related party” must include:

(1) a party with a current or former board member, administrator, or officer who is:

(A) a board member, administrator, or officer of an open-enrollment charter school; or

(B) related within the third degree of consanguinity or affinity, as determined under Chapter 573, Government Code, to a board member, administrator, or officer of an open-enrollment charter school;

(2) a charter holder's related organizations, joint ventures, and jointly governed organizations;

(3) an open-enrollment charter school's board members, administrators, or officers or a person related to a board member, administrator, or officer within the third degree of consanguinity or affinity, as determined under Chapter 573, Government Code; and

(4) any other disqualified person, as that term is defined by 26 U.S.C. Section 4958(f).

(b) For purposes of Subsection (a)(1), a person is a former board member, administrator, or officer if the person served in that capacity within one year of the date on which a financial transaction between the charter holder and a related party occurred.

(c) In a charter holder's annual audit filed under Section 44.008, the charter holder must include a list of all transactions with a related party.

Appraisal of Certain Property (Texas Education Code § 12.1167)

The commissioner may adopt rules to require an open-enrollment charter school to:

(1) notify the commissioner that the school intends to enter into a transaction with a related party, as defined by commissioner rule adopted under Section 12.1166; and

(2) provide an appraisal from a certified appraiser to the agency.

Financial Report of Certain Schools (Texas Education Code § 12.1168)

(a) In this section, “related party” has the meaning adopted by commissioner rule under Section 12.1166.

(b) A financial report filed under Section 44.008 by an open-enrollment charter school must separately disclose:

(1) all financial transactions between the open-enrollment charter school and any related party, separately stating the principal, interest, and lease payments; and

(2) the total compensation and benefits provided by the school and any related party for each member of the governing body and each officer and administrator of the school and the related party.

(c) The commissioner may adopt rules to implement this section.

ADMISSION AND EVALUATION

Admission (Texas Education Code § 12.117)

(a) For admission to an open-enrollment charter school, the governing body of the school shall:

(1) require the applicant to complete and submit the common admission application form described by Section 12.1173 not later than a reasonable deadline the school establishes; and

(2) on receipt of more acceptable applications for admission under this section than available positions in the school:

(A) fill the available positions by lottery; or

(B) subject to Subsection (b), fill the available positions in the order in which applications received before the application deadline were received.

(b) An open-enrollment charter school may fill applications for admission under Subsection (a)(2)(B) only if the school published a notice of the opportunity to apply for admission to the school. A notice published under this subsection must:

(1) state the application deadline; and

(2) be published in a newspaper of general circulation in the community in which the school is located not later than the seventh day before the application deadline.

(c) An open-enrollment charter school authorized by a charter granted under this subchapter to a municipality:

(1) is considered a work-site open-enrollment charter school for purposes of federal regulations regarding admissions policies that apply to open-enrollment charter schools receiving federal funding; and

(2) notwithstanding Subsection (a), may admit children of employees of the municipality to the school before conducting a lottery to fill remaining available positions, provided that the number of children admitted under this subdivision constitutes only a small percentage, as may be further specified by federal regulation, of the school's total enrollment.

(d) Notwithstanding Section 12.111(a)(13), an open-enrollment charter school may admit a child of an employee of the school as provided by this section regardless of whether the child resides in the geographic area served by the school.

Admission to Open-Enrollment Charter Schools Specializing in Performing Arts (Texas Education Code § 12.1171)

Notwithstanding Section 12.117, the governing body of an open-enrollment charter school that specializes in one or more performing arts may require an applicant to audition for admission to the school in addition to completing and submitting the common admission application form under Section 12.1173.

Common Admission Application Form and Waiting Lists (Texas Education Code § 12.1173)

(a) The commissioner by rule shall adopt a common admission application form for use by an applicant for admission to an open-enrollment charter school that provides for the submission of information that the commissioner considers appropriate.

(b) The form adopted under this section may not:

(1) advertise or otherwise promote any person or open-enrollment charter school; or

(2) solicit money, goods, or services from an applicant.

(c) The commissioner shall publicize the availability of the form adopted under this section, including by posting the form on the agency's Internet website.

(d) The commissioner by rule shall adopt guidelines for an open-enrollment charter school that receives more acceptable applications for admission than available positions at the school to create and manage a waiting list each school year for applicants who are not admitted.

(e) The commissioner shall adopt any other rules as necessary to implement this section, including rules to ensure this section complies with federal law regarding confidentiality of student medical or educational information, including the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. Section 1320d et seq.) and the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g), and any state law relating to the privacy of student information.

Enrollment and Waiting List Report (Texas Education Code § 12.1174)

(a) Not later than the last Friday in October of each school year, in the form prescribed by commissioner rule, the governing body of a charter holder shall report to the agency for that school year:

(1) the following information for each campus operating under the charter holder's charter:

(A) the number of students enrolled;

(B) the enrollment capacity; and

(C) if a charter holder uses a waiting list for admission to a campus:

(i) the total number of students on the waiting list; and

(ii) the number of students on the waiting list disaggregated by grade level;

(2) the information described by Subdivision (1) aggregated for all campuses operating under the charter holder's charter; and

(3) any information required by the commissioner as necessary to identify each student admitted to or on a waiting list for admission to a campus operating under the charter holder's charter who is or was previously enrolled in a public school in this state.

(b) From information provided to the commissioner by each charter holder under this subchapter, the commissioner shall identify each group of charter holders considered by the commissioner to be corporate affiliates or substantially related charter holders. Using the information reported under Subsections (a)(1) and (2), the agency shall aggregate the information for each group of charter holders identified by the commissioner under this subsection.

(c) Not later than March 15 of each year, the commissioner shall post on the agency's Internet website:

(1) the information reported by charter holders under Subsections (a)(1) and (2); and

(2) the information aggregated by the agency under Subsection (b).

(d) The commissioner shall adopt rules as necessary to implement this section, including rules to ensure this section complies with federal law regarding confidentiality of student educational information, including the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g), and any state law relating to the privacy of student information.

Evaluation (Texas Education Code § 12.118)

(a) The commissioner shall designate an impartial organization with experience in evaluating school choice programs to conduct an annual evaluation of open-enrollment charter schools.

(b) An evaluation under this section must include consideration of the following items before implementing the charter and after implementing the charter:

- (1) students' scores on assessment instruments administered under Subchapter B, Chapter 39;
- (2) student attendance;
- (3) students' grades;
- (4) incidents involving student discipline;
- (5) socioeconomic data on students' families;
- (6) parents' satisfaction with their children's schools; and
- (7) students' satisfaction with their schools.

(c) The evaluation of open-enrollment charter schools must also include an evaluation of:

- (1) the costs of instruction, administration, and transportation incurred by open-enrollment charter schools;
- (2) the effect of open-enrollment charter schools on school districts and on teachers, students, and parents in those districts; and
- (3) other issues, as determined by the commissioner.

Performance Frameworks; Annual Evaluations (Texas Education Code § 12.1181)

(a) The commissioner shall develop and by rule adopt performance frameworks that establish standards by which to measure the performance of an open-enrollment charter school. The commissioner shall develop and by rule adopt separate, specific performance frameworks by which to measure the performance of an open-enrollment charter school that is registered under the agency's alternative education accountability procedures for evaluation under Chapter 39. The performance frameworks shall be based on national best practices that charter school authorizers use in developing and applying standards for charter school performance. In developing the performance frameworks, the commissioner shall solicit advice from charter holders, the members of the governing bodies of open-enrollment charter schools, and other interested persons.

(b) The performance frameworks may include a variety of standards. In evaluating an open-enrollment charter school, the commissioner shall measure school performance against an established set of quality standards developed and adopted by the commissioner.

(c) Each year, the commissioner shall evaluate the performance of each open-enrollment charter school based on the applicable performance frameworks adopted under Subsection (a). The performance of a school on a performance framework may not be considered for purposes of renewal of a charter under Section 12.1141(d) or revocation of a charter under Section 12.115(c).

GOVERNANCE

Bylaws; Annual Report (Texas Education Code § 12.119)

(a) A charter holder shall file with the commissioner a copy of its articles of incorporation and bylaws, or comparable documents if the charter holder does not have articles of incorporation or bylaws, within the period and in the manner prescribed by the commissioner.

(b) Each year within the period and in a form prescribed by the commissioner, each open-enrollment charter school shall file with the commissioner the following information:

- (1) the name, address, and telephone number of each officer and member of the governing body of the open-enrollment charter school; and

(2) the amount of annual compensation the open-enrollment charter school pays to each officer and member of the governing body.

(c) On request, the commissioner shall provide the information required by this section and Section 12.111(a)(7) to a member of the public. The commissioner may charge a reasonable fee to cover the commissioner's cost in providing the information.

Restrictions on Serving as Member of Governing Body of Charter Holder or Open-Enrollment Charter School or as Officer or Employee (Texas Education Code § 12.120)

(a) A person may not serve as a member of the governing body of a charter holder, as a member of the governing body of an open-enrollment charter school, or as an officer or employee of an open-enrollment charter school if the person:

- (1) has been convicted of a felony or a misdemeanor involving moral turpitude;
- (2) has been convicted of an offense listed in Section 37.007(a);
- (3) has been convicted of an offense listed in Article 62.001(5), Code of Criminal Procedure; or
- (4) has a substantial interest in a management company.

(a-1) Notwithstanding Subsection (a), subject to Section 12.1059, an open-enrollment charter school may employ a person:

- (1) as a teacher or educational aide if:
 - (A) a school district could employ the person as a teacher or educational aide; or
 - (B) a school district could employ the person as a teacher or educational aide if the person held the appropriate certificate issued under Subchapter B, Chapter 21, and the person has never held a certificate issued under Subchapter B, Chapter 21; or
- (2) in a position other than a position described by Subdivision (1) if a school district could employ the person in that position.

(b) For purposes of Subsection (a)(4), a person has a substantial interest in a management company if the person:

- (1) has a controlling interest in the company;
- (2) owns more than 10 percent of the voting interest in the company;
- (3) owns more than \$25,000 of the fair market value of the company;
- (4) has a direct or indirect participating interest by shares, stock, or otherwise, regardless of whether voting rights are included, in more than 10 percent of the profits, proceeds, or capital gains of the company;
- (5) is a member of the board of directors or other governing body of the company;
- (6) serves as an elected officer of the company; or
- (7) is an employee of the company.

Requirement for Majority of Members of Governing Board (Texas Education Code § 12.1202)

A majority of the members of the governing body of an open-enrollment charter school or the governing body of a charter holder must be qualified voters.

Responsibility for Open-Enrollment Charter School (Texas Education Code § 12.121)

The governing body of an open-enrollment charter school is responsible for the management, operation, and accountability of the school, regardless of whether the governing body delegates the governing body's powers and duties to another person.

Property Purchased or Leased With State Funds (Texas Education Code § 12.128)

(a) Property purchased or leased with funds received by a charter holder under Section 12.106:

- (1) is considered to be public property for all purposes under state law;
- (2) is property of this state held in trust by the charter holder for the benefit of the students of the open-enrollment charter school;
- (3) may be used only for a purpose for which a school district may use school district property; and
- (4) is exempt from ad valorem taxation as provided by Section 11.11, Tax Code.

(a-1) Property leased with funds received by a charter holder under Section 12.106:

- (1) is considered to be public property for all purposes under state law;
- (2) is property of this state held in trust by the charter holder for the benefit of the students of the open-enrollment charter school;
- (3) may be used only for a purpose for which a school district may use school district property; and
- (4) is exempt from ad valorem taxation as provided by Section 11.11, Tax Code.

(a-2) The owner of property that receives a tax exemption under Subsection (a) shall transfer the amount of tax savings from the exemption to the tenant or reduce the common area maintenance fee in a proportionate amount based upon the square footage of the exempt portion of the property.

(b) If at least 50 percent of the funds used by a charter holder to purchase real property are funds received under Section 12.106 before September 1, 2001, the property is considered to be public property to the extent it was purchased with those funds.

(b-1) Subject to Subsection (b-2), while an open-enrollment charter school is in operation, the charter holder holds title to any property described by Subsection (a) or (b) and may exercise complete control over the property as permitted under the law.

(b-2) A charter holder may not transfer, sell, or otherwise dispose of any property described by this section without the prior written consent of the agency if:

- (1) the charter holder has received notice of:
 - (A) the expiration of the charter holder's charter under Section 12.1141 and the charter has not been renewed; or
 - (B) the charter's revocation under Section 12.115(c);
- (2) the charter holder has received notice that the open-enrollment charter school is under discretionary review by the commissioner, which may result in the revocation of the charter or a reconstitution of the governing body of the charter holder under Section 12.115; or
- (3) the open-enrollment charter school for which the charter is held has otherwise ceased to operate.

(c) The commissioner shall:

- (1) take possession and assume control of the property described by Subsection (a) of an open-enrollment charter school that ceases to operate; and
- (2) supervise the disposition of the property in accordance with this subchapter.

(c-1) Notwithstanding Subsection (c), if an open-enrollment charter school ceases to operate, the agency:

(1) for property purchased with state funds, shall direct the charter holder to dispose of the property through one of the following methods:

(A) retain or liquidate the property and provide reimbursement to the state as provided by Section 12.1281;

(B) transfer the property to:

(i) the agency under Section 12.1281(h); or

(ii) a school district or open-enrollment charter school under Section 12.1282;

(C) close the operations of the open-enrollment charter school under Section 12.1284; or

(D) take any combination of the actions described by Paragraphs (A), (B), and (C); and

(2) for property leased with state funds, may direct the charter holder to assign the charter holder's interest in the lease to the agency.

(c-2) The agency may approve an expenditure of remaining funds by a former charter holder for insurance or utilities for or maintenance, repairs, or improvements to property described by this section if the agency determines that the expenditure is reasonably necessary to dispose of the property or preserve the property's value.

(d) The commissioner may adopt rules necessary to administer this section.

(e) This section does not affect a security interest in or lien on property established by a creditor in compliance with law if the security interest or lien arose in connection with the sale or lease of the property to the charter holder.

(f) A decision by the agency under this section is final and may not be appealed.

Disposition of Property Purchased with State Funds (Texas Education Code § 12.1281)

(a) A former charter holder of an open-enrollment charter school that has ceased to operate may retain property described by Section 12.128 if the former charter holder reimburses the state with non-state funds and the former charter holder:

(1) provides written assurance that the requirements of Section 12.1284 will be met; and

(2) receives approval from the agency.

(b) On receiving consent from the agency under Section 12.128(b-2) and a written agreement from any creditor with a security interest described by Section 12.128(e), the former charter holder may:

(1) sell property for fair market value; or

(2) transfer property to an open-enrollment charter school or a school district as provided under Section 12.1282.

(c) The amount of funds the state is entitled to as reimbursement for property of a former charter holder is:

(1) for property retained by the former charter holder, the current fair market value less the amount of any debt subject to a security interest or lien described by Section 12.128(e), multiplied by the percentage of state funds used to purchase the property; or

(2) for property sold by the former charter holder, the net sales proceeds of the property multiplied by the percentage of state funds used to purchase the property.

(d) To determine the amount of state funds a former charter holder used to purchase property, the agency shall calculate:

(1) an estimated state reimbursement amount based on the last annual financial report filed under Section 44.008 available at the time the former charter holder retains or sells the property; and

(2) a final state reimbursement amount using the former charter holder's final financial audit filed under Section 44.008.

(e) A former charter holder retaining property under Subsection (a) or selling the property under Subsection (b)(1) shall:

(1) file an affidavit in the real property records of the county in which the property is located disclosing the state interest in the property;

(2) place in escrow with the state comptroller an amount of non-state funds equal to 110 percent of the estimated state reimbursement amount not later than:

(A) the closing date of the sale of the property if the charter holder is selling the property; or

(B) the 90th day after the charter school's last day of instruction if the charter holder is retaining the property; and

(3) not later than two weeks after the date the charter holder's final financial audit is filed under Section 44.008, submit to the state the final state reimbursement amount using the funds in escrow in addition to any other funds necessary to pay the full amount of state reimbursement.

(f) A former charter holder may retain any funds remaining after complying with this section.

(g) As soon as the agency is satisfied that the former charter holder complied with Subsection (e), the agency shall file written notice of the release of the state interest in property the former charter holder retains under this section and authorize the return of any funds not used for state reimbursement to the former charter holder.

(h) Subject to the satisfaction of any security interest or lien described by Section 12.128(e), if a former charter holder does not dispose of property under Subsection (a) or (b), the former charter holder shall transfer the property, including a conveyance of title, to the agency in accordance with the procedures and time requirements established by the agency.

(i) Subject to the satisfaction of any security interest or lien described by Section 12.128(e), if the agency determines a former charter holder failed to comply with this section or Section 12.1282, on request of the agency, the attorney general shall take any appropriate legal action to compel the former charter holder to convey title to the agency or other governmental entity authorized by the agency to maintain or dispose of property.

(j) A decision by the agency under this section is final and may not be appealed.

(k) The commissioner may adopt rules necessary to administer this section.

Transfer of Property Purchased with State Funds (Texas Education Code § 12.1282)

(a) The agency may approve the transfer of property described by Section 12.128 from an open-enrollment charter school that has ceased to operate, or may transfer property conveyed to the agency by the former charter holder under Section 12.1281, to a school district or an open-enrollment charter school if:

(1) the open-enrollment charter school or school district receiving the property:

(A) agrees to the transfer; and

(B) agrees to identify the property as purchased wholly or partly using state funds on the school's annual financial report filed under Section 44.008;

(2) any creditor with a security interest in or lien on the property described by Section 12.128(e) agrees to the transfer; and

(3) the transfer of the property does not make the open-enrollment charter school or school district receiving the property insolvent.

(b) Property received by an open-enrollment charter school or school district under this section is considered to be state property under Section 12.128(a).

(c) The commissioner may adopt rules necessary to administer this section, including rules establishing qualifications and priority for a school district or open-enrollment charter school to receive a transfer of property under this section.

(d) If the agency determines that the cost of disposing of personal property described by Section 12.128 transferred to the agency by an open-enrollment charter school that ceases to operate exceeds the return of value from the sale of the property, the agency may distribute the personal property to open-enrollment charter schools and school districts in a manner determined by the commissioner.

(e) A determination by the agency under this section is final and may not be appealed.

Sale of Property Purchased with State Funds (Texas Education Code § 12.1283)

(a) After the agency receives title to property described by Section 12.128, the agency may sell the property at any price acceptable to the agency.

(b) On request of the agency, the following state agencies shall enter into a memorandum of understanding to sell property for the agency:

(1) for real property, the General Land Office; and

(2) for personal property, the Texas Facilities Commission.

(c) A memorandum of understanding entered into as provided by Subsection (b) may allow the General Land Office or Texas Facilities Commission to recover from the sale proceeds any cost incurred by the office or commission in the sale of the property.

(d) Subject to the satisfaction of any security interest or lien described by Section 12.128(e), proceeds from the sale of property under this section shall be deposited in the charter school liquidation fund.

(e) The commissioner may adopt rules as necessary to administer this section.

Closure of Charter Operations (Texas Education Code § 12.1284)

(a) After extinguishing all payable obligations owed by an open-enrollment charter school that ceases to operate, including a debt described by Section 12.128(e), a former charter holder shall:

(1) remit to the agency:

(A) any remaining funds described by Section 12.106(h); and

(B) any state reimbursement amounts from the sale of property described by Section 12.128; or

(2) transfer the remaining funds to another charter holder under Section 12.106(i).

(b) The agency shall deposit any funds received under Subsection (a)(1) in the charter school liquidation fund.

(c) The commissioner may adopt rules necessary to administer this section.

PRINCIPAL AND TEACHER QUALIFICATIONS

Minimum Qualifications for Principal and Teacher (Texas Education Code § 12.129)

(a) Except as provided by Subsection (b), a person employed as a principal or a teacher by an open-enrollment charter school must hold a baccalaureate degree.

(b) In an open-enrollment charter school that serves youth referred to or placed in a residential trade center by a local or state agency, a person may be employed as a teacher for a noncore vocational course without holding a baccalaureate degree if the person has:

(1) demonstrated subject matter expertise related to the subject taught, such as professional work experience, formal training and education, holding a relevant active professional industry license, certification, or registration, or any combination of work experience, training and education, and industry license, certification, or registration; and

(2) received at least 20 hours of classroom management training, as determined by the governing body of the open-enrollment charter school.

Notice of Teacher Qualifications (Texas Education Code § 12.130)

Each open-enrollment charter school must provide to the parent or guardian of each student enrolled in the school written notice of the qualifications of each teacher employed by the school.

STATE FUNDING

GENERAL

Entitlement (Texas Education Code § 12.106)

(a) A charter holder is entitled to receive for the open-enrollment charter school funding under Chapter 48 equal to the amount of funding per student in weighted average daily attendance, excluding the adjustment under Section 48.052, the funding under Sections 48.101, 48.110, 48.111, and 48.112, and enrichment funding under Section 48.202(a), to which the charter holder would be entitled for the school under Chapter 48 if the school were a school district without a tier one local share for purposes of Section 48.266.

(a-1) In determining funding for an open-enrollment charter school under Subsection (a), the amount of the allotment under Section 48.102 is based solely on the basic allotment to which the charter holder is entitled and does not include any amount based on the allotment under Section 48.101.

(a-2) In addition to the funding provided by Subsection (a), a charter holder is entitled to receive for the open-enrollment charter school an allotment per student in average daily attendance in an amount equal to the difference between:

(1) the product of:

(A) the quotient of:

(i) the total amount of funding provided to eligible school districts under Section 48.101(b) or (c); and

(ii) the total number of students in average daily attendance in school districts that receive an allotment under Section 48.101(b) or (c); and

(B) the sum of one and the quotient of:

(i) the total number of students in average daily attendance in school districts that receive an allotment under Section 48.101(b) or (c); and

(ii) the total number of students in average daily attendance in school districts statewide; and

(2) \$125.

(a-3) In addition to the funding provided by Subsections (a) and (a-2), a charter holder is entitled to receive for the open-enrollment charter school enrichment funding under Section 48.202 based on the state average tax effort.

(a-4) In addition to the funding provided by Subsections (a), (a-2), and (a-3), a charter holder is entitled to receive funding for the open-enrollment charter school under Sections 48.110 and 48.112 and Subchapter D, Chapter 48, if the charter holder would be entitled to the funding if the school were a school district.

(a-5) To ensure compliance with the requirements for the maintenance of state financial support for special education under 20 U.S.C. Section 1412(a)(18), in determining the funding for an open-enrollment charter school under Subsection (a) for the Section 48.102 allotment, the commissioner shall:

(1) if necessary, increase the amount of that allotment to an amount equal to the amount the charter holder was entitled to receive for the charter school under the allotment under former Section 42.151, Education Code, for the 2018-2019 school year; and

(2) reduce the amount of the allotment the charter holder is entitled to receive for the charter school under Subsection (a-2) by the amount of any increase provided for the charter school under Subdivision (1).

(a-6) Subsection (a-5) and this subsection expires September 1, 2025.

(b) An open-enrollment charter school is entitled to funds that are available to school districts from the 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.

(c) The commissioner may adopt rules to provide and account for state funding of open-enrollment charter schools under this section. A rule adopted under this section may be similar to a provision of this code that is not similar to Section 12.104(b) if the commissioner determines that the rule is related to financing of open-enrollment charter schools and is necessary or prudent to provide or account for state funds.

(d) Subject to Subsection (c), in addition to other amounts provided by this section, a charter holder is entitled to receive, for the open-enrollment charter school, funding per student in average daily attendance in an amount equal to the guaranteed level of state and local funds per student per cent of tax effort under Section 46.032(a) multiplied by the lesser of:

(1) the state average interest and sinking fund tax rate imposed by school districts for the current year; or

(2) a rate that would result in a total amount to which charter schools are entitled under this subsection for the current year equal to \$60 million.

(e) A charter holder is entitled to receive funding under Subsection (d) only if the most recent overall performance rating assigned to the open-enrollment charter school under Subchapter C, Chapter 39, reflects at least acceptable performance. This subsection does not apply to a charter holder that operates a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medical hospital.

(f) Funds received by a charter holder under Subsection (d) may only be used:

(1) to lease an instructional facility;

(2) to pay property taxes imposed on an instructional facility;

(3) to pay debt service on bonds issued to finance an instructional facility; or

(4) for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility.

(g) In this section, "instructional facility" has the meaning assigned by Section 46.001.

(h) Except as provided by Subsection (i), all remaining funds of a charter holder for an open-enrollment charter school that ceases to operate must be returned to the agency and deposited in the charter school liquidation fund.

(i) The agency may approve a transfer of a charter holder's remaining funds to another charter holder if the charter holder receiving the funds has not received notice of the expiration or revocation of the charter holder's charter for an open-enrollment charter school or notice of a reconstitution of the governing body of the charter holder under Section 12.1141 or 12.115.

(j) The commissioner may adopt rules specifying:

(1) the time during which a former charter holder must return remaining funds under Subsection (h); and

(2) the qualifications required for a charter holder to receive a transfer of remaining funds under Subsection (i).

Recovery of Certain Funds (Texas Education Code § 12.1061)

The commissioner may not garnish or otherwise recover funds paid to an open-enrollment charter school under Section 12.106 if:

(1) the basis of the garnishment or recovery is that:

(A) the number of students enrolled in the school during a school year exceeded the student enrollment described by the school's charter during that period; and

(B) the school received funding under Section 12.106 based on the school's actual student enrollment;

(2) the school:

(A) submits to the commissioner a timely request to revise the maximum student enrollment described by the school's charter and the commissioner does not notify the school in writing of an objection to the proposed revision before the 90th day after the date on which the commissioner received the request, provided that the number of students enrolled at the school does not exceed the enrollment described by the school's request; or

(B) exceeds the maximum student enrollment described by the school's charter only because a court mandated that a specific child enroll in that school; and

(3) the school used all funds received under Section 12.106 to provide education services to students.

Status and Use of Funds (Texas Education Code § 12.107)

(a) Funds received under Section 12.106 after September 1, 2001, by a charter holder:

(1) are considered to be public funds for all purposes under state law;

(2) are held in trust by the charter holder for the benefit of the students of the open-enrollment charter school;

(3) may be used only for a purpose for which a school may use local funds under Section 45.105(c);

(4) pending their use, must be deposited into a bank, as defined by Section 45.201, with which the charter holder has entered into a depository contract; and

(5) may not:

(A) be pledged or used to secure loans or bonds for any other organization, including a non-charter operation or out-of-state operation conducted by the charter holder or a related party, as defined by commissioner rule adopted under Section 12.1166; or

(B) be used to support an operation or activity not related to the educational activities of the charter holder.

(b) A charter holder shall deliver to the Texas Education Agency a copy of the depository contract between the charter holder and any bank into which state funds are deposited.

Effect of Accepting State Funding (Texas Education Code § 12.1071)

(a) A charter holder who accepts state funds under Section 12.106 after the effective date of a provision of this subchapter agrees to be subject to that provision, regardless of the date on which the charter holder's charter was granted.

(b) A charter holder who accepts state funds under Section 12.106 after September 1, 2001, agrees to accept all liability under this subchapter for any funds accepted under that section before September 1, 2001. This subsection does not create liability for charter holder conduct occurring before September 1, 2001.

Tuition and Fees Restricted (Texas Education Code § 12.108)

(a) An open-enrollment charter school may not charge tuition to an eligible student who applies under Section 12.117.

(b) The governing body of an open-enrollment charter school may require a student to pay any fee that the board of trustees of a school district may charge under Section 11.158(a). The governing body may not require a student to pay a fee that the board of trustees of a school district may not charge under Section 11.158(b).

FOUNDATION SCHOOL PROGRAM

Average Daily Attendance (Texas Education Code § 48.005)

(a) In this chapter, average daily attendance is:

(1) the quotient of the sum of attendance for each day of the minimum number of days of instruction as described under Section 25.081(a) divided by the minimum number of days of instruction;

(2) for a district that operates under a flexible year program under Section 29.0821, the quotient of the sum of attendance for each actual day of instruction as permitted by Section 29.0821(b)(1) divided by the number of actual days of instruction as permitted by Section 29.0821(b)(1);

(3) for a district that operates under a flexible school day program under Section 29.0822, the average daily attendance as calculated by the commissioner in accordance with Sections 29.0822(d) and (d-1); or

(4) for a district that operates a half-day program or a full-day program under Section 29.153(c), one-half of the average daily attendance calculated under Subdivision (1).

(b) A school district that experiences a decline of two percent or more in average daily attendance shall be funded on the basis of:

(1) the actual average daily attendance of the preceding school year, if the decline is the result of the closing or reduction in personnel of a military base; or

(2) subject to Subsection (e), an average daily attendance not to exceed 98 percent of the actual average daily attendance of the preceding school year, if the decline is not the result of the closing or reduction in personnel of a military base.

(c) The commissioner shall adjust the average daily attendance of a school district that has a significant percentage of students who are migratory children as defined by 20 U.S.C. Section 6399.

(d) The commissioner may adjust the average daily attendance of a school district in which a disaster, flood, extreme weather condition, fuel curtailment, or other calamity has a significant effect on the district's attendance. In addition to providing the adjustment for the amount of instructional days during the semester in which the calamity first occurred, an adjustment under this section may only be provided based on a particular calamity for an additional amount of instructional days equivalent to one school year. The commissioner may divide the adjustment between two consecutive school years.

(e) For each school year, the commissioner shall adjust the average daily attendance of school districts that are entitled to funding on the basis of an adjusted average daily attendance under Subsection (b)(2) so that:

(1) all districts are funded on the basis of the same percentage of the preceding year's actual average daily attendance; and

(2) the total cost to the state does not exceed the amount specifically appropriated for that year for purposes of Subsection (b)(2).

(f) An open-enrollment charter school is not entitled to funding based on an adjustment under Subsection (b)(2).

(g) If a student may receive course credit toward the student's high school academic requirements and toward the student's higher education academic requirements for a single course, including a course provided under Section 28.009 by a public institution of higher education, the time during which the student attends the course shall be counted as part of the minimum number of instructional hours required for a student to be considered a full-time student in average daily attendance for purposes of this section.

(g-1) The commissioner shall adopt rules to calculate average daily attendance for students participating in a blended learning program in which classroom instruction is supplemented with applied workforce learning opportunities, including participation of students in internships, externships, and apprenticeships.

(h) Subject to rules adopted by the commissioner under Section 48.007(b), time that a student participates in an off-campus instructional program approved under Section 48.007(a) shall be counted as part of the minimum number of instructional hours required for a student to be considered a full-time student in average daily attendance for purposes of this section.

(i) A district or a charter school operating under Chapter 12 that operates a prekindergarten program is eligible to receive one-half of average daily attendance under Subsection (a) if the district's or charter school's prekindergarten program provides at least 32,400 minutes of instructional time to students.

(j) A district or charter school is eligible to earn full average daily attendance under Subsection (a) if the district or school provides at least 43,200 minutes of instructional time to students enrolled in:

- (1) a dropout recovery school or program operating under Section 12.1141(c) or Section 39.0548;
- (2) an alternative education program operating under Section 37.008;
- (3) a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medical hospital;
- (4) a school program offered at a correctional facility; or
- (5) a school operating under Subchapter G, Chapter 12.

(k) A charter school operating under a charter granted under Chapter 12 before January 1, 2015, is eligible to earn full average daily attendance under Subsection (a), as that subsection existed immediately before January 1, 2015, for:

- (1) all campuses of the charter school operating before January 1, 2015; and
- (2) any campus or site expansion approved on or after January 1, 2015, provided that the charter school received an academic accountability performance rating of C or higher, and the campus or site expansion is approved by the commissioner.

(l) A school district campus or charter school described by Subsection (j) may operate more than one program and be eligible for full average daily attendance for each program if the programs operated by the district campus or charter school satisfy all applicable state and federal requirements.

(m) The commissioner shall adopt rules necessary to implement this section, including rules that:

- (1) establish the minimum amount of instructional time per day that allows a school district or charter school to be eligible for full average daily attendance, which may differ based on the instructional program offered by the district or charter school;
- (2) establish the requirements necessary for a school district or charter school to be eligible for one-half of average daily attendance, which may differ based on the instructional program offered by the district or charter school;
- (3) proportionally reduce the average daily attendance for a school district if any campus or instructional program in the district provides fewer than the required minimum minutes of instruction to students; and
- (4) allow a grade or course repeated under Section 28.02124 to qualify for average daily attendance even if the student previously passed or earned credit for the grade or course, if the grade or course would otherwise be eligible.

(n) To assist school districts in implementing this section as amended by H.B. 2442, Acts of the 85th Legislature, Regular Session, 2017, the commissioner may waive a requirement of this section or adopt rules to implement this section.

Incentive for Additional Instructional Days (Texas Education Code § 48.0051)

(a) Subject to Subsection (a-1), the commissioner shall adjust the average daily attendance of a school district or open-enrollment charter school under Section 48.005 in the manner provided by Subsection (b) if the district or school:

(1) provides the minimum number of minutes of operational and instructional time required under Section 25.081 and commissioner rules adopted under that section over at least 180 days of instruction; and

(2) offers an additional 30 days of half-day instruction for students enrolled in prekindergarten through fifth grade.

(a-1) Repealed by Acts 2021, 87th Leg., R.S., Ch. 806 (H.B. 1525), Sec. 48(a)(4), eff. September 1, 2021.

(b) For a school district or open-enrollment charter school described by Subsection (a), the commissioner shall increase the average daily attendance of the district or school under Section 48.005 by the amount that results from the quotient of the sum of attendance by students described by Subsection (a)(2) for each of the 30 additional instructional days of half-day instruction that are provided divided by 180.

(c) The commissioner may provide the incentive under this section to a school district or open-enrollment charter school that intended, but due to circumstances beyond the district's or school's control, including the occurrence of a natural disaster affecting the district or school, was unable to meet the requirement for instruction under Section 25.081 plus an additional 30 days of half-day instruction. The commissioner may proportionately reduce the incentive provided to a district or school described by this subsection.

(d) This section does not prohibit a school district from providing the minimum number of minutes of operational and instructional time required under Section 25.081 and commissioner rules adopted under that section over fewer than 180 days of instruction.

(e) The agency shall assist school districts and open-enrollment charter schools in qualifying for the incentive under this section.

(f) A school district or open-enrollment charter school may use funding attributable to the incentive provided under this section to pay costs associated with providing academic instruction in a voluntary summer program for students enrolled in the district or school.

(g) The commissioner shall adopt rules necessary for the implementation of this section.

Required PEIMS Reporting (Texas Education Code § 48.009)

(a) In this section, "full-time equivalent school counselor" means 40 hours of counseling services a week.

(b) The commissioner by rule shall require each school district and open-enrollment charter school to report through the Public Education Information Management System information regarding:

(1) the number of students enrolled in the district or school who are identified as having dyslexia;

(2) the availability of school counselors, including the number of full-time equivalent school counselors, at each campus;

(3) the availability of expanded learning opportunities as described by Section 33.252 at each campus;

(4) the total number of students, other than students described by Subdivision (5), enrolled in the district or school with whom the district or school, as applicable, used intervention strategies, as that term is defined by Section 26.004, at any time during the year for which the report is made;

(5) the total number of students enrolled in the district or school to whom the district or school provided aids, accommodations, or services under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), at any time during the year for which the report is made;

(6) disaggregated by campus and grade, the number of:

(A) children who are required to attend school under Section 25.085, are not exempted under Section 25.086, and fail to attend school without excuse for 10 or more days or parts of days within a six-month period in the same school year;

(B) students for whom the district initiates a truancy prevention measure under Section 25.0915(a-4); and

(C) parents of students against whom an attendance officer or other appropriate school official has filed a complaint under Section 25.093; and

(7) the number of students who are enrolled in a high school equivalency program, a dropout recovery school, or an adult education program provided under a high school diploma and industry certification charter school program provided by the district or school and who:

(A) are at least 18 years of age and under 26 years of age;

(B) have not previously been reported to the agency as dropouts; and

(C) enroll in the program at the district or school after not attending school for a period of at least nine months.

(b-1) Repealed.

(b-2) Repealed.

(b-3) A student reported under Subsection (b)(7) as having enrolled in a high school equivalency program, a dropout recovery school, or an adult education program provided under a high school diploma and industry certification charter school program must be reported through the Public Education Information Management System as having previously dropped out of school.

Text of subsection as added by Acts 2021, 87th Leg., R.S., Ch. 972 (S.B. 2050), Sec. 2

(b-4) The commissioner by rule shall require each school district and open-enrollment charter school to annually report through the Public Education Information Management System the number of reported incidents of bullying that have occurred at each campus. The commissioner's rules shall require a district or school to specify the number of incidents of bullying that included cyberbullying.

(c) The agency shall maintain the information provided in accordance with this section.

(d) Not later than January 1, 2020, the commissioner shall adopt rules requiring the Public Education Information Management System (PEIMS) to include pregnancy as a reason a student withdraws from or otherwise no longer attends public school.

Determination of Funding Levels (Texas Education Code § 48.010)

(a) Not later than July 1 of each year, the commissioner shall determine for each school district whether the estimated amount of state and local funding per student in weighted average daily attendance to be provided to the district under the Foundation School Program for maintenance and operations for the following school year is less than the amount provided to the district for the 2010-2011 school year. If the amount estimated to be provided is less, the commissioner shall certify the percentage decrease in funding to be provided to the district.

(b) In making the determinations regarding funding levels required by Subsection (a), the commissioner shall:

- (1) make adjustments as necessary to reflect changes in a school district's maintenance and operations tax rate;
- (2) for a district required to reduce its local revenue under Section 48.257, base the determinations on the district's net funding levels after deducting any amounts required to be expended by the district to comply with Chapter 49; and
- (3) determine a district's weighted average daily attendance in accordance with this chapter as it existed on January 1, 2011.

BASIC AND REGULAR PROGRAM ALLOTMENT

General (Texas Education Code § 48.051)

(a) For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment equal to the lesser of \$6,160 or the amount that results from the following formula:

$$A = \$6,160 \times (TR/MCR)$$

where:

“A” is the allotment to which a district is entitled;

“TR” is the district's tier one maintenance and operations tax rate, as provided by Section 45.0032; and

“MCR” is the district's maximum compressed tax rate, as determined under Section 48.2551.

(b) A greater amount for any school year may be provided by appropriation.

(c) During any school year for which the maximum amount of the basic allotment provided under Subsection (a) or (b) is greater than the maximum amount provided for the preceding school year, a school district must use at least 30 percent of the amount, if the amount is greater than zero, that equals the product of the average daily attendance of the district multiplied by the amount of the difference between the district's funding under this chapter per student in average daily attendance for the current school year and the preceding school year to provide compensation increases to full-time district employees other than administrators as follows:

- (1) 75 percent must be used to increase the compensation paid to classroom teachers, full-time librarians, full-time school counselors certified under Subchapter B, Chapter 21, and full-time school nurses, prioritizing differentiated compensation for classroom teachers with more than five years of experience; and
- (2) 25 percent may be used as determined by the district to increase compensation paid to full-time district employees.

(c-1) A school district employee who received a salary increase under Subsection (c) from a school district for the 2019-2020 school year is, as long as the employee remains employed by the same district and the district is receiving at least the same amount of funding as the amount of funding the district received for the 2019-2020 school year, entitled to salary that is at least equal to the salary the employee received for the 2019-2020 school year. This subsection does not apply if the board of trustees of the school district at which the employee is employed:

- (1) complies with Sections 21.4021, 21.4022, and 21.4032 in reducing the employee's salary; and
- (2) has adopted a resolution declaring a financial exigency for the district under Section 44.011.

(c-2) A reduction in the salary of a school district employee described by Subsection (c-1) is subject to the rights granted to the employee under this code.

(d) In this section, “compensation” includes benefits such as insurance premiums.

SPECIAL ALLOTMENTS

Special Education (Texas Education Code § 48.102)

(a) For each student in average daily attendance in a special education program under Subchapter A, Chapter 29, in a mainstream instructional arrangement, a school district is entitled to an annual allotment equal to the basic allotment, or, if applicable, the sum of the basic allotment and the allotment under Section 48.101 to which the district is entitled, multiplied by 1.15. For each full-time equivalent student in average daily attendance in a special education program under Subchapter A, Chapter 29, in an instructional arrangement other than a mainstream instructional arrangement, a district is entitled to an annual allotment equal to the basic allotment, or, if applicable, the sum of the basic allotment and the allotment under Section 48.101 to which the district is entitled, multiplied by a weight determined according to instructional arrangement as follows: Homebound

| | |
|---|-----|
| Hospital class | 5.0 |
| Speech therapy | 3.0 |
| Resource room | 5.0 |
| Self-contained, mild and moderate, regular campus | 3.0 |
| Self-contained, severe, regular campus | 3.0 |
| Off home campus | 2.7 |
| Nonpublic day school | 1.7 |
| Vocational adjustment class | 2.3 |

APPENDIX C
FINANCIAL STATEMENTS

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LIFESCHOOL OF DALLAS

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

LIFESCHOOL OF DALLAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

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LIFESCHOOL OF DALLAS
CERTIFICATE OF BOARD
AUGUST 31, 2023

LifeSchool of Dallas
Name of Charter Holder

Dallas
County

057807
Co. - Dist. Number

We, the undersigned, certify that the attached annual Financial and Compliance Report of the above-named charter was reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2023, at a meeting of the governing body the charter holder on the 17th day of January, 2024.

Mary Lou Walker
Signature of Board Secretary

Boothill E/D
Signature of Board President

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LifeSchool of Dallas
Red Oak, TX

Opinion

We have audited the accompanying financial statements of LifeSchool of Dallas (a nonprofit organization and the charter holder), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LifeSchool of Dallas as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LifeSchool of Dallas and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LifeSchool of Dallas's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LifeSchool of Dallas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LifeSchool of Dallas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The required supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2024, on our consideration of LifeSchool of Dallas' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LifeSchool of Dallas' internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 12, 2024

**General-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2023 AND 2022**

| | <u>2023</u> | <u>2022</u> |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 36,156,050 | \$ 28,421,075 |
| Cash and cash equivalents - restricted | 3,544,969 | 3,162,460 |
| Due from State and other governments | 7,781,235 | 11,951,047 |
| Prepaid expenses | 115,386 | 225,300 |
| Other receivables | 337,686 | 358,491 |
| Total Current Assets | <u>47,935,326</u> | <u>44,118,373</u> |
| Property and Equipment | | |
| Property and equipment - net | 76,156,296 | 70,925,834 |
| Right-to-use asset - net | 14,873,251 | 17,209,582 |
| Total Property and Equipment | <u>91,029,547</u> | <u>88,135,416</u> |
| Other Assets | | |
| Capitalized Debt Issuance Costs | 4,068,531 | 4,266,335 |
| Other Assets | 135,650 | 465,766 |
| | <u>4,204,181</u> | <u>4,732,101</u> |
| Total Assets | <u><u>\$ 143,169,054</u></u> | <u><u>\$ 136,985,890</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 923,004 | \$ 773,384 |
| Accrued wages | 1,683,203 | 1,316,065 |
| Due to state government | 26,330 | 174 |
| Due to student groups | 63,258 | 54,586 |
| Unearned revenues | 314 | 58,347 |
| Accrued employee benefits | 134,651 | 464,765 |
| Accrued interest expense | 137,977 | 138,546 |
| Current portion of lease payable | 2,361,101 | 2,277,855 |
| Current portion of notes payable | 104,425 | 101,297 |
| Current portion of bonds payable | 55,000 | 50,000 |
| Total Current Liabilities | <u>5,489,263</u> | <u>5,235,019</u> |
| Long Term Debt (net of current portions) | | |
| Lease payable | 14,344,686 | 16,705,787 |
| Notes payable | 85,933 | 189,127 |
| Bonds payable | 102,987,095 | 103,266,999 |
| Total Long-Term Debt | <u>117,417,714</u> | <u>120,161,913</u> |
| Total Liabilities | <u>122,906,977</u> | <u>125,396,932</u> |
| Net Assets | | |
| Without donor restriction | 1,366,998 | 1,372,299 |
| With donor restriction | 18,895,079 | 10,216,659 |
| Total Net Assets | <u>20,262,077</u> | <u>11,588,958</u> |
| Total Liabilities and Net Assets | <u><u>\$ 143,169,054</u></u> | <u><u>\$ 136,985,890</u></u> |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-2

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2023 | | |
|--|------------------------------|---------------------------|---------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| Contributions | \$ 135,014 | \$ - | \$ 135,014 |
| Food Service Activity | - | 535,120 | 535,120 |
| Athletic Activities | 338,592 | - | 338,592 |
| Rent | 20,471 | - | 20,471 |
| Interest | 1,730,438 | - | 1,730,438 |
| Other Revenues | 467,964 | - | 467,964 |
| Total Local Support | 2,692,479 | 535,120 | 3,227,599 |
| State Program Revenues: | | | |
| Foundation School Program | - | 58,239,627 | 58,239,627 |
| Other State Grants | - | 915,361 | 915,361 |
| Food Service | - | 13,023 | 13,023 |
| Total State Program Revenues | - | 59,168,011 | 59,168,011 |
| Federal Program Revenues: | | | |
| Emergency Connectivity Fund | - | 824,000 | 824,000 |
| COVID-19 School Health Support Grant | - | 16,895 | 16,895 |
| IDEA Part B, Formula | - | 982,827 | 982,827 |
| ESEA Title I Part A Improving Basic Programs | - | 1,755,158 | 1,755,158 |
| ESEA Title II Part A Teacher and Principal Training | - | 208,857 | 208,857 |
| ESEA Title IV Part A Student Support | - | 107,827 | 107,827 |
| ESSER Relief Fund II | - | 1,677,350 | 1,677,350 |
| ESSER Relief Fund III | - | 2,154,672 | 2,154,672 |
| Medicaid Administrative Claiming Program-MAC | - | 40,003 | 40,003 |
| National School Breakfast and Lunch Program | - | 2,178,325 | 2,178,325 |
| P-EBT Administrative Costs Grant | - | 3,135 | 3,135 |
| TCLAS - ESSER III | - | 134,408 | 134,408 |
| Title III Part A - English Language Acquisition and Enhancement | - | 18,449 | 18,449 |
| School Health and Related Services | - | 1,140,192 | 1,140,192 |
| Summer School LEP | - | 2,918 | 2,918 |
| Career & Technical - Basic Grant | - | 83,023 | 83,023 |
| Total Federal Program Revenues | - | 11,328,039 | 11,328,039 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 62,352,750 | (62,352,750) | - |
| Total Revenues | 65,045,229 | 8,678,420 | 73,723,649 |
| Expenses | | | |
| Program Services: | | | |
| Instruction and Instructional-Related Services | 33,418,025 | - | 33,418,025 |
| Instructional and School Leadership | 4,797,142 | - | 4,797,142 |
| Support Services: | | | |
| Administrative Support Services | 3,810,448 | - | 3,810,448 |
| Support Services - Non-Student Based | 11,347,178 | - | 11,347,178 |
| Support Services - Student (Pupil) | 8,032,912 | - | 8,032,912 |
| Ancillary Services | 210,752 | - | 210,752 |
| Debt Service | 3,434,073 | - | 3,434,073 |
| Total Expenses | 65,050,530 | - | 65,050,530 |
| Change in Net Assets | (5,301) | 8,678,420 | 8,673,119 |
| Net Assets, Beginning of Year | 1,372,299 | 10,216,659 | 11,588,958 |
| Net Assets, End of Year | \$ 1,366,998 | \$ 18,895,079 | \$ 20,262,077 |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-2

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2022 | | |
|--|------------------------------|---------------------------|---------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| Contributions | \$ 150,898 | \$ - | \$ 150,898 |
| Food Service Activity | - | 122,216 | 122,216 |
| Athletic Activities | 322,694 | - | 322,694 |
| Rent | 8,237 | - | 8,237 |
| Interest | 145,787 | - | 145,787 |
| Other Revenues | 362,684 | - | 362,684 |
| Total Local Support | 990,300 | 122,216 | 1,112,516 |
| State Program Revenues: | | | |
| Foundation School Program | - | 57,476,032 | 57,476,032 |
| Other State Grants | - | 307,019 | 307,019 |
| Food Service | - | 8,428 | 8,428 |
| Total State Program Revenues | - | 57,791,479 | 57,791,479 |
| Federal Program Revenues: | | | |
| IDEA Part B, Formula | - | 835,733 | 835,733 |
| Emergency Connectivity Fund | - | 549,600 | 549,600 |
| COVID-19 School Health Support Grant | - | 171,177 | 171,177 |
| ESEA Title I Part A Improving Basic Programs | - | 1,234,466 | 1,234,466 |
| ESEA Title II Part A Teacher and Principal Training | - | 185,448 | 185,448 |
| ESEA Title IV Part A Student Support | - | 105,089 | 105,089 |
| ESSER Relief Fund II | - | 3,337,133 | 3,337,133 |
| ESSER Relief Fund III | - | 3,030,517 | 3,030,517 |
| Medicaid Administrative Claiming Program-MAC | - | 31,089 | 31,089 |
| National School Breakfast and Lunch Program | - | 2,927,241 | 2,927,241 |
| P-EBT Administrative Costs Grant | - | 3,063 | 3,063 |
| TCLAS - ESSER III | - | 2,800 | 2,800 |
| Title III Part A - English Language Acquisition and Enhancement | - | 38,435 | 38,435 |
| School Health and Related Services | - | 772,600 | 772,600 |
| Career & Technical - Basic Grant | - | 74,494 | 74,494 |
| Total Federal Program Revenues | - | 13,298,885 | 13,298,885 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 62,784,981 | (62,784,981) | - |
| Total Revenues | 63,775,281 | 8,427,599 | 72,202,880 |
| Expenses | | | |
| Program Services: | | | |
| Instruction and Instructional-Related Services | 32,460,023 | - | 32,460,023 |
| Instructional and School Leadership | 4,675,701 | - | 4,675,701 |
| Support Services: | | | |
| Administrative Support Services | 3,740,374 | - | 3,740,374 |
| Support Services - Non-Student Based | 10,628,869 | - | 10,628,869 |
| Support Services - Student (Pupil) | 8,424,489 | - | 8,424,489 |
| Ancillary Services | 303,813 | - | 303,813 |
| Debt Service | 3,515,936 | - | 3,515,936 |
| Total Expenses | 63,749,205 | - | 63,749,205 |
| Change in Net Assets | 26,076 | 8,427,599 | 8,453,675 |
| Net Assets, Beginning of Year | 1,346,223 | 3,424,626 | 4,770,849 |
| Prior Period Adjustment | - | (1,635,566) | (1,635,566) |
| Net Assets, End of Year | \$ 1,372,299 | \$ 10,216,659 | \$ 11,588,958 |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-3

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| CASH FLOWS FROM OPERATING ACTIVITIES | 2023 | 2022 |
|--|--------------|---------------|
| Change in Net Assets | \$ 8,673,119 | \$ 8,453,675 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | | |
| Depreciation and amortization | 5,356,320 | 5,379,215 |
| Amortization of Capitalized Debt Issuance Costs | 197,804 | 197,804 |
| (Increase) Decrease in Due from State and Other Governments | 4,169,812 | (3,612,826) |
| (Increase) Decrease in Prepaid Expenses | 109,914 | 59,377 |
| (Increase) Decrease in Other Receivables | 20,805 | (169,878) |
| (Increase) Decrease in Other Assets | 330,116 | (109,187) |
| Increase (Decrease) in Accounts Payable | 149,620 | (287,744) |
| Increase (Decrease) in Accrued Wages | 367,138 | 203,936 |
| Increase (Decrease) in Due to State Government | 26,156 | (77) |
| Increase (Decrease) in Due to Student Groups | 8,672 | 12,559 |
| Increase (Decrease) in Unearned Revenues | (58,033) | (361,231) |
| Increase (Decrease) in Accrued Employee Benefits | (330,114) | 119,938 |
| Increase (Decrease) in Accrued Interest Expense | (569) | (347,749) |
| Net Cash Provided (Used) by Operating Activities | 19,020,760 | 9,537,812 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Land, Buildings, and Equipment | (8,250,451) | (361,923) |
| Net Cash Provided (Used) by Investing Activities | (8,250,451) | (361,923) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds (Payments) from (on) Lease Payable | (2,277,855) | (2,197,837) |
| Proceeds (Payments) from (on) Notes Payable | (100,066) | 43,670 |
| Principal Payments on Bonds Payable | (274,904) | (264,904) |
| Net Cash Provided (Used) by Financing Activities | (2,652,825) | (2,419,071) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 8,117,484 | 6,756,818 |
| Cash and Cash Equivalents, Beginning of Year | 31,583,535 | 24,826,717 |
| Cash and Cash Equivalents, End of Year (includes restricted cash of \$3,544,969 and \$3,162,460 at August 31, 2023 and 2022, respectively) | 39,701,019 | \$ 31,583,535 |
| Cash Paid for Interest During the Year | \$ 3,426,627 | \$ 3,856,671 |
| Cash Paid for Income Taxes During the Year | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-4

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2023 | | | | | | | | | Total Functional Expenses |
|-----------------------------|---|--|------------|---------------------------------------|---|---|-----------------------|--------------|------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupfl) | Ancillary Services | Debt Service | Total | |
| Salaries and Wages | 24,866,352 | 3,813,377 | 28,679,729 | 2,311,334 | 2,059,343 | 3,619,873 | 98,302 | - | 8,088,852 | 36,768,581 |
| Payroll Taxes | 386,589 | 56,071 | 442,660 | 39,763 | 30,395 | 53,024 | 1,476 | - | 124,658 | 567,318 |
| Employee Benefits | 3,117,779 | 516,146 | 3,633,925 | 362,019 | 288,807 | 548,633 | 17,134 | - | 1,216,593 | 4,850,518 |
| Fees For Services | 416,329 | 138,273 | 554,602 | 368,855 | 1,447,626 | 347,191 | 38,830 | - | 2,202,502 | 2,757,104 |
| Food | - | - | - | - | - | 1,766,158 | - | - | 1,766,158 | 1,766,158 |
| Insurance | - | - | - | 3,247 | 436,419 | 40,500 | - | - | 480,166 | 480,166 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 3,434,073 | 3,434,073 | 3,434,073 |
| Miscellaneous | 96,439 | 124,716 | 221,155 | 512,744 | 9,502 | 142,125 | 8,847 | - | 673,218 | 894,373 |
| Rent | 42,000 | 6,827 | 48,827 | 4,633 | 210,556 | 72,522 | 295 | - | 288,006 | 336,833 |
| Repairs and Maintenance | 327 | - | 327 | 75 | 1,817,272 | 150,851 | - | - | 1,968,198 | 1,968,525 |
| Supplies | 2,429,341 | 115,943 | 2,545,284 | 121,181 | 1,001,303 | 672,856 | 43,673 | - | 1,839,013 | 4,384,297 |
| Travel | 133,926 | 22,725 | 156,651 | 34,728 | 18,224 | 207,489 | 2,195 | - | 262,636 | 419,287 |
| Utilities | - | - | - | - | 1,050,929 | 16,048 | - | - | 1,066,977 | 1,066,977 |
| Depreciation | 1,928,943 | 3,064 | 1,932,007 | 51,869 | 2,976,802 | 395,642 | - | - | 3,424,313 | 5,356,320 |
| Total expenses by function | 33,418,025 | 4,797,142 | 38,215,167 | 3,810,448 | 11,347,178 | 8,032,912 | 210,752 | 3,434,073 | 26,835,363 | 65,050,530 |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

| | 2022 | | | | | | | | | Total Functional Expenses |
|-----------------------------|---|--|------------|---------------------------------------|---|---|-----------------------|--------------|------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupil) | Ancillary Services | Debt Service | Total | |
| Salaries and Wages | 24,301,154 | 3,667,991 | 27,969,145 | 2,212,828 | 2,060,457 | 3,456,645 | 166,237 | - | 7,896,167 | 35,865,312 |
| Payroll Taxes | 388,474 | 54,183 | 442,657 | 32,886 | 29,750 | 50,742 | 2,487 | - | 115,865 | 558,522 |
| Employee Benefits | 3,638,519 | 540,856 | 4,179,375 | 477,304 | 340,006 | 625,996 | 31,141 | - | 1,474,447 | 5,653,822 |
| Fees For Services | 396,798 | 78,539 | 475,337 | 390,304 | 1,198,372 | 361,457 | 33,344 | - | 1,983,477 | 2,458,814 |
| Food | - | - | - | - | - | 2,309,015 | - | - | 2,309,015 | 2,309,015 |
| Insurance | - | - | - | 3,247 | 379,307 | 34,269 | - | - | 416,823 | 416,823 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 3,515,936 | 3,515,936 | 3,515,936 |
| Miscellaneous | 117,629 | 97,466 | 215,095 | 438,024 | 6,088 | 99,267 | 12,354 | - | 555,733 | 770,828 |
| Rent | 7,000 | 5,653 | 12,653 | 2,840 | 205,708 | 58,160 | 1,215 | - | 267,923 | 280,576 |
| Repairs and Maintenance | 2,076 | - | 2,076 | - | 1,618,681 | 123,744 | - | - | 1,742,425 | 1,744,501 |
| Supplies | 1,584,816 | 214,607 | 1,799,423 | 118,719 | 885,665 | 647,666 | 56,631 | - | 1,708,681 | 3,508,104 |
| Travel | 31,896 | 13,342 | 45,238 | 12,353 | 8,918 | 246,967 | 404 | - | 268,642 | 313,880 |
| Utilities | - | - | - | - | 955,562 | 18,295 | - | - | 973,857 | 973,857 |
| Depreciation | 1,991,661 | 3,064 | 1,994,725 | 51,869 | 2,940,355 | 392,266 | - | - | 3,384,490 | 5,379,215 |
| Total expenses by function | 32,460,023 | 4,675,701 | 37,135,724 | 3,740,374 | 10,628,869 | 8,424,489 | 303,813 | 3,515,936 | 26,613,481 | 63,749,205 |

The accompanying notes are an integral part of these financial statements.

**Notes to the
Financial Statements**

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of LifeSchool of Dallas (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.

A. Reporting Entity

The Corporation is a nonprofit organization incorporated in the State of Texas in 1996. The Corporation is governed by a Board of Directors comprised of eight members. The Board of Directors is selected pursuant to the bylaws of the Corporation and has the authority to make decisions, appoint the chief executive officer 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 state and federal government sources, it must comply with the requirements of the entities providing those funds.

B. Corporate Operations

LifeSchool of Dallas is operating an open-enrollment charter school providing education for kindergarten through 12th grade students authorized under Chapter 12, Subchapter D of the Texas Education Code. The Texas State Board of Education issued the initial charter to the charter holder for a period of five years from August 1, 1998 to July 31, 2003. Subsequent to the awarding of the initial charter, the Corporation applied for and received a second charter renewal in July 2003 extending the charter ten years to July 31, 2013. The Corporation's charter was subsequently renewed for another ten years to July 31, 2023. The Corporation's charter was renewed for another ten years to July 31, 2033. Maximum enrollment was increased from 2,000 to 3,000 in May 2005. In April 2008, maximum enrollment was again increased from 3,000 to 5,000 effective August 1, 2008. Maximum enrollment was increased from 5,000 to 10,000 students in August 2010, and to 15,000 effective July 1, 2016. Approved campus locations are in Oak Cliff, Waxahachie, Red Oak, Lancaster, Cedar Hill, West Dallas and Carrollton, Texas.

C. Basis of Accounting and Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature 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:

Net assets without donor restriction - net assets that are not subject to donor-imposed stipulations.

Net assets with donor restriction - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

Net assets with donor restriction (continued) - Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

E. Contributions

The Corporation accounts for contributions as with donor restriction or without donor restriction, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the school program services and in fund-raising activities.

F. Cash and Cash Equivalents

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

G. 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 an estimated useful life of more than one year and a cost of \$5,000 or more. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from two to fifty 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.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

H. Personal Leave

All employees of the school earn five days of local paid personal leave per year. The balance does not accumulate; therefore, there is no liability accrued on the financial statements.

Employees additionally earn five days of state paid personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the school does not have a policy to pay any amounts when the employees separate from service with the school, and any unused balance is transferable to other schools.

I. Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. CASH AND CASH EQUIVALENTS

The corporation's funds are deposited and invested with its depository bank and other institutions. The depository bank is required to deposit for safekeeping and trust with the charter holder's agent approved pledged securities in an amount sufficient to protect corporate funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2023, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$39,694,458, and the bank balance was \$40,517,053. The corporation's cash deposits at August 31, 2023, and during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name. The above amounts include \$35,826,444 of fully collateralized investments in TexPool accounted for as cash equivalents.

At August 31, 2022, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$31,576,475, and the bank balance was \$31,959,452. The corporation's cash deposits at August 31, 2022, and during the year ended August 31, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name. The above amounts include \$28,125,153 of fully collateralized investments in TexPool accounted for as cash equivalents.

The corporation has restricted cash and cash equivalents of \$3,544,969 and \$3,162,460 as of August 31, 2023 and 2022, respectively. These amounts are deposited with Region's Bank in short-term cash sweep accounts. As of August 31, 2023, \$319,237 of bonds payable proceeds are restricted for future construction projects. \$3,225,732 is held in various reserve accounts and is restricted for debt service reserves by the corporation's bonds payable indentures.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit at InterBank during the year ended August 31, 2023:

- a. Depository: InterBank
- b. At the date of the highest combined cash balance, District cash balances were collateralized by a \$3,435,000 irrevocable letter of credit issued in favor of the District by InterBank and held on behalf of the District by the Federal Home Loan Bank of Topeka.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,093,861 and occurred during the month of December 2022.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

3. PENSION PLAN OBLIGATIONS

A. Plan Description

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. The charter school is legally a separate entity from the state and other entities that participate in TRS. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1- 800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701. There is not a withdrawal penalty for leaving the TRS system.

B. Funding Policy

Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The State Constitution requires the Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

As of August 31, 2022 (the most recent information available), TRS had total net plan assets of \$184.2 billion and accumulated benefit obligation of \$243.6 billion, leaving a net pension liability of \$59.4 billion. TRS is 75.62% funded. There is not a collective-bargaining agreement that covers the plan.

State law provides for the following contribution rates for 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Employees (members) | 8.00% | 8.00% |
| Non-Employer Contributing Entity (State) | 8.00% | 7.75% |
| Employers | 8.00% | 7.75% |

The employer was required to pay the state contribution on salaries paid from federal grants, salaries paid to new employees during their first 90 days of employment, and a contribution surcharge for certain employees who have retired from TRS, and an additional 1.8% of covered employee salaries. Beginning September 1, 2020, the Corporation was required to pay the state contribution on salaries above the statutory minimum.

Contributions made by the Corporation and employees for 2023 and 2022 are shown below. Contributions made each year were equal to the required contributions.

| | <u>2023</u> | <u>2022</u> |
|---------------------|-------------|-------------|
| Employees (members) | \$2,798,516 | \$2,754,615 |
| Employer | \$1,550,346 | \$1,438,826 |

C. Additional plans

Certain employees of the charter holder are also provided with Social Security and/or Medicare coverage. Under provisions of federal law, covered employees contribute 6.2% (Social Security) and/or 1.45% (Medicare) of their annual covered salary, and the charter holder contributes 6.2% (Social Security) and/or 1.45% (Medicare) of the covered payroll.

4. PUBLIC SCHOOL RETIREE HEALTH PLAN

A. Plan Description

The charter school contributes to the Texas Public School Retired Employees Group Insurance Program (TRS Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1- 800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

B. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state,

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

State law provides for the following contribution rates for 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Employees (members) | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |

Contributions made by the Corporation and employees for 2023 and 2022 are shown below. Contributions made each year were equal to the required contributions.

| | <u>2023</u> | <u>2022</u> |
|---------------------|-------------|-------------|
| Employees (members) | \$ 227,380 | \$ 223,812 |
| Employer | \$ 267,711 | \$ 298,415 |

5. HEALTH CARE COVERAGE

During the years ended August 31, 2023 and 2022, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2023 and 2022, the charter school contributed a minimum of \$371 and \$525, respectively, per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay additional contributions or premiums for the employee and dependents. All premiums were paid to licensed insurers.

6. 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 agencies. The programs administered by the charter school have complex compliance requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agencies. In the opinion of the charter school, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

7. INCOME TAX

The Corporation is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Section 509(a)(1) and (3), respectively. The Corporation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the corporation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Unrelated business activities did not generate taxable income during the years ended August 31, 2023 and 2022.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

8. PROPERTY AND EQUIPMENT

Property and Equipment at August 31, 2023, were as follows:

| | Balance <u>9/1/2022</u> | Additions | Deletions | Balance <u>8/31/2023</u> |
|----------------------------|----------------------------|---------------------|-------------|-----------------------------|
| Land | \$ 5,642,748 | \$ 7,026,198 | \$ - | \$ 12,668,946 |
| Buildings and Improvements | 89,955,582 | 745,345 | - | 90,700,927 |
| Furniture and Equipment | 7,428,686 | 402,276 | - | 7,830,962 |
| Vehicles | 918,710 | - | - | 918,710 |
| Capital Lease | 999,324 | - | - | 999,324 |
| Construction in Progress | 220,536 | 76,632 | - | 297,168 |
| Accumulated Depreciation | <u>(34,239,752)</u> | <u>(3,019,989)</u> | - | <u>(37,259,741)</u> |
| | <u>\$ 70,925,834</u> | <u>\$ 5,230,462</u> | <u>\$ -</u> | <u>\$ 76,156,296</u> |

Property and Equipment at August 31, 2022, were as follows:

| | Balance <u>9/1/2021</u> | Additions | Deletions | Balance <u>8/31/2022</u> |
|----------------------------|----------------------------|----------------------|------------------|-----------------------------|
| Land | \$ 5,657,748 | \$ - | \$ 15,000 | \$ 5,642,748 |
| Buildings and Improvements | 89,937,500 | 22,769 | 4,687 | 89,955,582 |
| Furniture and Equipment | 7,356,914 | 72,748 | 976 | 7,428,686 |
| Vehicles | 708,014 | 210,696 | - | 918,710 |
| Capital Lease | 999,324 | - | - | 999,324 |
| Construction in Progress | 144,163 | 76,373 | - | 220,536 |
| Accumulated Depreciation | <u>(31,196,868)</u> | <u>(3,043,091)</u> | <u>(207)</u> | <u>(34,239,752)</u> |
| | <u>\$ 73,606,795</u> | <u>\$(2,660,505)</u> | <u>\$ 20,456</u> | <u>\$ 70,925,834</u> |

Capital assets acquired with public funds received by the Corporation for the operation of LifeSchool Lancaster, LifeSchool Red Oak, LifeSchool Oak Cliff, Life High School Waxahachie, Life Middle School Waxahachie, LifeSchool Cedar Hill, LifeSchool Mountain Creek, and LifeSchool Carrollton constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

9. ECONOMIC DEPENDENCY

During the years ended August 31, 2023 and 2022, the charter holder earned revenue of \$58,239,627 and \$57,476,032, respectively, from the State of Texas. This constitutes approximately 79.0% and 79.6%, respectively, of total revenue earned. Any unforeseen loss of the charter agreement with the State or changes in legislative funding could have a material effect on the ability of the charter school to continue to provide the current level of services to its students.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction for the years ended August 31, 2023 and 2022, consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Foundation School Program | \$16,016,148 | \$8,082,876 |
| Campus Activity Funds | 361,821 | 332,176 |
| ESEA Title I Part A, Improving Basic Programs | 40,527 | 42,880 |
| National School Lunch & Breakfast Program | <u>2,476,583</u> | <u>1,758,727</u> |
| | <u>\$18,895,079</u> | <u>\$10,216,659</u> |

11. BONDS PAYABLE

In June 2021, the Corporation issued the following bond series:

Taxable Variable Rate Education Revenue Refunding Bonds – Taxable Series 2021A – par value \$89,390,000, with an initial interest rate of 3.0%

Tax-Exempt Education Revenue Bonds – Tax-Exempt Series 2021B – par value \$2,500,000, with interest rates ranging from 3.0% to 4.0%

The bonds issued are guaranteed by the Texas Permanent School Fund.

Total proceeds from the Taxable Variable Rate Education Revenue Refunding Bonds Taxable Series 2021A issue, including premiums, were \$94,364,554. \$90,049,317 of the proceeds were deposited into an escrow account and used to purchase government guaranteed securities used to defease the Corporation's 2014A outstanding bond series. \$4,314,985 was used for bond issuance costs. \$252 was additional proceeds. The escrow account will be used to provide for all future debt service on the 2014A bond series. See Note 15 for further information regarding the restricted escrow account. The bonds mature August 15, 2044.

In May 2014 the Corporation issued Qualified School Construction Bonds – Taxable – Series 2014Q – par value \$6,515,000, interest rate 4.56%

There are a number of limitations and restrictions contained in the bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2023.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

A summary of bonds payable for the year ended August 31, 2023 is as follows:

| Description | Interest Rate Payable | Amounts Original Issue | Amounts Outstanding 09/01/22 | Issued/ (Retired) | Amounts Outstanding 08/31/23 | Amount due within one year |
|--|-----------------------|------------------------|------------------------------|-------------------|------------------------------|----------------------------|
| QSCB's Taxable Bonds – Series 2014Q | 4.56% | 6,515,000 | 6,515,000 | - | 6,515,000 | - |
| Variable Rate Education Revenue Refunding Bonds – Series 2021A | 3.00% | 89,390,000 | 89,390,000 | - | 89,390,000 | - |
| Education Revenue Bonds – Series 2021B | 3.00%-4.00% | 2,500,000 | 2,460,000 | (50,000) | 2,410,000 | 55,000 |
| Total bonded debt payable | | | 98,365,000 | (50,000) | 98,315,000 | 55,000 |
| Bond Premium (Discount) | | | 4,951,999 | (224,904) | 4,727,095 | - |
| Total | | | \$ 103,316,999 | \$ (264,904) | \$ 103,042,095 | \$ 55,000 |

Debt service requirements are as follows:

| Years ending 31-Aug | Principal | Interest | Requirements |
|---------------------|---------------|---------------|----------------|
| 2024 | \$ 55,000 | \$ 3,055,673 | \$ 3,110,673 |
| 2025 | 55,000 | 3,053,473 | 3,108,473 |
| 2026 | 55,000 | 3,051,273 | 3,106,273 |
| 2027 | 3,950,000 | 2,298,197 | 6,248,197 |
| 2028 | 4,030,000 | 2,211,773 | 6,241,773 |
| 2029-2033 | 28,040,000 | 9,696,889 | 37,736,889 |
| 2034-2038 | 26,090,000 | 5,675,418 | 31,765,418 |
| 2039-2043 | 29,045,000 | 2,714,316 | 31,759,316 |
| 2044-2048 | 6,630,000 | 235,944 | 6,865,944 |
| 2049-2051 | 365,000 | 22,050 | 387,050 |
| Thereafter | - | - | - |
| | \$ 98,315,000 | \$ 32,015,006 | \$ 130,330,006 |

The Corporation received a Qualified School Construction Bond subsidy of \$289,410 during the year ending August 31, 2023 and \$279,904 during the year ending August 31, 2022 and expects to receive \$275,452 annually through August 31, 2033. This amount is subject to change.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

12. NOTE PAYABLE - VEHICLES

The Corporation purchased 2 school buses under a note payable in the 2021-2022 year. The Corporation is also obligated under a prior year note payable for the purchase of 3 school buses.

The following schedule lists the property financed:

| <u>Note Payable Details</u> | <u>Interest Rate</u> | <u>Date of Agreement</u> | <u>Original Note Amount</u> | <u>Property Purchased</u> | <u>Payment</u> |
|-----------------------------|----------------------|--------------------------|-----------------------------|---------------------------|----------------|
| Mercedes-Benz Financial | 4.500% | 7/15/2020 | \$ 313,799 | 3 Buses | \$5,850/month |
| Mercedes-Benz Financial | 4.150% | 9/17/2021 | 210,696 | 2 Buses | \$45,634/year |

Future principal payments under the note payable as of August 31, 2023 are as follows:

| | |
|---------------------------------|------------------|
| 2023-24 | \$ 104,425 |
| 2024-25 | 42,069 |
| 2025-26 | 43,864 |
| Thereafter | - |
| Total future principal payments | 190,358 |
| Less current portion | (104,425) |
| Long-term | <u>\$ 85,933</u> |

13. LEASES

The Corporation recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Corporation is a lessee in several operating leases for classroom space and office space. The Corporation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Corporation recognizes a lease liability and a right to use (RTU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate if it is readily determinable or otherwise the Corporation uses its incremental borrowing rate. The implicit rates of the Corporations leases are not readily determinable and accordingly, the incremental borrowing rate based on the information available at the commencement date for all leases has been used. The Corporation's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The Corporation uses the rate applicable on its line of credit, in affect when the lease begins, for its incremental borrowing rate. RTU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Corporation has elected, for all underlying classes of assets, to not recognize RTU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Corporation is reasonably certain to exercise. The Corporation recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

The Corporation has obligations as a lessee for classroom space and office space with initial noncancelable terms in excess of one year. The Corporation classified these leases as operating leases. These leases generally contain renewal options for periods ranging from two to ten years. The Corporation evaluates whether it is reasonably certain to exercise these renewal options. If it is reasonably certain that the Corporation will exercise the renewal options, the optional periods are included in the lease term, and associated payments under these renewal options are excluded from lease payments. The Corporation's leases do not include termination options for either party to the lease or restrictive financial or other covenants.

The components of lease cost for the year ended August 31, 2023 are as follows:

| | |
|-----------------------|---------------------|
| Finance lease cost | \$ - |
| Short-term lease cost | - |
| Operating lease cost | <u>2,923,730</u> |
| Total lease cost | <u>\$ 2,923,730</u> |

Amounts reported in the statement of financial position for the year ended August 31, 2023 are as follows:

| | |
|--------------------------|---------------|
| Right-to-use asset – net | \$ 14,873,251 |
| Lease payable | \$ 16,705,787 |

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

| | |
|---|--------------|
| Operating cash flow from operating leases | \$ 2,834,408 |
|---|--------------|

RTU assets obtained in exchange for lease obligations:

| | |
|------------------|--------------|
| Operating leases | \$ 2,277,855 |
|------------------|--------------|

Weighted average remaining lease term:

| | |
|------------------|-------|
| Operating leases | 13.07 |
|------------------|-------|

Weighted average discount rate:

| | |
|------------------|-------|
| Operating leases | 3.63% |
|------------------|-------|

Future minimum payments under noncancellable operating leases as of August 31, 2023 are as follows:

| | |
|---------------------------|----------------------|
| 2023-24 | \$ 2,924,025 |
| 2024-25 | 2,927,267 |
| 2025-26 | 2,927,267 |
| 2026-27 | 2,928,089 |
| 2027-28 | 2,937,128 |
| Thereafter | <u>4,159,079</u> |
| Total | 18,802,855 |
| Less imputed interest | <u>(2,097,068)</u> |
| Operating lease liability | <u>\$ 16,705,787</u> |

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

14. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Corporation through January 12, 2024, the date of financial statement issuance, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements.

15. BOND DEFEASANCE

In June 2021, the Corporation issued bonds (See Note 11) to refund (defease) the Corporations 2014A bond series. To accomplish the defeasance, \$90,049,317 was deposited into an escrow account. Amounts in the escrow account will be used to pay all future debt service payments on the 2014A bond series.

The funds in the escrow account were invested in government-guaranteed bonds with maturities scheduled to match future payment requirements on the defeased debt. The Corporation has received a legal opinion that the 2014A bond series is considered legally defeased. Accordingly, the Corporation has removed the liability for these bonds from its financial statements.

The defeased bonds will be repaid from the escrow account on August 15, 2044, the maturity date of the bonds.

16. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|--|----------------------|
| Cash and cash equivalents-unrestricted | \$ 36,156,050 |
| Due from State and other governments | 7,781,235 |
| Other receivables | 337,686 |
| Less amount with donor restriction | <u>(18,895,079)</u> |
| | <u>\$ 25,379,892</u> |

17. PRIOR PERIOD ADJUSTMENT

The Corporation had a prior period adjustment due to implementing FASB ASC 842, *Leases*. The Corporation had to calculate prior ROU assets and operating lease liabilities. The adjustment of \$1,635,566 was the net difference of the asset and liability.

**Specific-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS

Exhibit B-1

STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2023 AND 2022

| | 2023 | 2022 |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 36,156,050 | \$ 28,421,075 |
| Cash and cash equivalents - restricted | 3,544,969 | 3,162,460 |
| Due from State and other governments | 7,781,235 | 11,951,047 |
| Prepaid expenses | 115,386 | 225,300 |
| Other receivables | 337,686 | 358,491 |
| Total Current Assets | <u>47,935,326</u> | <u>44,118,373</u> |
| Property and Equipment | | |
| Property and equipment - net | 76,156,296 | 70,925,834 |
| Right-of-use asset - net | 14,873,251 | 17,209,582 |
| Total Property and Equipment | <u>91,029,547</u> | <u>88,135,416</u> |
| Other Assets | | |
| Capitalized Debt Issuance Costs | 4,068,531 | 4,266,335 |
| Other Assets | 135,650 | 465,766 |
| | <u>4,204,181</u> | <u>4,732,101</u> |
| Total Assets | <u><u>\$ 143,169,054</u></u> | <u><u>\$ 136,985,890</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 923,004 | \$ 773,384 |
| Accrued wages | 1,683,203 | 1,316,065 |
| Due to state government | 26,330 | 174 |
| Due to student groups | 63,258 | 54,586 |
| Unearned Revenues | 314 | 58,347 |
| Accrued employee benefits | 134,651 | 464,765 |
| Accrued interest expense | 137,977 | 138,546 |
| Current portion of lease payable | 2,361,101 | 2,277,855 |
| Current portion of notes payable | 104,425 | 101,297 |
| Current portion of bonds payable | 55,000 | 50,000 |
| Total Current Liabilities | <u>5,489,263</u> | <u>5,235,019</u> |
| Long Term Debt (net of current portions) | | |
| Lease payable | 14,344,686 | 16,705,787 |
| Notes payable | 85,933 | 189,127 |
| Bonds payable | 102,987,095 | 103,266,999 |
| Total Long-Term Debt | <u>117,417,714</u> | <u>120,161,913</u> |
| Total Liabilities | <u>122,906,977</u> | <u>125,396,932</u> |
| Net Assets | | |
| Without donor restriction | 1,366,998 | 1,372,299 |
| With donor restriction | 18,895,079 | 10,216,659 |
| Total Net Assets | <u>20,262,077</u> | <u>11,588,958</u> |
| Total Liabilities and Net Assets | <u><u>\$ 143,169,054</u></u> | <u><u>\$ 136,985,890</u></u> |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS

Exhibit B-2

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2023 | | |
|---|------------------------------|---------------------------|---------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| 5740 Other Revenues from Local Sources | \$ 2,092,872 | \$ - | \$ 2,092,872 |
| 5750 Cocurricular and Enterprising Activities | 599,607 | 535,120 | 1,134,727 |
| Total Local Support | 2,692,479 | 535,120 | 3,227,599 |
| State program revenues: | | | |
| 5810 Foundation School Program | - | 58,239,627 | 58,239,627 |
| 5820 State Program Revenues Distributed by TEA Texas Education Agency | - | 928,384 | 928,384 |
| Total state program revenues | - | 59,168,011 | 59,168,011 |
| Federal Program Revenues: | | | |
| 5920 Federal Revenues Distributed by TEA | - | 9,303,877 | 9,303,877 |
| 5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA) | - | 1,200,162 | 1,200,162 |
| 5940 Federal Revenues Distributed Directly from the Federal Government | - | 824,000 | 824,000 |
| Total state program revenues | - | 11,328,039 | 11,328,039 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 62,352,750 | (62,352,750) | - |
| Total Revenues | 65,045,229 | 8,678,420 | 73,723,649 |
| Expenses | | | |
| 11 Instruction | 31,056,819 | - | 31,056,819 |
| 12 Instructional Resources and Media Services | 13,885 | - | 13,885 |
| 13 Curriculum Development and Instructional Staff Development | 2,347,321 | - | 2,347,321 |
| 21 Instructional Leadership | 1,222,212 | - | 1,222,212 |
| 23 School Leadership | 3,574,930 | - | 3,574,930 |
| 31 Guidance, Counseling and Evaluation Services | 2,779,809 | - | 2,779,809 |
| 33 Health Services | 609,563 | - | 609,563 |
| 34 Student (Pupil) Transportation | 273,135 | - | 273,135 |
| 35 Food Service | 1,984,167 | - | 1,984,167 |
| 36 Cocurricular/Extracurricular Activities | 2,386,238 | - | 2,386,238 |
| 41 General Administration | 3,810,448 | - | 3,810,448 |
| 51 Plant Maintenance and Operations | 7,773,792 | - | 7,773,792 |
| 52 Security and Monitoring | 1,301,431 | - | 1,301,431 |
| 53 Data Processing Services | 2,271,955 | - | 2,271,955 |
| 61 Community Services | 48,244 | - | 48,244 |
| 71 Debt Service | 3,434,073 | - | 3,434,073 |
| 81 Fund Raising | 162,508 | - | 162,508 |
| Total Expenses | 65,050,530 | - | 65,050,530 |
| Change in Net Assets | (5,301) | 8,678,420 | 8,673,119 |
| Net Assets, Beginning of Year | 1,372,299 | 10,216,659 | 11,588,958 |
| Net Assets, End of Year | \$ 1,366,998 | \$ 18,895,079 | \$ 20,262,077 |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS

Exhibit B-2

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2022 | | |
|---|------------------------------|---------------------------|----------------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| 5740 Other Revenues from Local Sources | \$ 409,690 | \$ - | \$ 409,690 |
| 5750 Cocurricular and Enterprising Activities | 580,610 | 122,216 | 702,826 |
| Total Local Support | 990,300 | 122,216 | 1,112,516 |
| State program revenues: | | | |
| 5810 Foundation School Program | - | 57,476,032 | 57,476,032 |
| 5820 State Program Revenues Distributed by TEA Texas Education Agency | | 315,447 | 315,447 |
| Total state program revenues | - | 57,791,479 | 57,791,479 |
| Federal Program Revenues: | | | |
| 5920 Federal Revenues Distributed by TEA | - | 11,778,393 | 11,778,393 |
| 5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA) | - | 970,892 | 970,892 |
| 5940 Federal Revenues Distributed Directly from the Federal Government | - | 549,600 | 549,600 |
| Total state program revenues | - | 13,298,885 | 13,298,885 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 62,784,981 | (62,784,981) | - |
| Total Revenues | 63,775,281 | 8,427,599 | 72,202,880 |
| Expenses | | | |
| 11 Instruction | 29,902,549 | - | 29,902,549 |
| 12 Instructional Resources and Media Services | 97,245 | - | 97,245 |
| 13 Curriculum Development and Instructional Staff Development | 2,460,229 | - | 2,460,229 |
| 21 Instructional Leadership | 1,127,028 | - | 1,127,028 |
| 23 School Leadership | 3,548,673 | - | 3,548,673 |
| 31 Guidance, Counseling and Evaluation Services | 2,812,488 | - | 2,812,488 |
| 33 Health Services | 605,312 | - | 605,312 |
| 34 Student (Pupil) Transportation | 239,390 | - | 239,390 |
| 35 Food Service | 2,454,336 | - | 2,454,336 |
| 36 Cocurricular/Extracurricular Activities | 2,312,963 | - | 2,312,963 |
| 41 General Administration | 3,740,374 | - | 3,740,374 |
| 51 Plant Maintenance and Operations | 7,589,074 | - | 7,589,074 |
| 52 Security and Monitoring | 976,285 | - | 976,285 |
| 53 Data Processing Services | 2,063,510 | - | 2,063,510 |
| 61 Community Services | 151,794 | - | 151,794 |
| 71 Debt Service | 3,515,936 | - | 3,515,936 |
| 81 Fund Raising | 152,019 | - | 152,019 |
| Total Expenses | 63,749,205 | - | 63,749,205 |
| Change in Net Assets | 26,076 | 8,427,599 | 8,453,675 |
| Net Assets, Beginning of Year | 1,346,223 | 3,424,626 | 4,770,849 |
| Prior Period Adjustment | - | (1,635,566) | (1,635,566) |
| Net Assets, End of Year | \$ 1,372,299 | \$ 10,216,659 | \$ 11,588,958 |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS

Exhibit B-3

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

| CASH FLOWS FROM OPERATING ACTIVITIES | 2022 | 2022 |
|--|---------------|---------------|
| Change in Net Assets | \$ 8,673,119 | \$ 8,453,675 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | | |
| Depreciation and amortization | 5,356,320 | 5,379,215 |
| Amortization of Capitalized Debt Issuance Costs | 197,804 | 197,804 |
| (Increase) Decrease in Due from State and Other Governments | 4,169,812 | (3,612,826) |
| (Increase) Decrease in Prepaid Expenses | 109,914 | 59,377 |
| (Increase) Decrease in Other Receivables | 20,805 | (169,878) |
| (Increase) Decrease in Other Assets | 330,116 | (109,187) |
| Increase (Decrease) in Accounts Payable | 149,620 | (287,744) |
| Increase (Decrease) in Accrued Wages | 367,138 | 203,936 |
| Increase (Decrease) in Due to State Government | 26,156 | (77) |
| Increase (Decrease) in Due to Student Groups | 8,672 | 12,559 |
| Increase (Decrease) in Unearned Revenues | (58,033) | (361,231) |
| Increase (Decrease) in Accrued Employee Benefits | (330,114) | 119,938 |
| Increase (Decrease) in Accrued Interest Expense | (569) | (347,749) |
| Net Cash Provided (Used) by Operating Activities | 19,020,760 | 9,537,812 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Land, Buildings, and Equipment | (8,250,451) | (361,923) |
| Net Cash Provided (Used) by Investing Activities | (8,250,451) | (361,923) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds (Payments) from (on) Lease Payable | (2,277,855) | (2,197,837) |
| Proceeds (Payments) from (on) Notes Payable | (100,066) | 43,670 |
| Principal Payments on Bonds Payable | (274,904) | (264,904) |
| Net Cash Provided (Used) by Financing Activities | (2,652,825) | (2,419,071) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 8,117,484 | 6,756,818 |
| Cash and Cash Equivalents, Beginning of Year | 31,583,535 | 24,826,717 |
| Cash and Cash Equivalents, End of Year (includes restricted cash of \$3,544,969 and \$3,162,460 at August 31, 2023 and 2022, respectively) | \$ 39,701,019 | \$ 31,583,535 |
| Cash Paid for Interest During the Year | \$ 3,426,627 | \$ 3,856,671 |
| Cash Paid for Income Taxes During the Year | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit B-4

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2023 | | | | | | | | | Total Functional Expenses |
|-----------------------------|---|--|------------|---------------------------------------|---|---|-----------------------|--------------|------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupil) | Ancillary Services | Debt Service | Total | |
| Salaries and Wages | 24,866,352 | 3,813,377 | 28,679,729 | 2,311,334 | 2,059,343 | 3,619,873 | 98,302 | - | 8,088,852 | 36,768,581 |
| Payroll Taxes | 386,589 | 56,071 | 442,660 | 39,763 | 30,395 | 53,024 | 1,476 | - | 124,658 | 567,318 |
| Employee Benefits | 3,117,779 | 516,146 | 3,633,925 | 362,019 | 288,807 | 548,633 | 17,134 | - | 1,216,593 | 4,850,518 |
| Fees For Services | 416,329 | 138,273 | 554,602 | 368,855 | 1,447,626 | 347,191 | 38,830 | - | 2,202,502 | 2,757,104 |
| Food | - | - | - | - | - | 1,766,158 | - | - | 1,766,158 | 1,766,158 |
| Insurance | - | - | - | 3,247 | 436,419 | 40,500 | - | - | 480,166 | 480,166 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 3,434,073 | 3,434,073 | 3,434,073 |
| Miscellaneous | 96,439 | 124,716 | 221,155 | 512,744 | 9,502 | 142,125 | 8,847 | - | 673,218 | 894,373 |
| Rent | 42,000 | 6,827 | 48,827 | 4,633 | 210,556 | 72,522 | 295 | - | 288,006 | 336,833 |
| Repairs and Maintenance | 327 | - | 327 | 75 | 1,817,272 | 150,851 | - | - | 1,968,198 | 1,968,525 |
| Supplies | 2,429,341 | 115,943 | 2,545,284 | 121,181 | 1,001,303 | 672,856 | 43,673 | - | 1,839,013 | 4,384,297 |
| Travel | 133,926 | 22,725 | 156,651 | 34,728 | 18,224 | 207,489 | 2,195 | - | 262,636 | 419,287 |
| Utilities | - | - | - | - | 1,050,929 | 16,048 | - | - | 1,066,977 | 1,066,977 |
| Depreciation | 1,928,943 | 3,064 | 1,932,007 | 51,869 | 2,976,802 | 395,642 | - | - | 3,424,313 | 5,356,320 |
| Total expenses by function | 33,418,025 | 4,797,142 | 38,215,167 | 3,810,448 | 11,347,178 | 8,032,912 | 210,752 | 3,434,073 | 26,835,363 | 65,050,530 |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit B-4

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2022 | | | | | | | | | |
|-----------------------------|---|--|------------|---------------------------------------|---|---|-----------------------|--------------|------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | Total Functional Expenses |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupil) | Ancillary Services | Debt Service | Total | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Salaries and Wages | 24,301,154 | 3,667,991 | 27,969,145 | 2,212,828 | 2,060,457 | 3,456,645 | 166,237 | - | 7,896,167 | 35,865,312 |
| Payroll Taxes | 388,474 | 54,183 | 442,657 | 32,886 | 29,750 | 50,742 | 2,487 | - | 115,865 | 558,522 |
| Employee Benefits | 3,638,519 | 540,856 | 4,179,375 | 477,304 | 340,006 | 625,996 | 31,141 | - | 1,474,447 | 5,653,822 |
| Fees For Services | 396,798 | 78,539 | 475,337 | 390,304 | 1,198,372 | 361,457 | 33,344 | - | 1,983,477 | 2,458,814 |
| Food | - | - | - | - | - | 2,309,015 | - | - | 2,309,015 | 2,309,015 |
| Insurance | - | - | - | 3,247 | 379,307 | 34,269 | - | - | 416,823 | 416,823 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 3,515,936 | 3,515,936 | 3,515,936 |
| Miscellaneous | 117,629 | 97,466 | 215,095 | 438,024 | 6,088 | 99,267 | 12,354 | - | 555,733 | 770,828 |
| Rent | 7,000 | 5,653 | 12,653 | 2,840 | 205,708 | 58,160 | 1,215 | - | 267,923 | 280,576 |
| Repairs and Maintenance | 2,076 | - | 2,076 | - | 1,618,681 | 123,744 | - | - | 1,742,425 | 1,744,501 |
| Supplies | 1,584,816 | 214,607 | 1,799,423 | 118,719 | 885,665 | 647,666 | 56,631 | - | 1,708,681 | 3,508,104 |
| Travel | 31,896 | 13,342 | 45,238 | 12,353 | 8,918 | 246,967 | 404 | - | 268,642 | 313,880 |
| Utilities | - | - | - | - | 955,562 | 18,295 | - | - | 973,857 | 973,857 |
| Depreciation | 1,991,661 | 3,064 | 1,994,725 | 51,869 | 2,940,355 | 392,266 | - | - | 3,384,490 | 5,379,215 |
| Total expenses by function | 32,460,023 | 4,675,701 | 37,135,724 | 3,740,374 | 10,628,869 | 8,424,489 | 303,813 | 3,515,936 | 26,613,481 | 63,749,205 |

The accompanying notes are an integral part of these financial statements.

**Required
Supplementary
Information**

LIFESCHOOL OF DALLAS

Exhibit C-1

**SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| Expenses | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| 6100 Payroll Costs | \$ 42,069,418 | \$ 41,947,421 |
| 6200 Professional and Contracted Services | 6,246,438 | 7,905,237 |
| 6300 Supplies and Materials | 6,150,454 | 5,888,723 |
| 6400 Other Operating Costs | 7,150,147 | 4,491,888 |
| 6500 Debt | <u>3,434,073</u> | <u>3,515,936</u> |
| Total Expenses | <u>\$ 65,050,530</u> | <u>\$ 63,749,205</u> |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS

Exhibit D-1

**SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2023**

| | Ownership Interest | | |
|------------------------------------|--------------------|----------------------|-------------------|
| | Local | State | Federal |
| 1510 Land and Improvements | \$ - | \$ 12,668,946 | \$ - |
| 1520 Buildings and Improvements | 55,597 | 90,084,000 | 561,330 |
| 1531 Vehicles | - | 918,710 | - |
| 1539 Furniture and Equipment | 34,826 | 7,186,546 | 1,028,052 |
| 1549 Furniture and Equipment | - | 241,363 | 339,499 |
| 1551 Right-to-use asset | | 29,233,595 | |
| 1580 Construction in Progress | - | 297,168 | - |
| 1570 Less Accumulated Depreciation | (58,918) | (35,975,807) | (1,225,016) |
| 1576 Less Accumulated Amortization | | (14,360,344) | |
| Total Property and Equipment | <u>\$ 31,505</u> | <u>\$ 90,294,177</u> | <u>\$ 703,865</u> |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS

Exhibit E-1

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|---------------|----------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>from Final</u> <u>Budget</u> |
| Revenues | | | | |
| Local Support: | | | | |
| 5740 Other Revenues from Local Sources | \$ 75,000 | \$ 2,054,819 | \$ 2,092,872 | \$ 38,053 |
| 5750 Cocurricular and Enterprising Activities | 689,931 | 1,050,121 | 1,134,727 | 84,606 |
| Total Local Support | 764,931 | 3,104,940 | 3,227,599 | 122,659 |
| State Program Revenues: | | | | |
| 5810 Foundation School Program Act Revenues | 56,137,263 | 57,918,599 | 58,239,627 | 321,028 |
| 5820 State Program Revenues Distributed by TEA | 400,000 | 633,503 | 928,384 | 294,881 |
| Total State Program Revenues | 56,537,263 | 58,552,102 | 59,168,011 | 615,909 |
| Federal Program Revenues: | | | | |
| 5920 Federal Revenues Distributed by TEA | 5,376,032 | 8,430,347 | 9,303,877 | 873,530 |
| 5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA) | 520,000 | 1,201,806 | 1,200,162 | (1,644) |
| 5940 Federal Revenues Distributed Directly from the Federal Government | - | 824,000 | 824,000 | - |
| Total Federal Program Revenues | 5,896,032 | 10,456,153 | 11,328,039 | 871,886 |
| Total Revenues | 63,198,226 | 72,113,195 | 73,723,649 | 1,610,454 |
| Expenses | | | | |
| 11 Instruction | 29,275,089 | 31,676,698 | 31,056,819 | 619,879 |
| 12 Instructional Resources & Media Services | 25,519 | 33,466 | 13,885 | 19,581 |
| 13 Curriculum & Instructional Staff Development | 2,099,311 | 2,394,924 | 2,347,321 | 47,603 |
| 21 Instructional Leadership | 1,151,236 | 1,301,594 | 1,222,212 | 79,382 |
| 23 School leadership | 3,425,514 | 3,651,532 | 3,574,930 | 76,602 |
| 31 Guidance, Counseling, & Evaluation Services | 1,586,565 | 2,911,325 | 2,779,809 | 131,516 |
| 33 Health Services | 534,657 | 653,535 | 609,563 | 43,972 |
| 34 Student Transportation | 287,539 | 303,755 | 273,135 | 30,620 |
| 35 Food Services | 2,621,038 | 2,621,038 | 1,984,167 | 636,871 |
| 36 Cocurricular/Extracurricular Activities | 1,885,473 | 2,517,929 | 2,386,238 | 131,691 |
| 41 General Administration | 4,042,464 | 4,072,348 | 3,810,448 | 261,900 |
| 51 Plant Maintenance & Operations | 8,304,124 | 8,778,303 | 7,773,792 | 1,004,511 |
| 52 Security & Monitoring Services | 1,139,586 | 1,397,817 | 1,301,431 | 96,386 |
| 53 Data Processing Services | 2,718,998 | 2,718,998 | 2,271,955 | 447,043 |
| 61 Community Services | 102,807 | 145,928 | 48,244 | 97,684 |
| 71 Debt Service | 3,592,273 | 5,184,243 | 3,434,073 | 1,750,170 |
| 81 Fundraising | 190,379 | 192,634 | 162,508 | 30,126 |
| Total Expenses | 62,982,572 | 70,556,067 | 65,050,530 | 5,505,537 |
| Change in Net Assets | 215,654 | 1,557,128 | 8,673,119 | 7,115,991 |
| Net Assets, Beginning of Year | 11,588,958 | 11,588,958 | 11,588,958 | - |
| Net Assets, End of Year | \$ 11,804,612 | \$ 13,146,086 | \$ 20,262,077 | \$ 7,115,991 |

The accompanying notes are an integral part of these financial statements.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

- 1) 5740 – Increase in budget to account for higher interest income earned on investments
- 2) 5750 – Increase in budget to account for higher athletic ticket sales, concession sales and other cocurricular activities
- 3) 5820 – Increase in budget to account for the School Safety and Security Grant, Silent Panic Alert Technology Grant, TCLAS Grant and Dyslexia Grant funds
- 4) 5920 – Increase in budget to spend more ESSER II and III grant funds
- 5) 5930 – Increase in budget to account for the School Health and Related Services (SHARS) revenue
- 6) 5940 – Increase in budget to account for Emergency Connectivity Fund (ECF) funding
- 7) Function 12 – Increase due to anticipated supplemental resources for campus libraries
- 8) Function 13 – Increase due to anticipated professional development expenses
- 9) Function 21 – Increase due to new hires with higher salaries, new positions and professional development for school leaders
- 10) Function 31 – Increase due to additional contracted services for Special Education
- 11) Function 33 – Increase due to additional medical equipment and supply needs
- 12) Function 36 – Increase due to higher participation and advancement in UIL and athletic activities
- 13) Function 52 – Increase due to pay increase for contracted police officers
- 14) Function 61 – Increase due to additional parent involvement funds
- 15) Function 71 – Increase due to the change in accounting method for leases under ASC 842

LIFESCHOOL OF DALLAS

**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2023**

| (1) Description (list each parcel separately) | (2) Property Address | (3) Total Assessed Value | (4) Ownership Interest - Local | (5) Ownership Interest - State | (6) Ownership Interest - Federal |
|---|--|-----------------------------------|---|---|---|
| Life School Oak Cliff Legal Description: LIFE CHARTER SCHOOL NO 2 Block 3/6013, LT 1A ACS 17.891 | 4400 S. RL Thornton Frwy. Dallas, TX 75224 | \$ 7,858,590 | - | 7,858,590 | - |
| Life High School Waxahachie Legal Description: LOT PT 1R BLK A LIFE SCHOOL WAXAHACHIE ADDN-REV 42.833 AC | 170 W. Butcher Rd. Waxahachie, TX 75165 | \$ 42,087,194 | | 42,087,194 | |
| Life High School Waxahachie PH II Legal Description: LOT PT 1R BLK A LIFE SCHOOL WAXAHACHIE ADDN-REV 2.309 AC | 150 W. Butcher Rd. Waxahachie, TX 75165 | \$ 3,895,135 | | 3,895,135 | |
| Life Middle School Waxahachie Legal Description: PT 1 A WAXAHACHIE HEALTH 16.845 ACRES | 3295 N. US Hwy 77 Waxahachie, TX 75165 | \$ 7,468,076 | | 7,468,076 | |
| Life School Lancaster Legal Description: VICTORY FAMILY CHURCH BLK 1 LT 18A ACS 3.0067 | 950 S. I-35E Lancaster, TX 75146 | \$ 7,905,440 | | 7,905,440 | |
| Life School Cedar Hill Legal Description: HIGH POINTE BLK 12, LT 3R LESS ROW | 129 W. Wintergreen Rd. Cedar Hill, TX 75104 | \$ 8,039,240 | | 8,039,240 | |
| Land Parcel 1 - Lancaster Legal Description: FRANCIS JONES ABST 672 PG 535 TR 7 ACS 11.41 | 954 S I-35 Lancaster, TX 75146 | \$ 228,200 | | 228,200 | |
| Land Parcel 2 - Lancaster Legal Description: FRANCIS JONES ABST 672 PG 535 TR 9.1 ACS 3.0361 | 1000 S I-35 Lancaster, TX 75146 | \$ 528,990 | | 528,990 | |
| Land Parcel 3 - Duncanville Legal Description: NEL A AYERS ABST 11 PG 100 TR 9 ACS 99.265 | 1000 E Daniieldale Rd Duncanville, TX 75137 | \$ 4,323,980 | | 4,323,980 | |
| Land Parcel 4 - Duncanville Legal Description: KEYSTONE PLACE LK 1 LT 1 ACS 6.005 | 1600 S Cockrell Hill Rd Duncanville, TX 75137 | \$ 630,380 | | 630,380 | |

LIFESCHOOL OF DALLAS

**SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2023**

| Related Party Name | Name of Relation to the Related Party | Relationship | Type of Transaction | Description of Terms and Conditions | Source of Funds Used | Payment Frequency | Total paid During FY | Principal Balance Due |
|--------------------------|---|--------------|------------------------|---|----------------------------|----------------------|----------------------------|-----------------------------|
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

LIFESCHOOL OF DALLAS

SCHEDULE OF RELATED PARTY COMPENSATION AND BENFITS
FOR THE YEAR ENDED AUGUST 31, 2023

| Related Party Name | Name of Relation to the Related Party | Relationship | Compensation or Benefit | Payment Frequency | Description | Source of Funds Used | Total paid During FY |
|--------------------------|---|--------------|----------------------------|----------------------|-------------|----------------------------|----------------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

LIFESCHOOL OF DALLAS (THE CHARTER HOLDING)

Exhibit I-1

**USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2023**

Section A: Compensatory Education Programs

| | | |
|-----|--|-------------|
| AP1 | Did the LEA expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program? | Yes |
| AP3 | List the total state allotment funds received for state compensatory education programs during the district's fiscal year. | \$5,749,664 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. | \$2,412,607 |

Section B: Bilingual Education Programs

| | | |
|-----|---|-----------|
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year? | Yes |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program? | Yes |
| AP7 | List the total state allotment funds received for bilingual education programs during the LEA's fiscal year. | \$322,368 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35) | \$123,114 |

**Reports on Compliance,
Internal Controls,
and Federal Awards**

Members:
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**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITORS' 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 Directors
LifeSchool of Dallas
Red Oak, Texas

We have audited, in accordance with the 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, the financial statements of LifeSchool of Dallas (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated January 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LifeSchool of Dallas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LifeSchool of Dallas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LifeSchool of Dallas' financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 12, 2024

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PUBLIC ACCOUNTANTS

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P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors
LifeSchool of Dallas
Red Oak, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited LifeSchool of Dallas' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of LifeSchool of Dallas' major federal programs for the year ended August 31, 2023. LifeSchool of Dallas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

In our opinion, LifeSchool of Dallas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LifeSchool of Dallas and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LifeSchool of Dallas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirement of laws, statutes, regulations, rules, contracts, or grant agreements applicable to its federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LifeSchool of Dallas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements

referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about LifeSchool of Dallas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LifeSchool of Dallas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LifeSchool of Dallas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LifeSchool of Dallas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 12, 2024

LIFESCHOOL OF DALLAS (THE CHARTER HOLDING)

Exhibit J-1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023**

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be
material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be
material weaknesses? ___ Yes X No

Type of auditors' report issued on compliance for major programs Unmodified

Did the audit disclose findings which are required to be reported in
accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

Child Nutrition Cluster:

FALN 10.553 - School Breakfast

FALN 10.555 - National School Lunch Program - Cash Assistance

FALN 10.555 - National School Lunch Program - Non-Cash Assistance

FALN 32.009 - Emergency Connectivity Fund

FALN 84.425D - Elementary & Secondary School Emergency Relief II

FALN 84.425U - ESSER III - ARP School Emergency Relief

FALN 84.425U - Texas COVID Learning Supports - State ESSER III

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes ___ No

II. Financial Statement Findings

None

III. Findings and Questioned Costs for State and Federal Awards

None

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2023

CORRECTIVE ACTION PLAN:

None Required

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

No prior audit findings.

LIFESCHOOL OF DALLAS

Exhibit M-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal FALN Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|---|----------------------------------|---|--------------------------------|
| FEDERAL COMMUNICATIONS COMMISSION | | | |
| <u>Direct Programs</u> | | | |
| Emergency Connectivity Fund | 32.009 | 140871 | \$ 824,000 |
| Total Direct Programs | | | \$ 824,000 |
| TOTAL FEDERAL COMMUNICATIONS COMMISSION | | | \$ 824,000 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through Region 10 Education Service Center</u> | | | |
| Title III, Part A - English Language Acquisition | 84.365A | 23671001057950 | 18,449 |
| Total Passed Through Region 10 Education Service Center | | | 18,449 |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 22610101057807 | 25,964 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 23610101057807 | 1,600,799 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 24610101057807 | 128,395 |
| Total FALN Number 84.010A | | | 1,755,158 |
| *IDEA - Part B, Formula | 84.027A | 236600010578076600 | 732,099 |
| *IDEA - Part B, Formula | 84.027A | 246600010578076600 | 89,240 |
| *IDEA - Part B, Formula ARP | 84.027A | 235350010578075000 | 161,488 |
| Total Special Education Cluster (IDEA) Passed Through State Department of Education | | | 982,827 |
| Career and Technical - Basic Grant | 84.048A | 23420006057807 | 83,023 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 23694501057807 | 179,065 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 24694501057807 | 29,792 |
| Total FALN Number 84.367A | | | 208,857 |
| LEP Summer School | 84.369A | 69552202 | 2,918 |
| ESEA, Title IV, Part A - Student Support | 84.424A | 23680101057807 | 92,259 |
| ESEA, Title IV, Part A - Student Support | 84.424A | 24680101057807 | 15,568 |
| Total FALN Number 84.424A | | | 107,827 |
| Elementary & Secondary School Emergency Relief II | 84.425D | 21521001057807 | 1,677,350 |
| ESSER III - ARP School Emergency Relief | 84.425U | 21528001057807 | 2,154,672 |
| Texas COVID Learning Supports - State ESSER III | 84.425U | 21528042057807 | 134,408 |
| Total FALN Number 84.425 | | | 3,966,430 |
| Total Passed Through State Department of Education | | | 7,107,040 |
| TOTAL DEPARTMENT OF EDUCATION | | | \$ 7,125,489 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Passed Through State Department of Human Services</u> | | | |
| Medicaid Administrative Claiming Program - MAC | 93.778 | 529-13-0035-00004 | \$ 40,003 |
| Total Passed Through the State Department of Human Services | | | \$ 40,003 |

*Clustered Programs

LIFESCHOOL OF DALLAS

Exhibit M-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal FALN Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| <u>Passed Through State Department of Education</u> | | | |
| COVID-19 School Health Support Grant | 93.323 | 39352201 | \$ 16,895 |
| Total Passed Through the State Department of Education | | | \$ 16,895 |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | \$ 56,898 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | NT4XL2YGLGC5 | \$ 290,486 |
| *National School Lunch Program - Cash Assistance | 10.555 | NT4XL2YGLGC5 | 1,700,689 |
| *National School Lunch Program - Non-Cash Assistance | 10.555 | NT4XL2YGLGC5 | 187,150 |
| Total FALN Number 10.555 | | | <u>1,887,839</u> |
| Total Child Nutrition Cluster | | | <u>2,178,325</u> |
| P-EBT Local Administrative costs | 10.649 | NT4XL2YGLGC5 | 3,135 |
| Total Passed Through the State Department of Agriculture | | | \$ <u>2,181,460</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | \$ <u>2,181,460</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ <u>10,187,847</u> |

*Clustered Programs

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

- For all federal programs, the Corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.
- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- FALN numbers for commodity assistance are the FALN numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$175,994.
- Reconciliation Information:

| | |
|---|----------------------|
| Amounts reported on the Schedule of Expenditures of Federal awards | \$ 10,187,847 |
| SHARS Revenue not reported on the Schedule of Expenditures of Federal awards | <u>1,140,192</u> |
| Total Federal Program Revenue | <u>\$ 11,328,039</u> |

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APPENDIX D

FORM OF BOND COUNSEL OPINION

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October 16, 2024

Arlington Higher Education Finance Corporation
Arlington, Texas

Regions Bank
Houston, Texas

\$112,910,000
Arlington Higher Education Finance Corporation
Education Revenue Bonds (LifeSchool of Dallas) Series 2024

Ladies and Gentlemen:

We have been engaged by LifeSchool of Dallas, a Texas nonprofit corporation (the “**Company**”), to serve as bond counsel in connection with the issuance by the Arlington Higher Education Finance Corporation (the “**Issuer**”) of its Education Revenue Bonds (LifeSchool of Dallas) Series 2024 (the “**Bonds**”). The Bonds are issued pursuant to a Trust Indenture and Security Agreement, dated as of October 1, 2024 (the “**Trust Indenture**”), by and between the Issuer and Regions Bank, as trustee (the “**Trustee**”) and are secured by a tax-exempt promissory note (the “**Note**”) entitled to the benefit of a Master Trust Indenture and Security Agreement, dated as of May 1, 2014 (the “**Original Master Indenture**”) by and between the Company and Regions Bank, as master trustee (the “**Master Trustee**”), as supplemented by Supplemental Master Trust Indenture No. 4, dated as of October 1, 2024 (the “**Supplemental Indenture**”) (the Original Master Indenture, as supplemented, is referred to herein as the “**Master Indenture**”). The proceeds of the Bonds will be loaned by the Issuer to the Company pursuant to a Loan Agreement, dated as of October 1, 2024 (the “**Loan Agreement**”), by and between the Issuer and the Company. 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 Note are pledged and assigned by the Issuer under the Trust Indenture to the Trustee as security for the Bonds. A capitalized term not otherwise defined herein shall have the meaning assigned to such term in the Trust Indenture and the Loan Agreement. The Bonds are payable solely from the Trust Estate created under the Trust Indenture.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to (i) the legality and validity of the Bonds under the Constitution and laws of the State of Texas

and (ii) the exclusion of interest on the Bonds from gross income for federal income tax purposes. 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 Issuer or the Company or the disclosure thereof in connection with the offer and sale of the Bonds.

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 Board of Directors of the Company and the Board of Directors of the Issuer, and certain certificates and other documents of representatives of the Issuer, the Trustee, the Company, and of others. We have also examined such portions of the Constitution and statutes of the State of Texas, and such applicable provisions of the Internal Revenue Code of 1986, as amended (the “*Code*”), court decisions, regulations and published rulings of the Internal Revenue Service (the “*Service*”), 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 Trust 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, D.A. Davidson & Co. and PNC Capital Markets LLC (the “*Underwriters*”), and others, without undertaking to verify the same by independent investigation.

Reference is made to our opinion of even date herewith, as counsel to the Company, as to among other things, the 501(c)(3) status of the Company, the due authorization, execution and delivery of the Master Indenture, the Note, and related documents by the Company and the validity and enforceability of such documents against the Company.

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 Trust Indenture by the Trustee and the validity and binding effect of the Trust 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 Trust Indenture has been duly authorized, executed and delivered by the Issuer and is a legal, 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 Note and the Loan Agreement (except for certain rights of the Issuer to indemnification and payment of its fees and expenses) and amounts on deposit or held for the credit of the funds and accounts held by the Trustee pursuant to the terms of the Trust 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 Trust Indenture as security for the Bonds.

2. The Bonds have been duly authorized, executed, issued and delivered by the Issuer, and are legal, valid and binding special obligations of the Issuer entitled to the benefits and security of the Trust Indenture and that all conditions precedent provided in the Trust Indenture relating to the authentication and delivery of the Bonds have occurred. The Bonds are limited obligations of the Issuer payable solely from the Trust Estate under the Trust Indenture and the revenues derived therefrom. The Bonds are not obligations of the City of Arlington, Texas, nor of any political corporation, subdivision or agency of the State of Texas.

3. Interest on the Bonds is not included in gross income of the holders of the Bonds for federal income tax purposes under existing law and is not an item of tax preference for purposes of the federal alternative minimum income tax

4. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and is a legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

Except as stated in paragraph 3 above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Bonds.

The opinions expressed herein are limited to the extent that (i) the performance and enforceability of the Trust 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 Underwriters with respect to certain material facts, estimates and expectations which are solely within the knowledge of the Issuer, the Company and the Underwriters, respectively, and which we have not independently verified. In addition, in rendering the opinions set forth in **paragraph 3**, we have assumed continuing compliance with the covenants in the Loan Agreement and the Trust Indenture pertaining to those sections of the Code that affect the status of the Company as an organization described in Section 501(c)(3) of the Code and the exclusion from gross income of interest on the Bonds for federal income tax purposes. If the certificates upon which we have relied are determined to be inaccurate or incomplete, or the Issuer or the Company fails to comply with such covenants, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States of America, certain S corporations with Subchapter C earnings and

profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and individuals otherwise qualifying for the earned income tax credit.

The opinions expressed herein are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Company has covenanted in the Loan Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

The foregoing opinions speak only as of the date hereof 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, the foregoing opinions are specifically limited to the laws of the State of Texas and, to the extent applicable, the federal laws of the United States of America.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of October 16, 2024 (the “*Continuing Disclosure Agreement*”), is executed and delivered by and among LifeSchool of Dallas, a Texas nonprofit corporation (“*Life School*”) and Digital Assurance Certification, LLC, as dissemination agent (the “*Dissemination Agent*”), in connection with the issuance by Arlington Higher Education Finance Corporation (the “*Issuer*”) of its \$112,910,000 Education Revenue Bonds (LifeSchool of Dallas) Series 2024 (the “*Bonds*”). The Bonds are being issued pursuant to a Trust Indenture and Security Agreement, each dated as of October 1, 2024 (the “*Bond Indenture*”) between the Issuer and Regions Bank, as trustee (the “*Bond Trustee*”). The proceeds of the sale of the Bonds will be loaned to Life School pursuant to the terms of a Loan Agreement, dated as of October 1, 2024 (the “*Loan Agreement*”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Bond Indenture and the Loan Agreement.

Section 1. Purpose of Agreement

Inasmuch as the Bonds are limited obligations of the Issuer, no financial or operating data concerning it is material to any decision to purchase, hold or sell the Bonds, and the Issuer has not covenanted to provide such information. Life School has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described herein.

This Continuing Disclosure Agreement is being executed and delivered by Life School for the benefit of the registered owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered registered owners of the Bonds) and to assist D.A. Davidson & Co. and PNC Capital Markets LLC (together, the “*Underwriters*”) in complying with paragraph (b)(5) of United States Securities and Exchange Commission (“*SEC*”) Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (“*Rule 15c2-12*”). This Continuing Disclosure Agreement constitutes the written undertaking required by Rule 15c2-12. Each and every filing made hereunder shall be disseminated by transmission to the Municipal Securities Rulemaking Board (the “*MSRB*”) through the Electronic Municipal Market Access (“*EMMA*”) System at www.emma.msrb.org or any successor system that the MSRB may prescribe. Such filings will be in the format and will be accompanied by the identifying information prescribed by the MSRB.

Section 2. Defined Terms

“*Annual Report*” means the reports required to be provided pursuant to **Section 3** hereof.

“*Event Notice*” means the notice required to be provided pursuant to **Section 5** hereof.

“*Financial Obligation*” means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

“*Interim Report*” means the reports required to be provided pursuant to **Section 4** hereof.

“*Official Statement*” means the Official Statement dated September 25, 2024 pertaining to the Bonds.

Section 3. Annual Reports; Annual Investor Call

A. Each year, Life School shall cause the Dissemination Agent to provide for dissemination in the manner required under this Continuing Disclosure Agreement, within six months after the end of the immediately preceding fiscal year, commencing with the fiscal year ending August 31, 2024, an Annual Report for the immediately preceding fiscal year which shall include all annual information pertinent to such fiscal year as provided below:

- (a) *Audited Financials*: Each Annual Report shall include a copy of Life School’s annual audited financial statements for the immediately preceding fiscal year, together with a copy of any accompanying management letter and a copy of the accompanying audit report; *provided, however*, that such annual audited financial statements may be submitted separately from the balance of the Annual Report and that, if such audited financial statements are not available within six (6) months of the end of the immediately preceding

fiscal year, then Life School shall provide unaudited financial statements by that date and shall subsequently provide the pertinent audited financial statements as soon as they become available. Such financial statements shall be prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as Life School may be required to employ from time to time pursuant to State law or regulation.

- (b) *Updated Table Data from Appendix A to the Official Statement.* Each Annual Report shall include updated financial information and operating data with respect to Life School of the general type included in **APPENDIX A** to the Official Statement including in the following tables, but subject to adjustments as may be noted below:

- (i) TABLE 1: CHARTER SCHOOLS;
- (iii) TABLE 4: PROFESSIONAL STAFF AND FACULTY, including the teacher retention ratio for Life School from the prior year;
- (iv) TABLE 5: HISTORICAL AND FUTURE PROJECTED ENROLLMENT, *provided, however*, that only historical data will be provided;
- (v) TABLE 6: WAIT LIST DATA;
- (vi) TABLE 7: STUDENT RETENTION DATA, including a breakout by school; and
- (vii) TABLE 9: ACCOUNTABILITY RATINGS.

Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information provided pursuant to this Continuing Disclosure Agreement. If Life School fails to provide any Annual Report within the time periods required hereby, then Life School shall promptly send a notice of such failure to the Dissemination Agent and the Dissemination Agent shall promptly send notice of such failure in the manner required under this Continuing Disclosure Agreement. If Life School changes its fiscal year, it shall provide notice of such event prior to the next date by which Life School otherwise would be required to provide financial information and operating data pursuant to this section.

B. Life School may voluntarily hold an annual investor call, commencing after the release of the financial results for each year commencing with the year ending August 31, 2024, for the purpose of reviewing the previous year's financial results. Such investor call is expected to be held within thirty (30) days of approval by the Life School Board of Directors of Life School's annual audited financial statements or annual report, whichever is later, if separately approved. Notice of such call is expected to be provided to the MSRB in advance of such call. The failure to conduct such investor call shall not constitute a failure hereunder, shall not give rise to a requirement to provide notice to the MSRB or otherwise, and shall not provide a basis for any remedy or enforcement action hereunder.

Section 4. Interim Reports

Life School may voluntarily cause the Dissemination Agent to provide to the MSRB the documents or information as set forth below:

- (a) quarterly, unaudited income statements on a fiscal year basis for the first three fiscal quarters within sixty (60) days of each such fiscal quarter, including comparison to budget;
- (b) Life School's annual fiscal year budget within one hundred twenty (120) days of the fiscal year end, including enrollment or assumptions and State Revenue per student;
- (c) Average Daily Attendance ("ADA") of Life School and by each school within one hundred twenty (120) days of the fiscal year end for the preceding fiscal year; and

- (d) any information that Life School provides to any rating agency then rating the Bonds as a part of such rating agency's ongoing surveillance within one hundred twenty (120) days of providing such information to the rating agency.

Each Interim Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information provided pursuant to this Agreement. If Life School does not provide the interim information contemplated by this **Section 4**, it shall not constitute a failure hereunder, shall not give rise to a requirement to provide notice to the MSRB or otherwise, and shall not provide a basis for any remedy or enforcement action hereunder.

Section 5. Event Notices

Life School agrees to provide or cause to be provided, in a timely manner (but not in excess of ten (10) business days after the occurrence of the event), notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (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 the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of the Registered Owners, if material;
- (8) Bond calls, if material (other than mandatory sinking fund redemptions), and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of Life School;
- (13) the consummation of a merger, consolidation, or acquisition involving Life School or the sale of all or substantially all of the assets of Life School, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of the name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of Life School, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of Life School, any of which affect holders of the Bonds, if material; and
- (16) Default, events of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of Life School, any of which reflect financial difficulties.

For the purposes of the Event identified in subsection (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for Life School in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of Life School, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of Life School.

Each event notice shall be so captioned and shall prominently state the date, title and (to the extent less than all of the Bonds are affected by the related event) CUSIP numbers of the Bonds.

Life School may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, but Life School does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Dissemination Agent

Life School has engaged the Dissemination Agent to assist it in disseminating information hereunder. Life School shall send all annual financial information, operating data, interim reports and event notices required by this Continuing Disclosure Agreement to the Dissemination Agent. Unless otherwise agreed to, the Dissemination Agent shall, as soon as practicable but not later than three (3) days of receipt of such information forward the same to (i) the MSRB, as described herein and (ii) any Registered or Beneficial Owner of the Bonds who requests such information in writing to the Dissemination Agent or Life School. The Dissemination Agent shall have no duty to review the materials described in this paragraph prior to disseminating such materials.

The initial Dissemination Agent shall be Digital Assurance Certification, LLC. Life School may discharge the Dissemination Agent or any successor Dissemination Agent, but in such event shall take steps necessary to appoint a successor Dissemination Agent who shall be responsible for undertaking all responsibilities of Dissemination hereunder.

Section 7. Termination of Obligations

Pursuant to paragraph (b)(5)(iii) of Rule 15c2-12, the obligation of Life School to provide financial and operating information of Life School and notices of events, as set forth herein, shall terminate if and when Life School no longer remains an obligated person with respect to the Bonds, which shall occur upon either payment of the Bonds in full or the legal defeasance of the Bonds in accordance with the Bond Indenture (provided that Life School has no further obligations with respect to the Bonds).

Section 8. Enforceability and Remedies

This Continuing Disclosure Agreement is intended to be for the sole benefit of the Bond Trustee, the Underwriters and the registered owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered registered owners of the Bonds) and shall create no rights in any other person or entity.

This Continuing Disclosure Agreement shall be enforceable by or on behalf of any registered owner of the Bonds. This Continuing Disclosure Agreement is also enforceable on behalf of the registered owners of the Bonds by the Bond Trustee, and the Bond Trustee may, and upon the written direction of the registered owners of not less than 25% of the aggregate outstanding principal amount of the Bonds shall, proceed to protect and enforce the rights of the registered owners of the Bonds pursuant to this Continuing Disclosure Agreement; *provided that* in all cases the Bond Trustee shall be entitled to the indemnification and other provisions of the Bond Indenture with regard to any actions.

Any failure by Life School to comply with the provisions of this Continuing Disclosure Agreement shall not be an Event of Default under the Loan Agreement or the Bond Indenture. The registered owners' and the Bond Trustee's rights to enforce the provisions of this Continuing Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel Life School to perform under this Continuing

Disclosure Agreement, and their directors, officers and employees shall incur no liability under this Continuing Disclosure Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this section shall entitle the Bond Trustee or any other person to attorney fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

Section 9. Amendment

Notwithstanding any other provision of this Continuing Disclosure Agreement, Life School and the Dissemination Agent may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, without the consent of the registered owners but with the consent of the Bond Trustee, under the following conditions:

- (a) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of Life School, or type of business conducted;
- (b) This Continuing Disclosure Agreement, as amended or with the provision so waived, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and
- (c) The amendment or waiver does not materially impair the interest of registered owners of the Bonds, as determined either by parties unaffiliated with Life School (which shall include nationally recognized bond counsel, or any other party determined by such counsel to be unaffiliated), or by approving vote of registered owners of the Bonds.

Life School shall provide notice of each amendment or waiver for dissemination in the manner specified herein. The initial annual financial or operating information provided by Life School after the amendment or waiver shall explain, in narrative form, the reasons for the amendment or waiver and the effect of the change in the type of operating data or financial information being provided.

Section 10. Counterparts

This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

IN WITNESS WHEREOF, we have set our hands as of the date set forth above.

LIFESCHOOL OF DALLAS

By: _____
Title: _____

DIGITAL ASSURANCE CERTIFICATION, LLC, as Dissemination Agent

By: _____
Title: _____

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APPENDIX F

**SUBSTANTIALLY FINAL FORMS OF THE MASTER INDENTURE, THE BOND INDENTURE AND
THE LOAN AGREEMENT**

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MASTER TRUST INDENTURE AND SECURITY AGREEMENT

between

LIFESCHOOL OF DALLAS

and

REGIONS BANK,
as Master Trustee

Dated as of

May 1, 2014

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MASTER TRUST INDENTURE AND SECURITY AGREEMENT

THIS MASTER TRUST INDENTURE AND SECURITY AGREEMENT (this "*Master Indenture*"), dated as of May 1, 2014, is between LIFESCHOOL OF DALLAS, a Texas nonprofit corporation (the "*Company*"), and REGIONS BANK, an Alabama state banking corporation, with a corporate office in Dallas, Texas, not in its individual capacity but solely as the Master Trustee (the "*Master Trustee*").

WITNESSETH:

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 Note 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 the depository account specified in a Deposit Account Control Agreement 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, 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 real and personal property subject to the lien of any 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 equal and 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; 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 Note Holders from time to time, 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 nonoperating 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 Company's campuses will be used in accordance with Section 12.107(a) of the Texas Education Code.

"Annual Debt Service Requirements" of any specified Person 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 such Person 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 such Person, 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 ninety (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 on the date of such certificate to refund any of such Balloon Debt) with a Stated Maturity of not greater than 30 years is reasonably attainable, 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 borne 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 Debt 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 (iii) 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 that 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 Master Indenture authorizing any series of Notes.

“Authorized Representative” means the Superintendent, Chief of Staff or Chief Financial Officer of the Company, 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 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 or exceed 25% of the total principal of (any premium, if any) and interest and other debt service charges on such 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 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.

“Charter” means the charter or charters issued to the Company by the Texas Education Agency pursuant to Chapter 12, Texas Education Code, authorizing the Company to open one or more open-enrollment charter schools and receive State Revenues for the operation thereof.

“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, LifeSchool of Dallas, a Texas nonprofit 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 an Authorized Representative, 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)) 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.

“Deed of Trust” means any Deed of Trust and Security Agreement 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 as it is subject, to the extent applicable, to Section 12.128 of the Texas Education Code.

“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.

“Deposit Account Control Agreement” means the Deposit Account Control Agreement dated May 1, 2014 entered into among the Company, the Master Trustee and the

Depository Bank, and any other deposit account control agreement entered into by the Company, the Master Trustee and a Depository Bank from time to time.

“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 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, (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 and (d) expenditures that are customarily capitalized pursuant to Generally Accepted Accounting Principles (GAAP).

“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.

“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 professional insurance consultants knowledgeable in the operations of educational facilities and having a favorable reputation for skill and experience in the field of educational facilities insurance consultation 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 Long Term 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 and Security Agreement, as amended and supplemented from time to time in accordance with its terms.

“Master Trustee” means Regions Bank, an Alabama state banking corporation, 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 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 Holder” means a Person in whose name a Note is registered in the Note Register; or in the case of additional Debt in the process of issuance, the underwriter or bank who has executed the related purchase contract.

“Note Register” and ***“Note Registrar”*** have the respective meanings specified in Section 205 hereof.

“Notice of Exclusive Control” means the Notice of Exclusive Control specified in a Deposit Account Control Agreement.

“Officer’s Certificate” means a certificate of the Company signed by the chairman of the Governing Body, superintendent, president, 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 such Note Holders 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 actually 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 benefitting from this Master Indenture and operated by the Company that are (i) refinanced, 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.

“Principal Payment Date” means the Stated Maturity of any installment of principal on any Note.

“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, the 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 bonds, promissory notes or other obligations 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 that remain Outstanding thereunder and under the laws of the State.

“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 or refinanced 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 406 hereof.

“Series 2014 Bonds” means the LifeSchool of Dallas Education Revenue Bonds Series 2014A, the LifeSchool of Dallas Taxable Education Revenue Bonds Series 2014B, and the Waxahachie Education Finance Corporation Taxable Education Revenue Bonds (LifeSchool of Dallas), Series 2014Q (Qualified School Construction Bonds - Direct Pay).

“Series 2014 Notes” means any of the Notes issued pursuant to a Supplemental Master Indenture and secured by this Master Indenture to evidence payment obligations of the Company with respect to the Series 2014 Bonds.

“Short-term Debt” means indebtedness that is subordinate (in terms of payment of principal and interest) to any Debt under this Master Indenture; shall be utilized for the acquisition, construction, renovation or equipping 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; subject to the limitations of Chapter 12, Texas Education Code, including particularly, Section 12.107.

“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.

“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.

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 him 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 701) 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) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(f) 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 or Related Bonds that are owned by the Company shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, 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 or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be so disregarded and deemed not to be Outstanding Notes or Related Bonds. Outstanding Notes or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, 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 or Related Bonds. 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 Note 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).

(g) 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 or Related Bond 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 it concerns such Note or Related Bond. Except upon such revocation or such action taken by the holder of a Note or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the holder of such Note or Related Bond which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Note Holder and upon all future Note Holders and owners of such Note or Related Bond, and of any Note or Related Bond issued in lieu thereof, whether or not any notation in regard thereto is made upon such Note or Related Bond. 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 or Related Bonds.

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 Regions Bank, 1717 McKinney Ave., Suite 1200, Dallas, Texas 75202, Attention: Corporate Trust Administrator, or at any other address subsequently furnished in writing to the Company and the Note Holders by the Master Trustee;

(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 950 South I-35 East, Lancaster, Texas 75146, Attention: Executive Superintendent, 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 Note Holders 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 Note Holders, 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 law 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 R-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 this 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 Note 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 and in Section 212 (except, with respect to Section 212, in connection with the Series 2014 Notes) 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 this 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 Section 212, if necessary and if permitted by the laws of the State.

(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, 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:

Regions Bank, as Master Trustee, or its agent

By: _____
Authorized Signature

Section 204. Form and Terms of Notes. The Notes of each series of Notes 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, consistently herewith, 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, 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."

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, 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 pursuant to the terms of a Supplemental Master Indenture. 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 Note 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 Note 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 Note Holder and shall be paid by check or draft mailed to the Note Holder at his address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by the Note 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 Note Holder, 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 or is required, payments on a Note shall be made directly by the Company, by check or draft hand delivered to the Note Holder or its designee or shall be made by the Company by wire transfer to the Note 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 the Note Holder. 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 shall 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.

(a) 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. Except as otherwise expressly provided herein or in any Supplemental Master Indenture pursuant to which such Note or obligation is issued, all 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.

(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, be perfected and be valid and binding from and after delivery of the Notes and the execution of the Deposit Account Control Agreement, without any physical delivery thereof or further act.

In order to perfect the Master Trustee's security interest in the Adjusted Revenues as security for the payment of the Notes, the Master Trustee is authorized and directed to enter into, and shall be indemnified for (pursuant to Article VII hereof), a Deposit Account Control Agreement; provided, that the Master Trustee shall have no duty or responsibility to determine the existence of, or the necessity of perfecting any security interest of the Master Trustee in, any

fund or account in which the Master Trustee has been granted a security interest, including without limitation, as described in Granting Clause (b) of this Master Indenture.

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, (i) at the written direction of the holders of not less than 25% in principal amount of the Notes Outstanding, issue a Notice of Exclusive Control under the Deposit Account Control Agreement and (ii) collect and receive Adjusted Revenues; provided, however, when such Event of Default has been terminated or cured, as provided Section 617, the Trustee shall provide written notice to the parties to the Deposit Account Control Agreement, that exclusive control of the account(s) described therein have been restored to the Company. 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, as such term is defined in the Deed of Trust) 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, on an annual basis, 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.

(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 included in the Deed of Trust other than a lien arising in connection with the issuance of 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 the collateral described hereunder in a UCC financing statement that will remain effective on the Closing Date except as expressly permitted by the Bond Documents. 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 Company on a simple contract.

(d) The Company covenants and agrees to deposit all Adjusted Revenues into the account (or accounts) that is subject of a Deposit Account Control Agreement hereunder.

Section 212. Additional Debt.

(a) Upon satisfaction of the applicable requirements of Section 202 and any additional requirements set forth in Related Bond Documents, the Company reserves the right to issue and incur one or more series of Debt payable from the Adjusted Revenues of the Company that may be delivered pursuant to this Master Indenture 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 shall be secured on parity with respect to the Trust Estate; provided that the terms of any Supplemental Master Indenture may expressly relinquish any right to any of the collateral provided in the Trust Estate (in which case it shall only be entitled to its pro rata share of the collateral which has not been relinquished), and shall be payable by the Company solely from the Adjusted Revenues and other amounts paid out of moneys attributable to the proceeds derived from the sale of the additional parity Debt or to income from the temporary investment thereof;

(3) Additional Debt Coverage. Sufficient funds must be evidenced as follows:

Historical Coverage on Outstanding Debt.

(A) 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 1.10 times the

Maximum Annual Debt Service on all Debt then Outstanding plus the additional Debt to be incurred; 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 1.20 times the Maximum Annual Debt Service for all Debt then Outstanding, plus the Debt to be incurred, in the Fiscal Year immediately following the completion of the Project being financed. The report of the Independent Management 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; or

(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 parity Debt then Outstanding as well as the additional Debt;

(5) Title Insurance. So long as the Debt is secured by 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, if permitted by the laws of the State, issued in connection with the Debt increasing the coverage thereunder by an amount equal to the aggregate principal amount of the additional Debt which is secured by the Deed of Trust; and

The satisfaction of the conditions set forth in paragraphs (1) through (5) above shall be evidenced to the Master Trustee. The Master Trustee may rely, and (subject to Section 701) shall be fully protected in relying upon, a closing certificate executed by an Authorized Representative that items (1) through (5) were complied with.

(b) Refunding. If additional Debt is being issued for the purpose of refunding any Outstanding Debt, the reports required to be delivered under Section 212(a)(3) shall not be required 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 last issued for such Project upon delivery of an Officer's Certificate that such additional Debt is required to fund the costs of completion and such completion Debt shall not be required to comply with Section 212(a)(3) herein; 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.

(e) Exemption. The Series 2014 Notes shall not be subject to the provisions of this Section 212.

Section 213. Insurance. (a) The Company shall at all times, keep and maintain its properties and facilities 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 such facilities 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 such facilities 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 facilities;

(2) during the course of any construction, reconstruction, remodeling or repair of the facilities, 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 facilities and insurance coverage for lost gross revenues due to damage or destruction of the facilities 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)); and

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

if it is ever determined that a facility 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 a facility. 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 a facility.

(b) Insurers and Policies. Each insurance policy required by subparagraph (a) above (i) shall be issued or written by such insurer (or insurers), 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 Fitch/Moody's, (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 insurers) 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 (30) days' prior written notice to the Master Trustee and the Company and (iv) shall name the Master Trustee as additional insured. The Company shall deliver to the Master Trustee, no later than the date on which it is required to obtain an insurance policy pursuant to Section 213(a), proof of each such insurance policy.

(c) Insurance Consultant. The Company covenants to review each year the insurance carried by the Company with respect to the Company and the facilities and, to the extent feasible, will carry insurance insuring against risks and hazards specified in Section 213(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 facilities carry such insurance. At least once every two years, from and after the date hereof, 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 facilities and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to the Company and the facilities and their operation, maintenance and administration. A signed copy of the report of the Independent Insurance Consultant shall be filed with the Master Trustee. The insurance requirements of Section 213(a) and this subsection (c) shall be deemed modified or superseded as necessary to conform with the recommendations contained in said report to the extent the report recommends additional or increased coverage.

(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 verifying that all insurance required by this Master Indenture is in full force and effect as of the date of such Officer's Certificate. 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 213(d).

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 Section 302 through Section 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 by 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 forty-five (45) 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 or prepayment 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 Note Holder 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 Note Holder as requested by such Note 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. Ratings. The Company covenants that it will at all times maintain a municipal rating on the Bonds secured by the Notes and that it will not knowingly take any action that would likely result in the reduction of the municipal ratings of the Bonds (or any other indebtedness secured by the Notes) by any Rating Service below investment grade.

Section 403. 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 Note Holders, 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 Note Holder 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, shall, at the written direction of the Company, 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 thirty (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 Note Holders entitled thereto.

Section 404. 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 405. Corporate Existence. Subject to Section 501 and Section 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 Note Holders.

Section 406. Revenue Fund.

(a) There is hereby created by the Company and established with the Master Trustee the special fund of the Company designated the "LifeSchool of Dallas 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, including without limitation amounts subject to a Deposit Account Control Agreement for which a Notice of Exclusive Control has been delivered (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 this Master 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 Note on which there has been a default pursuant to Section 601(a) an amount equal to all defaulted principal of (or premium, if any), interest and obligations on such Note;
- (3) a transfer to the Interest Account of an amount necessary to accumulate in equal monthly installments the interest on the 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 Notes on the next succeeding Interest Payment Date. There shall be paid from the Interest Account equally and ratably to the holder of each Note the amount of interest on each Note as such interest becomes due;
- (4) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Notes maturing or subject to mandatory sinking fund redemption on the next Principal 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 Principal 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 Principal 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 Principal Payment Date. There shall be paid from the Principal Account equally and ratably to the holder of each Note the amount of principal payments due on each

Note, whether at maturity or earlier mandatory redemption (other than by reason of acceleration of maturity or other demand for payment), as such principal becomes due;

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

(6) 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 subject to a Deposit Account Control Agreement, 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 ninety-one (91) days from date of purchase.

Section 407. 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 "LifeSchool of Dallas 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 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, 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 408. Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any covenant or condition set forth in Section 402 through Section 407 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 shall either waive such compliance in such instance or generally waive compliance with such covenant or condition, 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. Debt Service Coverage Ratio. Available Revenues for each Fiscal Year must be equal to at least 1.10x the Annual Debt Service Requirements of the Company as of the end of each Fiscal Year. If the Company does not maintain Available Revenues for any Fiscal Year ending on or after August 31, 2014, of at least one hundred ten percent (110%) of the Annual Debt Service Requirements during such Fiscal Year, the Company will, at its sole expense, promptly employ an Independent Management Consultant to review and analyze the operations and administration of the Company, inspect the facilities, and submit to the Company and Master Trustee written reports, and make such recommendations as to the operation and administration of the Company as such Independent Management Consultant deems appropriate, including any recommendation as to a revision of the methods of operation thereof. The Company agrees to consider any recommendations by the Independent Management Consultant and, to the fullest extent practicable, to adopt and carry out such recommendations. Notwithstanding the preceding sentence, if the debt service coverage ratio falls below 1.0x of the Annual Debt Service Requirements of the Company, it shall constitute a default hereunder.

Section 410. Working Capital Balance.

(a) For so long as the Notes are outstanding, the Company covenants and agrees to budget and maintain operating reserves in an amount equal to fifteen (15) days of Expenses ("Working Capital Balance"). Such amounts will not be funded with Bond proceeds. This Working Capital Balance shall be tested as of the end of each Fiscal Year based upon the audited Financial Statement of the Company, commencing with the Fiscal Year ending August 31, 2014.

(b) The Company will deliver to the Master Trustee within 150 days after the end of each Fiscal Year (commencing with the Fiscal Year ending August 31, 2014), a certificate executed by the Authorized Representative of the Company stating the Working Capital Balance for such Fiscal Year just ended. If the Company fails to maintain balances equal to the Working Capital Balance, the Company shall retain, at its expense, an Independent Management Consultant to submit a written report and make recommendations (a copy of such report and recommendations shall be filed with the Master Trustee) with respect to revenues or other financial matters of the Company which are relevant to increasing the Working Capital Balance to equal or exceed fifteen (15) days of Expenses. So long as the Company is implementing these recommendations to the extent practical, the Company will be deemed to have complied with its covenants hereunder.

Section 411. 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 150 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 Master Trustee a certificate signed by an Authorized Representative stating that such person has reviewed the obligations of the Company under the Related Loan Documents, the Related Bond Documents, any Deed of Trust and this Master

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. The Master 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.

(b) The Company shall also, promptly upon receiving notice thereof, notify the Related Issuer and the Master 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 Notes or the Related Loan Documents or Related Bond Documents.

Section 412. Negative Pledge. The Company shall not create or allow any liens to exist on any of its property or equipment included in any Deed of Trust, except as permitted by such Deed of Trust.

Section 413. Disposition of Assets.

(a) Property and Equipment ("P&E"). No P&E of the Company may be sold or otherwise disposed of unless (i) the P&E is obsolete or worn out or (ii) fair market value is received in return or (iii) the market value of all P&E disposed of in any fiscal year does not exceed five percent (5%) of the total market value of all P&E of the Company.

(b) Cash, Investments and Other Current Assets ("Liquid Assets"). 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.

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 of (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 and Related Bond 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 NOTE HOLDERS

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 thirty (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 and 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 Note 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 Bankruptcy Code, Title 11 of the United States Code, 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 ninety (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 ninety (90) days; or

(d) the Company shall institute proceedings to be adjudicated a voluntary bankruptcy, 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 instrument or agreement under which any Note may be incurred or secured, or 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 in writing 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: (i) 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, any Debt secured by a pledge of Notes, 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 of (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:

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

(B) 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

(C) 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.

(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.

(d) If an Event of Default occurs and is continuing, the Master Trustee may 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 named in the Deed of Trust 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.

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 Note Holders 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 Note Holder 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 Note Holders, 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 Note Holder 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 Note Holder 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 Note Holders 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 Master 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 406, 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 Note Holder 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 Note 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 Note Holder or Note 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 sixty (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 Note Holders 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 Note Holders, or to obtain or to seek to obtain priority or preference over any other Note Holders, or to enforce any right under this Master Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Note Holders.

Section 608. Unconditional Right of Note Holders to Receive Principal, Premium and Interest. Notwithstanding any other provision in this Master Indenture, any Note Holder 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 Note 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 Note Holder.

Section 609. Restoration of Rights and Remedies. If the Master Trustee or any Note Holder 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 Note Holder, then and in every such case the Company, the Master Trustee and the Note Holders 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 Note Holders 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 Note Holders 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 Note Holder 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 Note Holders may be exercised from time to time, and as often as may be deemed expedient, by the Master Trustee or by the Note Holders, as the case may be.

Section 612. Control by Note Holders. 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 Note Holders 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 Note Holder 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 Note Holder, or group of Note Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Notes, or to any suit instituted by any Note Holder 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.

Section 617. Termination of Default. Once an Event of Default has been cured in accordance with the provisions of this Master Indenture or the instrument under which any Note is incurred or secured, such Event of Default will be deemed to no longer exist and the Trustee shall notify the Company in writing that such Event of Default has been cured and all corrective actions under this Indenture shall immediately cease unless or until another Event of Default shall occur; provided however, that once the Notes are accelerated pursuant to Section 602, the provisions of Section 602 shall govern rescission and the cessation of remedies.

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, and 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 sixty (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 Note Holders 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 Note Holders is in the interest of the Note Holders; and provided, further, that in the case of any default of the character specified in Section 601(b), no such notice to Note Holders shall be given until at least thirty (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.

(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 Note Holders pursuant to the provisions of this Master Indenture, unless such Note Holders shall have provided 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 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.

(g) 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 and upon the opinion or advice of an attorney or agent retained by the Company. 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.

(h) 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 of (premium, if any) or interest on any Note.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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 Company herein or in the Deed of Trust hereunder except as may be expressly provided for herein or therein. The Trustee may require of the Company full information and advice as to the performance of the aforesaid covenants, conditions and agreements.

(n) 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.

(o) The Master Trustee shall not be liable for any error or judgment made in good faith by its officers, unless it shall be proved 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 validity or sufficiency of this Master Indenture or of the Notes. 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 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 in writing 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

(3) to indemnify the Master Trustee, its officers, 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 Indemnatee 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 Related 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 this Master Indenture, except in respect of any Indemnatee to the extent such Indemnatee's negligence or bad faith caused such 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 this 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 material 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 Note Holder, including, but not limited to, any disclosure document utilized in connection with the sale of any Related Bonds; or (2) the inaccuracy of the statements 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 officers and board 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 board 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 Section 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 sixty (60) days 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 thirty (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 (i) the holders of a majority in principal amount of the Outstanding Notes, or (ii) so long as there is no Event of Default and no circumstance has occurred that, with the passage of time, will constitute an Event of Default, the Company acting through an Authorized Representative.

(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 therefor by the Company or by any Note Holder; or

(2) the Master Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or a 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 Note Holder who has been a bona fide Note Holder for at least six (6) 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 (6) 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 Note Holders and accepted appointment in the manner hereinafter provided, the Master Trustee or any Note Holder who has been a bona fide Note Holder for at least six (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 Note Holders 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 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 aggregate principal amount of the Outstanding Notes, if any, the Master Trustee shall execute and deliver in recordable form any releases of property encumbered hereby or by the Deed of Trust.

Section 713. Subordination Authority. Notwithstanding anything to the contrary herein or in the Related Bond Documents, without the consent of the Master Trustee, and without such actions constituting a breach or violation of the Deed of Trust, a mortgagor may impose upon real property such reasonable easements and similar encumbrances to title as are customarily created or imposed in connection with the development of real property ("**Customary Development Encumbrances**"), e.g., utility easements and similar rights of way, and easements, building setback lines, and the like created by the platting or re-platting of the real property. In addition, the liens and security interests covering or encumbering the real property created by the Deed of Trust shall at all times be subordinate and inferior to the easements and other similar

encumbrances against title to the real property created in connection with any future Customary Development Encumbrances, including by not limited to plats; provided, however, such liens and security interests of the Deed of Trust shall not be inferior or subordinate to any monetary liens created pursuant to any such future Customary Development Encumbrances, and all liens and security interest created by the said Deed of Trust shall be superior and prior to any and all such monetary liens created by any such future Customary Development Encumbrances. The Master Trustee, to the extent deemed necessary or desirable by the Company, is hereby granted the authority to sign any and all documents subordinating the lien of the Deed of Trust to any Customary Development Encumbrances confirming such subordination in accordance with the terms of this Section.

ARTICLE VIII **SUPPLEMENTS**

Section 801. Supplemental Master Indentures Without Consent of Note Holders. Without the consent of the Note Holders, 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 Note Holder;

(b) to grant to or confer upon the Master Trustee for the benefit of the Note Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Note Holders and the Master Trustee, or either of them, to add to the covenants of the Company for the benefit of the Note Holders 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 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;

(i) to allow for the issuance of any series of Notes in certificated or uncertificated form;

(j) to make any other change which does not materially adversely affect any Note Holder and, in the opinion of each Related Bond Trustee, does not materially adversely affect the owners of the Related Bonds with respect to which it acts as trustee, 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;

(k) 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;

(2) does not materially adversely affect any Note Holder;

(3) provided that, with respect to each applicable series of Related Bonds, 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

(4) provided that, no such amendment, directly or indirectly, shall (A) change the provisions of this subsection (k), (B) make any modification of the type prohibited in Section 802 hereof, or (C) make a modification intended to subordinate the right to payment of a Note Holder to the right of Payment of any Note Holder or any other Debt;

(l) 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 remain Outstanding;

(m) 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 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 Note Holders of the Outstanding Notes.

Section 802. Supplemental Indentures With Consent of Note Holders.

(a) With the consent of the holders of not less than a majority in principal amount of the Outstanding Notes, by Act of said Note 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 Note Holders under this Master Indenture; provided, however, that no such Supplemental Master Indenture shall, without the consent of the holder of each Outstanding Note 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 each Note Holder affected thereby.

(b) It shall not be necessary for any Act of Note Holders under this Section to approve the particular form of any proposed Supplemental Master Indenture, but it shall be sufficient if such Act of Note Holders shall approve the substance thereof, as presented in written form to the Note Holders 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 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. 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 Note Holder 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 Note 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 Note 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 403(f) shall survive.

Section 902. Notes Deemed Paid. Unless otherwise provided in the Supplemental Master 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 forty-five (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 Note Holders 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 redemption 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 Section, 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.

SUPPLEMENTAL MASTER TRUST INDENTURE NO. 4

dated as of October 1, 2024

between

LIFESCHOOL OF DALLAS

and

REGIONS BANK

as Master Trustee

Supplemental to:

Master Trust Indenture and Security Agreement

Dated as of May 1, 2014

In connection with the issuance of
Series 2024 Note

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SUPPLEMENTAL MASTER TRUST INDENTURE NO. 4

THIS SUPPLEMENTAL MASTER TRUST INDENTURE NO. 4, dated as of October 1, 2024 (this “Supplemental Master Indenture”), is between **REGIONS BANK**, an Alabama state banking corporation, with a corporate trust office in Houston, Texas, as master trustee (the “Master Trustee”), and **LIFESCHOOL OF DALLAS**, 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 May 1, 2014 (being referred to herein as the “Original Master Indenture”), with the Master Trustee, for the purpose of providing for the issuance of Notes thereunder to secure 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(i) of the Original Master Indenture, to amend or supplement the Original Master Indenture, subject to the terms and provisions contained therein, and 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 a certain Note, 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 a Tax-Exempt Master Indenture Note (LifeSchool of Dallas) Series 2024 entitled to the security of the Master Indenture in the original principal amount of \$112,910,000 (the “Series 2024 Note”) and to deliver such Series 2024 Note to Arlington Higher Education Finance Corporation (the “Issuer”) in order to evidence and secure the obligations of the Company under the Loan Agreement (the “Loan Agreement”) between the Company and the Issuer, dated as of October 1, 2024, relating to the Issuer’s Education Revenue Bonds (LifeSchool of Dallas) Series 2024 (the “Series 2024 Bonds”) issued pursuant to a Trust Indenture and Security Agreement (the “Series 2024 Indenture”), dated as of October 1, 2024, between the Issuer and Regions Bank, as trustee (in such capacity, the “Bond Trustee”); and

WHEREAS, all acts and things necessary to make the Series 2024 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 Series 2024 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 Series 2024 Note authorized hereby are authenticated, issued and delivered, and in consideration of the

premises and the acquisition and acceptance of the Series 2024 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 SERIES 2024 NOTE

Section 201. Authorization of Series 2024 Note.

(a) There is hereby created and authorized to be issued hereunder a Note, described as follows: “Tax-Exempt Master Note (LifeSchool of Dallas) Series 2024” in the aggregate original principal amount of \$112,910,000, dated October 1, 2024, issued by the Company and for the primary benefit of the Issuer. The Series 2024 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 Series 2024 Note. The Series 2024 Note shall be issued as single, fully-registered promissory note without coupons, in substantially the forms set forth in Exhibit A hereto.

Section 203. Payments on Series 2024 Note. The principal of the Series 2024 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 Series 2024 Note at its rate, and such Series 2024 Note shall have such other terms and provisions, as are set forth in or incorporated by reference into the Loan Agreement.

Section 204. Credits on Series 2024 Note.

(a) The Company shall receive a credit against amounts due on the Series 2024 Note on any payment date equal to the amounts paid as principal of (and premium, if any) or interest on, respectively, the Series 2024 Bonds on such payment date, including a 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 2024 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 Series 2024 Note that may have been given as a result of such payment shall be rescinded, and the amount owing on the Series 2024 Note shall be calculated as if such payment shall not have been made.

Section 205. Interest on Overdue Installments The Series 2024 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 2024 Bonds.Registration, Transfer and Exchange. The Series 2024 Note shall be transferred or exchanged pursuant to Section 205 of the Original Master Indenture.

Section 207. Related Deed of Trust. That certain [___] Supplement to Deed of Trust and Security Agreement (with Assignment of Rents and Leases), dated as of [___], 2024, to be filed in the Official Public Records of [___] County, Texas as amended, restated, supplemented and/or otherwise modified, is made subject to the Trust Estate of the Master Indenture, and the foregoing are deemed a “Deed of Trust” and a “Related Deed of Trust” under the Master Indenture with respect to the Series 2024 Note.

ARTICLE III

REDEMPTION OR REDUCTION OF SERIES 2024 NOTE; SATISFACTION AND RELEASE

Section 301. Redemption. The Series 2024 Note shall be subject to redemption prior to Stated Maturity to the extent and with respect to the corresponding redemption of the Series 2024 Bonds, in accordance with the terms of the Series 2024 Indenture. Notice of redemption of the Series 2024 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 Series 2024 Note, and the same shall, thereby, become due and payable on the redemption date of the Series 2024 Bonds or at such earlier time as payment is required with respect thereto pursuant to the terms of the Series 2024 Indenture.

Section 302. Partial Redemption or Reduction. In the event of a partial redemption of the Series 2024 Note pursuant to Section 301 hereof, the amount of the principal and interest on the Series 2024 Note becoming due after such redemption shall, to the extent appropriate, be adjusted so that the installments of principal and interest thereafter due on the Series 2024 Note correspond to the payments of the principal of and interest on the Outstanding Series 2024 Bonds.

Section 303. Effect of Call for Prepayment or Redemption. On the date designated for prepayment or redemption by notice as herein provided, the Series 2024 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 the Series 2024 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 and unpaid interest on the Series 2024 Note are held by the Master Trustee or the Bond Trustee, (i) interest on the Series 2024 Note or portion thereof so called for prepayment or redemption shall cease to accrue, (ii) the Series 2024 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 Bond Trustee and (iii) the amount of the Series 2024 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 payment obligations with respect to the Series 2024 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 2024 Bonds have been paid or deemed paid under the Series 2024 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 Series 2024 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 Series 2024 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 Series 2024 Note remains outstanding, it will deliver to the 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 Series 2024 Note, and the Company hereby confirms its covenants and agrees with its undertakings in 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 Series 2024 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 Series 2024 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 Series 2024 Note.

Section 504. Provisions of the Original Master Indenture to Control. The provisions of Section 701 through 714 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.

Section 509. Texas Education Code Section 12.128. Property purchased or leased by the Company with State Revenues is subject to Section 12.128, Texas Education Code.

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.

LIFESCHOOL OF DALLAS

By: _____
Title: Chief Financial Officer

REGIONS BANK, as Master Trustee

By: _____
Title: _____

EXHIBIT A

FORM OF SERIES 2024 TAX-EXEMPT MASTER INDENTURE NOTE

TAX-EXEMPT MASTER INDENTURE NOTE
(LIFESCHOOL OF DALLAS)
SERIES 2024

THIS NOTE HAS NOT BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933, AS AMENDED

Registered
No. MR-1

UNITED STATES OF AMERICA
STATE OF TEXAS

Registered
\$112,910,000

Interest Rate: AS SET FORTH HEREIN

Maturity Date: August 15, 2054

Issue Date: October 1, 2024

Registered Holder: ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

Principal Amount: ONE HUNDRED TWELVE MILLION NINE HUNDRED TEN
THOUSAND AND NO/100 DOLLARS

LifeSchool of Dallas, 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. The Company also promises to pay to the Holder hereof the obligations of the Company described in Section 4.1 of the Loan Agreement, hereinafter defined, at the times and the amounts specified therein.

1. Authorization of Note. This Note represents the duly authorized Note of the Company, in the principal amount stated above, designated as “Tax-Exempt Master Indenture Note (LifeSchool of Dallas) Series 2024” (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 May 1, 2014 between the Company, acting on its own behalf, and Regions Bank, as trustee (the “Master Trustee”), as supplemented by the Supplemental Master Trust Indenture No. 4, dated as of October 1, 2024, 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, 2024 (the “Loan Agreement”),

entered into between the Company and the Arlington Higher Education Finance Corporation (the “Issuer”) in connection with the issuance and sale of revenue bonds of the Issuer in the principal amount of \$112,910,000 designated Arlington Higher Education Finance Corporation Education Revenue Bonds (LifeSchool of Dallas) Series 2024 (the “Series 2024 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, 2024 (the “Indenture”), between the Issuer and Regions Bank, as trustee (the “Bond Trustee”).

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 will rank pari passu with this Note and all other Notes heretofore or hereafter issued under the Master Indenture, except as otherwise provided in the Supplemental Master Indenture No. 4 authorizing such Note and Master Indenture.

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 to be punctually paid or duly provided for, on each 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.

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 Houston, 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 2024 Bonds as described in the Indenture.

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 designated payment office of the Master Trustee, but only to a successor Bond Trustee for the holders of the Series 2024 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 2024 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 Loan Agreement, the Loan Agreement 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 Loan Agreement 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.

LIFESCHOOL OF DALLAS

By: _____
Chief Financial Officer

ASSIGNMENT

For value received, the undersigned hereby assigns to Regions Bank, as Bond Trustee (the “Bond Trustee”) under a Trust Indenture and Security Agreement, dated as of October 1, 2024, 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.

ARLINGTON HIGHER EDUCATION 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:

REGIONS BANK, as Master Trustee

By: _____
Authorized Signature

LOAN AGREEMENT

between

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

and

LIFESCHOOL OF DALLAS

relating to

\$112,910,000

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
EDUCATION REVENUE BONDS
(LIFESCHOOL OF DALLAS)
SERIES 2024

dated as of

October 1, 2024

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this “Agreement”), dated as of October 1, 2024, is between **ARLINGTON HIGHER EDUCATION FINANCE CORPORATION**, a non-profit, corporation created and existing under the Act (the “Issuer”), and **LIFESCHOOL OF DALLAS**, a Texas non-profit corporation (the “Company”).

W I T N E S S E T H:

WHEREAS, the City of Arlington, Texas (the “City”), a political subdivision of the State of Texas (the “State”), has, Chapter 53 and Chapter 53A of the Texas Education Code (the “Act”), and specifically Section 53.35(b) and Section 53.48 thereof, approved and created the Issuer as a nonstock, 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 (the “Code”));

WHEREAS, the Issuer, on behalf of the City, is empowered to issue its revenue bonds in order to enable an accredited primary or secondary school 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 such bonds;

WHEREAS, in furtherance of the purposes of the Act, the Issuer proposes to issue its \$112,910,000 Arlington Higher Education Finance Corporation Education Revenue Bonds (LifeSchool of Dallas) Series 2024 (the “Bonds”), the proceeds of which will be loaned to the Company to be used to (i) finance and refinance the costs of acquiring, constructing, equipping and renovating certain “educational facilities” (as that term is defined in the Act) and facilities incidental, subordinate or related thereto or appropriate in connection therewith, (ii) fund capitalized interest, and (iii) pay the costs of issuing the 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, 2024, between the Issuer and Regions Bank, as trustee (in such capacity, the “Trustee”) for the purposes of effecting the issuance of the Bonds, furthering the public purposes of the Act and securing to the Bondholders the payment of the Bonds;

WHEREAS, the Company is a party to that certain Master Trust Indenture and Security Agreement dated May 1, 2014 (the “Master Indenture”), between the Company, on behalf of itself and Regions Bank, as Master Trustee (the “Master Trustee”), as supplemented by and through the Supplemental Master Trust Indenture No. 4 dated as of October 1, 2024 (the “Supplemental Master Indenture”), which secures payment of certain Debt (as defined in the Master Indenture) of the

Company including the Series 2024 Note (as hereinafter defined) which evidences the Loan made hereby (the “Loan”) by the Issuer to the Company of the proceeds of the Bonds;

WHEREAS, the Issuer shall issue the Bonds in order to loan the proceeds thereof pursuant to this Agreement 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 Issuer the Series 2024 Note to evidence the loan of the proceeds of the Bonds, to the Company and the obligation of the Company under this Agreement to repay the same, which note is a “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 2024 Note and the Loan Payments (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 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 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 and not defined herein have the meanings assigned to them in the Indenture and the Master Indenture. 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.

“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.

“Bond Counsel” means Hunton Andrews Kurth LLP or any other attorney or firm of attorneys nationally recognized as having expertise in the practice of tax exempt municipal finance law as approved by the Company and satisfactory to the Trustee.

“Bond Documents” means this Agreement, the Indenture, the Series 2024 Note, the Bonds, the Master Indenture, the Supplemental Master Indenture, the Bond Purchase Agreement, the Deed of Trust, and all other agreements, documents and instruments ever delivered pursuant to any of the foregoing and any and all future renewals and extensions or restatements of any of the foregoing.

“Bond Year” has the meaning set forth in Section 5.3 hereof.

“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 Bonds, (b) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the issuance of the 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 Bonds.

“Code” means the Internal Revenue Code of 1986, and the corresponding provisions, if any, of any successor internal revenue laws of the United States.

“Commissioner” means the Commissioner of Education of the State of Texas, or any successor thereto.

“Computation Date” has the meaning set forth in Section 5.3 herein.

“Construction Consultant” means the respective construction consultant, designated by the Company, for any part of the Project.

“Debt” shall have the meaning assigned to such term in the Master Indenture.

“Extraordinary Optional Redemption” shall have the meaning assigned to such term in Exhibit A to the Indenture.

“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.

“Guarantee” means 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 Bonds when due.

“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.

“Indemnified Party” shall mean one or more of the Issuer, the Governing Body of the Issuer, the City and any of their successors, officers, directors, council members or commissioners.

“Indenture” has the meaning ascribed to such term in the fifth recital hereof.

“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 (b) 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.

“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.

“Permanent School Fund” shall mean the Permanent School Fund of the State of Texas administered pursuant to Subchapter C, Chapter 45, Texas Education Code.

“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 costs permitted to be paid out of proceeds of the Bonds by the Act and by the Code including costs related to the Project (excluding the Costs of Issuance).

“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 (42 U.S.C. §6901 et seq.);

(b) any substance defined as a “hazardous substance” under the Comprehensive Environmental Response, Compensation and Liability Act (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.

“Series 2024 Note” means the promissory note in the form attached to the Supplemental Master 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 Bonds.

“State” means the State of Texas

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

(c) Certain terms used primarily in Section 5.3 are defined in that Section.

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 Section 3.10, Section 4.6, Section 5.1, Section 5.3, Section 5.6 and Section 7.6 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 Bonds, the provisions of Section 3.6, Section 3.9, Section 4.1, Section 5.3, Section 5.6 and Section 5.7 of this Agreement shall continue until the final Maturity of the 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 Severability 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 8.9 hereof, nothing in this Agreement or in the 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 Bondholders, 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 higher education finance corporation duly incorporated, organized, validly existing and in good standing under the Act and is empowered to act on behalf of the City.

(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 Bonds, to issue the 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 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 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 is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State; 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 has full corporate power and authority to own its properties and to conduct its business as 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 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 which 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 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 which 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) Corporate Authority; 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 Bonds, no consents, approvals, including federal tax related 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 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 City 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 City. 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 Bonds.

(h) Representations Regarding the Project. The Company intends to construct and operate the Project during the term of this Agreement and to expend a portion of the proceeds of

the Bonds in the Project Account of the Project 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 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 times 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) The Company is an organization exempt from federal income taxation as provided in Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code;

(B) The purposes, character, activities and methods of operation of the Company are not materially different from the purposes, character, activities and methods of operation at the time of its determination by the IRS as an organization described in Section 501(c)(3) of the Code (the "Determination") or otherwise at the time of its organization as an exempt organization within the meaning of Section 501(c)(3) of the Code, or have been disclosed to the IRS and the Company has received confirmation that such activities or methods of operation do not materially adversely affect the status of the Determination;

(C) The Company has not diverted a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes (i) for which it is organized or operated or (ii) disclosed to the IRS in connection with the Determination;

(D) The Company has not operated during its five most recent fiscal years or the current fiscal year, as of the date hereof, in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3)-(1)(c)(3) of the Regulations including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

(E) With the exception of the payment of compensation (and the payment or reimbursement of expenses) which is not excessive and is for personal services which are reasonable and necessary to carrying out the purposes of the Company, no individual who would be a "foundation manager" within the meaning of Section 4946(b) of the Code with respect to the Company, nor any Person controlled by any such individual or individuals or any of their Affiliates, nor any Person having a personal or private interest in the activities of the Company has acquired or received, directly or indirectly, any income or assets, regardless of form, of the Company during the current Fiscal Year and the five Fiscal Years preceding the current Fiscal Year, other than as reported to the IRS by the Company;

(F) The Company is not a “private foundation” within the meaning of Section 509(a) of the Code;

(G) The Company has not received any indication or notice whatsoever to the effect that its exemption under Section 501(a) of the Code by virtue of being an organization described under Section 501(c)(3) of the Code has been revoked or modified, or that the IRS is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

(H) The Company has timely filed with the IRS all requests for determination, reports and returns required to be filed by it and such requests for determination, reports and returns have not omitted or misstated any material fact, and the Company has timely notified the IRS of any changes in its organization and operation since the date of the application for the Determination;

(I) The Company has not devoted more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code;

(J) The Company has not taken any action, nor does it know of any action that any other Person has taken, nor does it know of the existence of any condition that would cause the Company to lose its exemption from taxation under Section 501(a) of the Code or cause interest on the Bonds to be includable in the income of the recipients thereof for federal income tax purposes;

(K) 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 exclusion from gross income of the interest on the Bonds for federal income tax purposes or Bond Counsel in rendering an opinion with respect to the status of the Company under Section 501(c)(3) of the Code, 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. 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 and again as of the Closing Date.

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.

(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 or refinanced by the Issuer under the Act and any required approvals of such changes, additions, or deletions have been obtained from any governmental bodies or agencies having jurisdiction.

Section 3.2 Disbursements of Bond Proceeds.

(a) Disbursements from Project Account of the Project Fund. Pursuant to the provisions of the Indenture, there shall be deposited into the Project Account of the Project Fund a portion of the proceeds received from the sale of the Bonds. Subject to Section 404 of the Indenture, the Trustee is authorized and directed to make payments to the Company, or at the direction of the Company, from the Project Account of the Project Fund, as requested by the Company (by signing at the bottom of a Requisition Certificate) for the Company to pay third parties for amounts due and owing to such third parties with respect to any Project Costs and to reimburse the Company for any Project Costs paid directly by the Company upon receipt of a Requisition Certificate substantially in the form attached as Exhibit "B" to the Indenture. The Company shall retain copies of all Project Cost Requisition Certificates, as defined in the Indenture, until the date that is six years from the first date on which no Bonds are Outstanding.

(b) Disbursements from the Costs of Issuance Account of the Project Fund. Subject to Section 404 of the Indenture, the Trustee is authorized and directed to disburse funds on or after the Closing Date for the Costs of Issuance of the 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 Bonds are Outstanding. Ninety (90) days following the Closing Date, the Costs of Issuance Account for the Bonds shall be closed and any funds remaining therein shall be transferred to the Project Account of the Project Fund and made available to pay any Project Costs relating to the Project for which such specific series of Bonds was issued.

(c) The Trustee may rely fully on any Requisition Certificate delivered pursuant to this Section 3.2 and shall not be required to make any investigation in connection therewith.

Section 3.3 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 Bonds. The Company agrees that if, after exhaustion of the moneys in the Project 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 3.4 Completion. Upon completion of the Project, but not later than the end of the fifth Bond Year, the Company shall deliver to the Trustee a Completion Certificate in the form of Exhibit B hereto.

Section 3.5 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 3.6 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 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 \$250,000, such proceeds shall be transferred to the Trustee for deposit in the Insurance Proceeds Account of the Project Fund and shall be applied to repair, restore, modify, improve or replace the Project. The Trustee is hereby directed to make payments from the Insurance Proceeds Account of the Project 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 Construction Consultant in substantially the same form as Exhibit

“B” to the Indenture. 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 Construction Consultant, shall, upon delivery to the Trustee of a certificate executed by the Construction Consultant to such effect, be deposited to the Debt Service Fund and applied to the redemption of the Bonds or other Related Bonds issued to finance the repaired, restored or replaced Project at the earliest practical date.

(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 \$250,000, such insurance or condemnation proceeds shall be transferred to the Trustee for deposit into the Insurance Proceeds Account of the Project Fund, and:

(1) The Company shall immediately request that the 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 the 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 Project Fund; and

(B) such other documents and information as the holders of a majority in aggregate principal amount 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 404 for payments from the Project 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 Bonds shall be redeemed as set forth in paragraph (e) below.

(d) Under the circumstances set forth in subsection (c)(1) hereof, 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 Bondholder, 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 Bonds redeemed in full without premium and the insurance proceeds shall be transferred by the Trustee from the applicable account in the Project Fund to the applicable account in the Debt Service Fund for such purpose. If the insurance proceeds are insufficient to redeem the 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 Bonds pursuant to the Extraordinary Optional Redemption provisions of the 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 Bonds pursuant to the Extraordinary Optional Redemption provision of the Bonds.

Section 3.7 Inspection of the Project. The Company agrees that 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 3.8 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. The Company agrees that it shall not enter into a contract for the management of the Project by a third party service provider unless it receives a Favorable Opinion of Bond Counsel.

Section 3.9 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 or refinanced in whole or in part with proceeds of the 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 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 the continuance of such restriction is necessary to preserve the exemption from federal income taxation of interest on the Bonds under the Code. 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 3.10 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 3.11 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 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 3.12 Insurance. So long as the Bonds remain Outstanding, the Company shall at all times keep and maintain the insurance required by Section 213 of the Master Indenture.

Section 3.13 Disposition of Project. The Company covenants that the Project will not be sold or otherwise dispose of the Project 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; provided that this provision shall not apply to any portion of the Property comprising personal property and disposed of in the ordinary course of business.

ARTICLE IV

PAYMENTS

Section 4.1 Loan Payments.

(a) To repay the Loan of the proceeds of the Bonds evidenced by the Series 2024 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 tenth (10th) Business Day prior to any Interest Payment Date or the 25th day of each month, in equal monthly installments, for deposit in the Debt Service Fund, amounts sufficient to provide for the payment of interest which is due on the next ensuing date for payment of such interest with respect to the Bonds;

(ii) on or before the earlier of the tenth (10th) Business Day prior to any Interest Payment Date or the 25th day of each month, in equal monthly installments, for deposit in the Debt Service Fund, amounts sufficient to provide for the payment of the principal of or sinking fund payment on the Bonds which is next due for payment of such principal or for such sinking fund redemption payment; and

(iii) following any draw upon or payment from the Guarantee, TEA Guarantee Payments in the amounts and on the dates set forth in the Guarantee and Section 6.2 of this Agreement.

(b) If, subsequent to a date on which the Company is not obligated to pay the Loan Payments (as a result of defeasance of the 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 of (premium, if any) and interest on the 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.

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 Bonds. The Issuer agrees that, at the request at any time of the Company, it will exercise its rights and otherwise cooperate with the Company to cause the 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 Bonds in whole or in part,

neither the Loan made hereunder nor the Series 2024 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 IV or Article X of the Indenture, as applicable.

Section 4.3 Security Interests.

(a) The proceeds of the sale of the Bonds will be loaned by the Issuer to the Company and shall be deposited with the Trustee and applied for the benefit of the Company as provided in the Indenture. The Company's obligation to repay such Loan shall be evidenced by this Agreement and the Series 2024 Note. As security for repayment of the Series 2024 Note and performance of the Company's obligations under this Agreement, the Company 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. 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 2024 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. The Company hereby authorizes the Issuer and the Trustee to file any financing statements or continuation statements necessary to maintain the perfection of the security interest granted hereby.

(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) 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 execution of any deposit account control agreement and 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, on an annual basis, 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.

(c) Under the Indenture, the Issuer is, as security for the 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 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 creditor-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 assigned by 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 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 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 Bonds as provided in such Bond Documents. The Bondholders 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 Series 2024 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 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).

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 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 Bonds and the administration of the Bond Documents, (ii) all payments required to be paid by the Issuer with respect to the Bonds, and (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.

(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.

(c) TEA. The Company 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 Bond Documents. 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.

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 INCLUDING ACTS OR OMISSIONS CONSTITUTING NEGLIGENCE ON THE PART OF ANY INDEMNIFIED PARTY (OTHER THAN FRAUD, WILLFUL MISCONDUCT OR THEFT ON THE PART OF THE INDEMNIFIED PARTY CLAIMING RELEASE) IN CONNECTION WITH THE ISSUANCE OF THE 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 Parties, which firm shall be designated in writing by the Indemnified Parties).

(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 its 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 (for purposes of this clause (h), “Losses”), that may be imposed on, incurred by or asserted against any Indemnatee 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 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 Indemnatee except to the extent such Indemnatee’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 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 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. The Company will not, through any act or omission, adversely affect the exclusion from gross income of interest paid or payable on the Bonds for federal income tax purposes, and, in the event of such action or omission, it will use all reasonable efforts to cure the effect of such action or omission. Certain terms used in this Section are defined in Section 5.3(r). With the intent not to limit the generality of the foregoing, the Company covenants and agrees that prior to the final Maturity of the Bonds, unless it has received and filed with the Issuer and the Trustee a Favorable Opinion of Bond Counsel:

(a) **Maintenance of Exempt Status.** The Company will (i) conduct its operations in a manner that will result in its continued qualification as an organization described in Section 501(c)(3) of the Code as represented in Section 2.2(i)(A) through 2.2(i)(K) of this Agreement, and (ii) timely file or cause to be filed all materials, returns, reports and other documents which are required to be filed with the IRS.

(b) **Diversion of Funds for Unrelated Purposes.** The Company will not divert any substantial part of its corpus or income for a purpose or purposes other than those for which it is organized and operated as represented in Section 2.2(i)(A) through 2.2(i)(J) of this Agreement.

(c) **Notification of the Internal Revenue Service.** The Company will timely notify the IRS of any changes in its organizational documents or method of operations to the extent that the IRS does not already have knowledge of any such changes.

(d) **Ownership of Project.** All of the property financed or refinanced with the Net Proceeds of the Bonds will, at all times prior to final Maturity of the Bonds or prior to the expiration of the useful life of such property, be owned for federal income tax purposes by the Company or by another Exempt Person.

(e) **Use of Net Proceeds.** The Company will not use or permit to be used, directly or indirectly, in any trade or business carried on by any Person who is not an Exempt Person, more than the lesser of (i) 5 percent of the Net Proceeds of the Bonds or (ii) \$15,000,000. For purposes of the preceding sentence, (w) use of Net Proceeds by an organization described in Section 501(c)(3) of the Code with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute a use by an Exempt Person; (x) use of any

property financed with the Net Proceeds of the Bonds constitutes use of such proceeds to the extent of the cost of such property financed with such Net Proceeds; (y) any use of the Net Proceeds of the Bonds in any manner contrary to the guidelines set forth in Revenue Procedure 2017-13 shall constitute the use of such proceeds in the trade or business of a Person who is not an Exempt Person; and (z) any use of the Net Proceeds to pay Costs of Issuance shall constitute the use of such proceeds in the trade or business of a Person who is not an Exempt Person.

(f) Loans of Proceeds. The Company will not use or permit the use of any portion of the Sale Proceeds of the Bonds, directly or indirectly, to make or finance loans to persons who are not Exempt Persons. For purposes of the preceding sentence, (i) a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute a loan to an Exempt Person and (ii) any transaction which constructively transfers ownership of property financed with Sale Proceeds of the Bonds for federal income tax purposes constitutes a loan of such Sale Proceeds.

(g) Limit on Nonhospital Bonds. The Company will expend at least 95 percent of the Net Proceeds of Bonds for Capital Expenditures incurred after August 5, 1997. Accordingly, the Bonds are not subject to the \$150,000,000 limit on nonhospital bonds imposed by section 145(b) of the Code.

(h) Project Useful Life. Taking into account the Issue Price (as defined in Section 5.3(r) of this Agreement) of the Stated Maturity of the Bonds, the weighted average maturity of the Bonds will not exceed 120 percent of the average reasonably expected economic life of the Project to be financed or refinanced by the 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(r) of this Agreement) of the 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 for the Bonds 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 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.

(i) Prohibited Facilities. None of the Proceeds of the Bonds will be used to provide any airplane, sky-box or other private luxury box, facility primarily used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(j) Public Approval. The Company covenants and agrees that the Proceeds of the Bonds will not be used in a manner that deviates other than in an insubstantial degree from the Project described in the written notice of public hearing regarding the Series 2024 Bonds posted on the Issuer's website, in the area of the website where notices of the Issuer's public meeting are posted, on August 28, 2024, and continuously thereafter until the public hearing on September 9th at 1:00 p.m..

(k) Limit on Costs of Issuance. The Sale Proceeds of the Bonds will be expended for the purposes set forth in this Agreement and in the Indenture and no portion thereof in excess of 2 percent of the Sale Proceeds of the Bonds, within the meaning of Section 147(g) of the Code, will be expended to pay Costs of Issuance with respect to the Bonds.

(l) No Arbitrage. The Company will not use or invest the Proceeds of the Bonds such that the 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 Issuer’s Federal Tax Certificate prepared in connection with the Bonds and the Company understands, and will take (or request the Trustee or the Issuer to take), the actions described therein.

(m) Yield on Investment of Gross Proceeds. The Company will restrict the cumulative, blended Yield on the investment of the Gross Proceeds of the 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, or as a result of being on deposit in a Reasonably Required Reserve or Replacement Fund, the Rebate Fund, a bona fide debt service fund (including the Debt Service Fund), or as a minor portion, or (ii) invested at a restricted yield by virtue of being invested in obligations described in Section 103(a) of the Code that are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Code to the extent required by the Code or the Regulations.

(n) Rebate. The Company agrees to take all steps necessary to compute and pay any Rebate Amount in accordance with Section 148(f) of the Code, including:

(i) Delivery of Documents and Money on Computation Dates. The Company shall deliver to the Trustee, within 45 days after each Computation Date for the 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 which, 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 Bonds as of such Installment Computation Date, less any prior payments of Rebate Amount made to the United States in respect of the Bonds, or (2) if such Computation Date is the Final Computation Date, an amount which, together with any amount then held for the credit of the Rebate Fund in respect of the Bonds, is equal to the Rebate Amount as of such Final Computation Date, less any prior payments of Rebate Amount made to the United States in respect of the Bonds; and

(C) an IRS Form 8038-T completed as of such Computation Date.

(ii) Correction of Underpayment. If the Company shall discover or be 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(n) above shall have failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Company, the Issuer, or the Trustee), the Company shall (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 shall take such steps as are necessary to prevent the 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 shall retain all of its accounting records relating to the Debt Service Fund, the Project Fund, the Rebate Fund and the investment and expenditure of the Proceeds of the Bonds and all calculations made in preparing the statements described in this Section 5.3(n) for at least six years after the later of the final Maturity of the Bonds or the first date on which no 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 Rebate Amount. The Company will not indirectly pay any amount otherwise payable to the United States Treasury pursuant to the foregoing requirements to any Person other than the United States Treasury by entering into any investment arrangement with respect to the Gross Proceeds of the Bonds that is not purchased at fair market value or includes terms that the Company would not have included if the 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 shall first obtain and provide to the other Persons named herein a Favorable Opinion of Bond Counsel. The Company will hire a Rebate Analyst to perform the calculations required in this Section 5.3(n); provided, however, this shall not absolve the Company of any of the covenants of this Section 5.3(n).

(o) “Federally Guaranteed” Obligations. The Company will not cause or permit the Bonds to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(p) Information Reporting Requirements. The Company will cause the Issuer to comply with the information reporting requirements of Section 149(e)(2) of the Code requiring certain information regarding the Bonds to be filed with the IRS within prescribed time limits.

(q) Bonds are Not Hedge Bonds. The Company covenants and agrees that not more than 50 percent of the Proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more within the meaning of

Section 149(g)(3)(A)(ii) of the Code, and the Company reasonably expects that at least 85 percent of the spendable proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the Closing Date.

(r) Definitions. The following terms have the meanings assigned to them below whenever they are used in this Agreement:

“Bond Year” means, with respect to the 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 such issue of 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 Bonds within the meaning of Section 147(g) of the Code.

“Exempt Person” means a state or local governmental unit or an organization exempt from federal income taxation under Section 501(a) of the Code by reason of being described in Section 501(c)(3) of the Code.

“Final Computation Date” means the final Maturity of the Bonds.

“Gross Proceeds” means any Proceeds and Replacement Proceeds of the 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 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 Bonds is sold.

“Net Proceeds” means, any Net Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

“Net Sale Proceeds” means the Sale Proceeds less any Sale Proceeds deposited into a Reasonably Required Reserve or Replacement Fund.

“Nonpurpose Investments” means Investment Property acquired with the Gross Proceeds of the Bonds.

“Proceeds” means, any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

“Qualifying Costs” means the Project Costs (excluding the costs for funding a debt service reserve fund, if any), that will be used, directly or indirectly in any trade or business carried on by any Person who is an Exempt Person. For purposes of the preceding sentence, (i) use by an organization described in Section 501(c)(3) of the Code with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute use by an Exempt Person, and (ii) any use in any manner contrary to the guidelines set forth in Revenue Procedures 97-13, 1997-1 C.B. 632 (as modified by Revenue Procedure 2001-39, 2001-2 C.B. 38) or the Regulations promulgated under Section 141 of the Code, shall constitute use by a Person who is not an Exempt Person.

“Reasonably Required Reserve or Replacement Fund” means any fund described in Section 148(d) of the Code provided that the amount thereof allocable to the Bonds invested at a Yield materially higher than the Yield on the Bonds does not exceed the least of (i) 10 percent of the stated principal amount of the Bonds; (ii) the maximum annual debt service on the Bonds; or (iii) 125 percent of the average annual debt service on the Bonds, within the meaning of Section 1.148-2(f)(2)(ii) of the Regulations; provided that, if the Bonds are sold with more than a de minimus amount of original issue discount or premium, the issue price will be used to measure the 10 percent limit.

“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(r) 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 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 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.

“Transferred Proceeds” means, with respect to the portion of the Bonds that is a refunding issue, proceeds that have ceased to be proceeds of a refunded issue and are transferred proceeds of the refunding issue by reason of section 1.148-9 of the Regulations.

“Yield” means yield as determined in accordance with Section 148(h) of the Code and the Regulations, and generally, is the yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the Issue Price of such obligation.

To the extent that published rulings of the IRS, or amendments to the Code or the Regulations modify the covenants of the Company which are set forth in this Section 5.3 or which are necessary to preserve the excludability from gross income of interest on the Bonds for federal income tax purposes, the Company and the Issuer will comply with such modifications.

Section 5.4 Notice of Default. The Company shall, promptly upon receiving notice thereof, notify the Issuer, TEA 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 2024 Note, the Master Indenture or the Indenture. The Trustee shall not be required to take notice or be deemed to have notice or knowledge of any such Event of Default hereunder unless the Trustee shall be specifically notified thereof in writing by the Issuer or the Company, and in the absence of such notice the Trustee may conclusively assume that no such Event of Default or event which with the giving of notice or the passage of time or both would constitute an Event of Default exists.

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, the Master Indenture and the Indenture.

The Company covenants that it will act and cooperate so that this Agreement, the Master Indenture, 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 Bondholders 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 5.6 as the “Indemnified Parties”) for, from and against any and all losses, 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) 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 5.6 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 5.6, 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 5.6 shall remain in full force and effect if any such Losses directly or indirectly result from, arise out of, or relate to, or are 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 Existence of the Company. While any of the 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 3.13 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 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 5.8 Continuing Disclosure Undertaking.

(a) The Company hereby agrees to enter into and fully perform its obligations under that certain Continuing Disclosure Agreement dated as of October 1, 2024 between the Company and Digital Assurance Certification, as dissemination agent; provided, however, that failure of the Company to comply with such requirements shall not constitute an Event of Default hereunder.

(b) The Company will provide to the Texas Education Agency all notices and other information it is obligated to provide under its Continuing Disclosure Agreement at the times and in the circumstances specified therein.

ARTICLE VI PERMANENT SCHOOL FUND GUARANTEE

Section 6.1 Permanent School Fund Guarantee. The Company has applied for and received approval from the Commissioner of Education, subject to compliance with the Commissioner of Education's rules and regulations, for payment of the principal of and interest on the Bonds to be guaranteed by the Permanent School Fund. If the Bonds are defeased, the Guarantee will be removed in its entirety and, in case of payment default and in accordance with Texas Education Code §45.061, the Comptroller of Public Accounts will withhold the amount paid, plus interest, from the first state money payable to the Company in the following order: foundation school fund, available school fund. In connection with the Guarantee, the Company, hereby certifies and covenants that:

(a) a certified copy of the Indenture and copies of the Final Official Statement shall be furnished to the Division of State Funding, School Facilities and Transportation, within ten (10) calendar days following the pricing of the Bonds;

(b) following any determination by the Company that it is or will be unable to pay maturing or matured principal or interest on the Bonds, the Company will take all action required by Subchapter C of Chapter 45 of the Texas Education Code, including, but not limited to, the giving of timely notice of such determination to the Commissioner; and

(c) the Company will notify the Division of State Funding in writing within ten (10) calendar days of the defeasance of any Bonds.

Section 6.2 TEA Reimbursement Amounts. The Company 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 interest rate on the Bonds as specified in the Indenture (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 Company hereby covenant and agree that the TEA Reimbursement Amounts are, payable from and secured by a lien on and pledge of the Trust Estate.

Section 6.3 Non-Impairment of Rights. No contract shall be entered into or any action taken by the Company by which the rights of TEA or security for or source of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of TEA.

Section 6.4 Conflicting Provisions. So long as the Guarantee is effective, the Guarantee shall be in addition to and, to the extent possible, reconciled with other provisions in the Bond Documents; provided, however, that, if there has been any draw upon the Guarantee, then the Guarantee provisions, including those set forth in Sections 701, 702, 703, 705, 713, 714, 1101, 1102 and 1103 of the Indenture and Sections 4.6, 6.1, 6.2 and 6.3 of this Agreement, shall supersede any conflicting or inconsistent provisions in the Bond Documents.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.1 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 pursuant to Section 4.1 of this Agreement; provided that, such Event of Default shall terminate (i) upon timely receipt of two successive payments of the amounts then required under Section 4.1 and (ii) the balance in the Debt Service Fund must equal the amount that is then required to be on deposit.

(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 or cured.

The foregoing provisions of this Section (except Subsection (a) of this Section) 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, 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 7.2 Remedies Upon An Event of Default. Whenever any Event of Default shall have happened and be continuing, the Issuer, the Trustee as assignee of the Issuer, or TEA 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 Section 4.6, Section 5.1, Section 5.6 and Section 7.6 hereof.

Section 7.3 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 7.4 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 7.5 Remedial Rights Assigned to the Trustee. Such rights and remedies as are given the Issuer hereunder (except the Issuer’s rights under Sections 4.6, 5.1, 5.6 and 7.6 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 7.6 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 VIII

MISCELLANEOUS

Section 8.1 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 8.2 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 8.3 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 8.4 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 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 8.5 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, Costs of Issuance reasonably incurred by the Issuer in connection with the issuance of the

Bonds, and other expenses, if any, incurred from time to time by the Issuer in connection with the Project or the Bonds.

Section 8.6 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 8.7 Governing Law. The validity, interpretation, and performance of this Agreement shall be governed by the laws of the State.

Section 8.8 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 8.9 Third Party Beneficiaries. The parties hereto expressly recognize that the Trustee and the TEA are third party beneficiaries to this Agreement and may enforce any right, remedy, or claim conferred, given or granted hereunder.

[Remainder of page intentionally left blank]

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.

ARLINGTON HIGHER EDUCATION FINANCE
CORPORATION

By: _____
President, Board of Directors

[Remainder of page intentionally left blank]

LIFESCHOOL OF DALLAS

By: _____
Title: Chief Financial Officer

EXHIBIT A

The Project

The “Project” consists of financing and refinancing the costs of acquiring, constructing, improving, renovating, furnishing, and equipping educational facilities of the Company, consisting of a new campus located at 1000 East Daniieldale Road and 1600 South Cockrell Hill Road, Duncanville, Texas (“Duncanville Campus”) and paying the costs of issuing the Bonds.

EXHIBIT B

FORM OF COMPLETION CERTIFICATE

Regions Bank, as Trustee
3773 Richmond Avenue, Suite 1100
Houston, TX 77046
Attention: Corporate Trust Services

Re: \$[] Arlington Higher Education Finance Corporation Education Revenue Bonds
(LifeSchool of Dallas), Series 2024

Ladies and Gentlemen:

The undersigned, being the owner of the Project, as defined in that certain Loan Agreement dated as of October 1, 2024 (the “Loan Agreement”) by and among the undersigned and the Issuer hereby certifies to Regions Bank, 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. as of the date hereof, all Project Costs payable with respect to the acquisition of the Project have been paid;
2. the amount from the Construction Fund expended for Project Costs relating to the Project totaled \$_____;
3. the amount from the Construction Fund expended for Project Costs which are not Qualifying Costs (as defined in Section 5.3(r) of the Loan Agreement) totaled \$_____;
and
4. not less than 95 percent of the Net Proceeds of the Bonds were used for Qualifying Costs. If less than 95 percent of the Proceeds of the Bonds were used for Qualified Costs, the Company has redeposited amounts into the Construction Fund such that the amount of proceeds disbursed for Qualified Costs is equal to at least 95 percent of the Net Proceeds of the Bonds; provided, however, that such redeposit and expenditure did occur not later than 18 months after the later of (i) the date the expenditure to which the redeposited funds are allocated was paid, or (ii) the date the asset to which the redeposited funds are allocated was placed in service, and in no event later than sixty (60) days after the fifth anniversary of the date of issue of the Bonds or the date sixty (60) days after the retirement of the issue, if earlier. Moreover, proceeds in an amount equal to not more than 2 percent of the Sale Proceeds of the Bonds were used for Costs of Issuance.

LIFESCHOOL OF DALLAS

By: _____
Authorized Representative

TRUST INDENTURE AND SECURITY AGREEMENT

between

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

and

REGIONS BANK,
as Trustee

relating to

\$112,910,000
ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
EDUCATION REVENUE BONDS
(LIFESCHOOL OF DALLAS)
SERIES 2024

Dated as of

October 1, 2024

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TRUST INDENTURE AND SECURITY AGREEMENT

THIS TRUST INDENTURE AND SECURITY AGREEMENT (this “Indenture”), dated as of October 1, 2024, is between **ARLINGTON HIGHER EDUCATION FINANCE CORPORATION**, a non-profit corporation created and existing under the Act (the “Issuer”), and **REGIONS BANK**, an Alabama state banking corporation, with a corporate trust office in Houston, Texas, not in its individual capacity but solely as Trustee (the “Trustee”).

WITNESSETH:

WHEREAS, the City of Arlington, Texas (the “City”), a political subdivision of the State of Texas (the “State”), has, pursuant to Chapter 53 of the Texas Education Code, including particularly Sections 53.35(b) and 53.48 of such Chapter, as amended (the “Act”), approved and created the Issuer as a nonstock, nonprofit corporation;

WHEREAS, the Issuer is a duly constituted authority and instrumentality of the City (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 City, is empowered to issue its revenue bonds in order to enable an accredited primary or secondary school 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 such bonds;

WHEREAS, in furtherance of the purposes of the Act, the Issuer proposes to issue its revenue bonds pursuant to a Board Resolution of the Issuer authorizing the issuance of the Bonds and this Indenture, which will be designated “Arlington Higher Education Finance Corporation Education Revenue Bonds (LifeSchool of Dallas) Series 2024” (the “Bonds”) the proceeds of which will be loaned to the LifeSchool of Dallas (the “Company”) to be used to (i) finance and refinance the costs of acquiring, constructing, equipping and renovating certain “educational facilities” (as that term is defined in the Act) and facilities incidental, subordinate or related thereto or appropriate in connection therewith, (ii) fund capitalized interest, and (ii) pay the costs of issuing the 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 (as defined herein) 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 Bondholders the payment of the Bond Obligations (as defined herein); and

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;

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 Bondholders 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 grants 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 (as defined in the Agreement), the Series 2024 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 4.6, 5.1 and 5.6 and 7.6 of the Agreement (the “Issuer’s Unassigned Rights”);

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 Company or the Person so acting on its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof;

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, alienated, 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 Bondholders 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 or upon such deposit, 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 issued, 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 Bondholders, except as herein otherwise expressly provided, 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 have the meanings assigned to them in the Agreement. 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” has the meaning set forth in the first Recital hereof.

“Agreement” has the meaning set forth in the fifth Recital hereof.

“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, \$5,000 and any integral multiple thereof.

“Authorized Representative” means the President of the Board of Directors of the Company, the Superintendent and the Chief Financial Officer 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 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.

“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 Counsel” means Hunton Andrews Kurth LLP or such other attorney or firm of attorneys nationally recognized as having expertise in the practice of tax exempt municipal finance law as approved by the Company.

“Bond Documents” means this Indenture, the Agreement, the Series 2024 Note, the Bonds, the Master Indenture, the Supplemental Master Indenture, the Bond Purchase

Agreement, the Deed of Trust, and all other agreements, documents and instruments ever delivered pursuant to any of the foregoing and any and all future renewals and extensions or restatements of any of the foregoing.

“Bond Obligations” means all principal of (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 Purchase Agreement” means the Bond Purchase Agreement among the Issuer, the Company, and the Underwriter relating to the Bonds.

“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” means a Person in whose name a Bond is registered in the Bond Register; provided, however, that, so long as the Bonds are guaranteed by the Permanent School Fund, upon the occurrence and during the continuance of a default or Event of Default under the Bond Documents, TEA shall be deemed to be the sole holder of the Bonds for all purposes of exercising remedies and approving amendments.

“Bonds” has the meaning set forth in the fourth Recital hereof.

“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 Bondholder, 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 or trust companies 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 or obligated by law, regulation or executive order to close.

“Capitalized Interest Account” means the Capitalized Interest Account in the Debt Service Fund established pursuant to Section 403.

“City” means the City of Arlington, Texas.

“Closing Date” means the date on which the Bonds are first authenticated and delivered to the initial purchasers thereof against payment therefor.

“Commissioner” means the Commissioner of Education of the State of Texas.

“Company” means LifeSchool of Dallas, a Texas non-profit corporation, its permitted successors and assigns, and any resulting, surviving or transferee Person permitted hereunder.

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

“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 (i) an authorized officer of the Issuer or (ii) an Authorized Representative of the Company or (iii) the Commissioner or designee, as the case may be.

“Corporate Trust Office” means the address or addresses of the Trustee designated from time to time pursuant to Section 105.

“Costs of Issuance” means the cost of financing, legal, printing and other costs attributable to the issuance of the Bonds within the meaning of Section 147(g) of the Code.

“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 pursuant to Section 403 of this Indenture.

“Deed of Trust” has the meaning assigned to such term in the Master Indenture.

“Defeasance Obligations” means obligations now or hereafter authorized in Section 1207.062(b), Texas Government Code.

“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.

“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. DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the

meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended.

“Eligible Securities” means, to the extent permitted by law, 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 Project Fund and the Rebate Fund in accordance with the terms hereof.

“Event of Default” is defined in Article VII of this Indenture.

“Exempt Person” means a state or local governmental unit or an organization exempt from federal income taxation under Section 501(a) of the Code by reason of being described in Section 501(c)(3) of the Code.

“Favorable Opinion of Bond Counsel” means an unqualified opinion of Bond Counsel delivered to and in form and substance satisfactory to the Issuer and the Trustee to the effect that such action does not violate the laws of the State (including the Act), the Code and this Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

“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.

“Guarantee” means 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 Bonds when due.

“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 Company 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 Bond authorized in Section 210 herein.

“Interest Payment Date” means each February 15 and August 15, commencing August 15, 2025.

“Interest Rates” means the interest rates as set forth in Section 202(a) of this Indenture for the Bonds.

“Issuer” means Arlington Higher Education 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, including the Company’s financial advisor, 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 May 1, 2014, between the Company and the Master Trustee, as heretofore or hereafter amended or supplemented from time to time in accordance with its terms.

“Master Trustee” means Regions Bank, 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 call for redemption or otherwise.

“Officer’s Certificate” of any specified Person means a certificate signed by the President of the Governing Body or an Authorized Representative of the Company or any other Person designated to execute an Officer’s Certificate as evidenced by a certificate of any such Person 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 Bondholders 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 Series 2024 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 Responsible Officer actually 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 Series 2024 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 Agreement.

"Project Fund" means the special trust fund created in Section 404 of this Indenture.

"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 405 of this Indenture.

"Record Date" means the close of business for the Trustee on the first day of the calendar month in which any Interest Payment Date occurs 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.

“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 2024 Note” means the promissory note in the form attached to the Supplemental Master 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 Bonds.

“Special Record Date” has the meaning set forth in Section 206 hereof.

“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 Indenture” means the Supplemental Master Indenture No. 4 dated as of October 1, 2024, between the Company and Master Trustee.

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

“TEA Default” means (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

“Trust Estate” is defined in the Granting Clauses of this Indenture.

“Trustee” means Regions Bank, serving as Trustee pursuant to this Indenture or any successor thereto pursuant to the provisions of this Indenture.

“Underwriter” means D.A. Davidson & Co., on behalf of itself and PNC Bank, as the initial purchasers of the Series 2024 Bonds.

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 such officer's 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 their agent or agents 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 such signer's 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 Act by any holder of a Bond shall bind every subsequent holder of that Bond and of any other 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 3773 Richmond Avenue, Suite 1100, Houston, TX 77046 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 Arlington Higher Education Finance Corporation, 4381 W. Green Oaks Blvd., Suite 200, Arlington, TX 76016, Attention: Phillip Wambsganss, 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 LifeSchool of Dallas, 132 East Ovilla Road, Suite A, Red Oak, TX 75154, Attention: Chief Financial Officer, 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, Ross Tower, Suite 3200, Dallas, Texas 75201, or at such other address subsequently furnished in writing to the Trustee by such Rating Service.

(5) the Texas Education Agency shall be sufficient for every purpose hereunder if in writing and delivered mailed to 1701 N. Congress Avenue, Austin, Texas 78701, Attention: Commissioner of Education, Re: Guarantee No. 2024-07-LifeSchool of Dallas-1 or email at commissioner@tea.texas.gov. In each case in

which notice or other communication refers to an Event of Default or a claim on the Permanent School Fund Guarantee, 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." All notices, waivers, consents and other information required to be provided to TEA shall be provided directly to the Commissioner or designee thereof.

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 such Bondholder's address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the delivery of such notice. In any case where notice to Bondholders is given as provided herein, neither the failure to send such notice, nor any default in any notice so sent 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 Bondholders 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, TEA and the Bondholders, 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, or any past, present, or future 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, council member, commissioner 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. No Pecuniary Liability of the Issuer or the City. No agreements or provisions contained herein, nor any agreement, covenant, or undertaking by the Issuer in connection with the Project or the issuance, sale, and/or delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or the City or a charge against their general credit, or shall obligate the Issuer or the City financially in any way, except as may be payable from the revenues pledged hereby for the payment of the Bonds and their application as provided in this Indenture. No failure of the Issuer to comply with any term, covenant, or agreement contained in the Bonds, this Indenture or the Agreement, or in any document executed by the Issuer in connection with the Project or the issuance and sale of the Bonds, shall subject the Issuer or the City to liability for any claim for damages, costs, or other financial or pecuniary charge, except to the extent the same can be paid from revenues derived under the Agreement. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant, or agreement herein; provided that no costs, expenses, or other monetary relief shall be recoverable from the Issuer or the City, except as may be payable from the revenues pledged under this Indenture for the payment of the Bonds or other revenue derived under the Agreement. No provision, covenant, or agreement contained herein, or any obligations imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer or the City within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against the Issuer's or the City's general credit. In making the agreements, provisions, and covenants set forth in this Indenture, the Issuer has not obligated itself, except with respect to the application of the revenues pledged in this Indenture for the payment of the Bonds or other revenues derived under the Agreement.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS; ISSUANCE AND FORM OF BONDS

Section 201. Authorization and Form of Bonds.

(a) The Bonds shall be designated "Arlington Higher Education Finance Corporation Education Revenue Bonds (LifeSchool of Dallas) Series 2024." The aggregate principal amount of the Bonds is \$112,910,000. The Bonds shall be numbered separately from RA-1 upwards. The Bonds shall be issued only in fully registered form in Authorized Denominations.

(b) The Bonds and the Guarantee Endorsement of the Commissioner, respectively, shall be substantially in the forms 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 Bonds shall be dated as of October 1, 2024, shall mature on August 15 in the years and in the amounts set forth below, and shall bear interest at the following rates from the later of (i) the date of delivery of the Bonds or (ii) the most recent Interest Payment Date to which interest has been paid or provided for:

| Year of Maturity (August 15) | <u>Principal Amount</u> | <u>Interest Rate</u> |
|---|--------------------------------|-----------------------------|
| 2027 | \$770,000 | 5.000% |
| 2028 | \$910,000 | 5.000% |
| 2029 | \$1,045,000 | 5.000% |
| 2030 | \$1,195,000 | 5.000% |
| 2031 | \$1,365,000 | 5.000% |
| 2032 | \$1,535,000 | 5.000% |
| 2033 | \$1,710,000 | 5.000% |
| 2034 | \$1,875,000 | 5.000% |
| 2035 | \$2,085,000 | 5.000% |
| 2036 | \$2,305,000 | 5.000% |
| 2037 | \$2,545,000 | 5.000% |
| 2038 | \$2,795,000 | 5.000% |
| 2039 | \$3,060,000 | 5.000% |
| *** | *** | *** |
| 2044 | \$19,500,000 | 4.000% |
| *** | *** | *** |
| 2049 | \$31,575,000 | 4.125% |
| *** | *** | *** |
| 2054 | \$38,640,000 | 4.125% |

(b) The Bonds shall be subject to optional and mandatory redemption prior to maturity in the manner provided in the form of Bond set forth in Exhibit A, attached hereto.

(c) 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.

(d) 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 holder thereof at his or her address as it appears on the Bond Register on the Record Date. Upon written request of a registered Bondholder 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 Bondholder) in immediately available funds to an account in the United States designated by such registered Bondholder upon fifteen (15) days prior 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. Principal of, premium, if any, and interest on the Bonds that are in Book-Entry-Only Form will be paid in immediately available funds to DTC or its nominee, as the case may be, as Bondholder.

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 or one of its Assistant Secretaries. 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 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) a Company Order 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 Company Order;
- (c) the Series 2024 Note, 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 this Indenture, the Loan Agreement, the Supplemental Master Indenture and the Deed of Trust to the effect that each such document has been duly authorized, executed and delivered by that party and that each such document 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) an opinion of Bond Counsel subject to the exceptions and qualifications set forth therein 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 Bonds have occurred, (ii) the 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, (iii) the Bonds and the offering or sale of the Bonds are not required to be registered under the Securities Act of 1933, and this Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, and (iv) interest on the Bonds is excludable from gross income of the holders of the Bonds for federal income tax purposes; and

(h) the Initial Bond, together with the approval of the Bonds by the Attorney General of Texas as evidenced by his approving opinion related thereto and initial registration of the Bonds by the Comptroller.

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 Houston, 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 Bondholder, 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 such holder’s 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 Bondholders.

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 fifteen (15) days before the day a notice of redemption of Bonds selected for redemption under Section 303 is sent and ending at the close of business on the day such notice is sent 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 Bondholder 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 Record Date by virtue of having been such Bondholder; 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 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 fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (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 sent, to each Bondholder at his address as it appears in the Bond Register, not less than ten (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 sent 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, TEA 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, none of the Issuer, the Trustee, or 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. NONE OF THE CITY, THE STATE, A STATE AGENCY, OR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE, OR 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. HOWEVER, THE BONDS WILL BE

GUARANTEED BY THE CORPUS OF THE PERMANENT SCHOOL FUND OF THE STATE OF TEXAS PURSUANT TO THE BOND GUARANTEE PROGRAM ADMINISTERED BY THE TEXAS EDUCATION AGENCY. SUCH GUARANTEE IS SUBJECT TO THE RULES AND REGULATIONS OF THE TEXAS EDUCATION AGENCY AND SHALL BE REMOVED IN ITS ENTIRETY UPON DEFEASANCE OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

All obligations of the Issuer hereunder are limited, and are payable solely from and to the extent of money provided by or for the account of the Company, and it is a condition of each undertaking of the Issuer contained herein that, all such undertakings shall be performed at the expense of the Company. The Issuer shall not be required to advance its own funds in connection with the performance of any duty under this Indenture.

Section 210. Initial Bond. Pending the preparation of definitive Bonds, the Issuer will execute and upon Company Order, 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 Bondholder. 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 so long as it shall have attached to it an executed registration certificate of the Comptroller in the form set forth in Exhibit A.

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 (i) 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, the Bond Registrar 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. NONE OF THE ISSUER, THE COMPANY, THE BOND REGISTRAR OR 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. NONE OF THE ISSUER, THE COMPANY, THE BOND REGISTRAR OR 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 this 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, the Bond Registrar 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 Bondholders pursuant to this Indenture by the Issuer, the Company or the Trustee with respect to any consent or other action to be taken by Bondholders, 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 fifteen (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.

Section 302. Election to Redeem; Notice to Trustee. 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 thirty-five (35) 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 Bonds of a particular Stated Maturity 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 if the Bonds are registered in the Book-Entry-Only System, the method of redemption shall be in accordance with the procedures of the Depository, and 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. Absent direction of the Company, the Trustee may select the Bonds to be redeemed by lot or other customary method.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed.

Section 304. Notice of Redemption.

(a) Not less than thirty (30) days prior to any redemption date, but not more than sixty (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, to the holders of each Bond to be redeemed at the address shown on the Bond Register on the date such notices are sent. Any notice sent as provided in this Section shall be conclusively presumed to have been duly given, irrespective of whether received.

(b) 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 with name of contact person 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 timely received by the Trustee, 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.

(c) If any of the Bonds are redeemed pursuant to an advance refunding, notice of such advance refunding and redemption shall be given in the same manner as above provided, and within the same time period with respect to the actual redemption date.

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 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 of such Bond or his attorney duly authorized in writing) and the Issuer shall execute and the Trustee shall authenticate and deliver to the holder of such Bond

without service charge, a new Bond or Bonds of the same interest rate and Stated Maturity and of any Authorized Denomination as requested by such Bondholder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the 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 Project Fund and the Rebate Fund (collectively, the “Funds”). The Issuer reserves the right to establish additional trust funds, accounts or subaccounts 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 out of the Trust Estate 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 “LifeSchool of Dallas Education Revenue Bonds Series 2024 Proceeds Fund” (herein referred to as the “Proceeds Fund”). The proceeds of the sale of the Bonds shall be deposited into the Proceeds Fund and immediately transferred by the Trustee to the Debt Service Fund and Project Fund, all in the amounts and as specified in the Company Order to authenticate and deliver the 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 “LifeSchool of Dallas Education Revenue Bonds Series 2024 Debt Service Fund” (herein referred to as 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 707. The Trustee shall create a Capitalized Interest Account within the Debt Service Fund.

(b) The Trustee shall deposit to the credit of the Debt Service Fund immediately upon receipt (1) amounts due and payable by the Company pursuant to Section 4.1(a) or (b) of the Agreement and the terms of the Series 2024 Note and (2) any other amounts delivered to the Trustee specifically for deposit thereto.

(c) On the Closing Date, the Trustee shall deposit into the Capitalized Interest Account any amounts as specified in the Company Order to authenticate and deliver the Bonds for the purpose of paying a portion of the interest coming due on the Bonds through August 15, 2026.

(d) On each Interest Payment Date, the Trustee shall withdraw money (i) first from the Capitalized Interest Account and (ii) second from the Debt Service Fund in an amount sufficient to pay the Bondholders principal and interest on the Bonds.

(e) The Trustee shall notify the Company, Master Trustee and the Commissioner by 12:00 noon (Central Time) ten (10) Business Days prior to any Interest Payment Date if funds within the Debt Service Fund are or will be insufficient to pay debt service on the Bonds on the Interest Payment Date.

Section 404. Project Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its “LifeSchool of Dallas Education Revenue Bonds Series 2024 Project Fund” (herein referred to as the “Project Fund”). The money deposited in the Project Fund, including all money therein and all investments thereof, shall be held in trust and applied solely as provided in this Section. The Project Fund shall contain a Reimbursement Account, a Project Account, an Insurance Proceeds Account and a Costs of Issuance Account. The Trustee shall have the authority to create subaccounts within the Project Account of the Project Fund as is necessary and convenient for the administration of such Account. The Trustee may transfer funds between subaccounts in the Project Account as needed to fund all or any portion of the Project.

(b) The Trustee shall deposit to the credit of the Project 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 Project Fund and the proceeds of the Bonds to the extent specified by a Company Order.

(c) On the Closing Date the Trustee shall disburse amounts in the Project Fund or any account or subaccount therein following receipt of and in accordance with a Requisition Certificate in substantially the form of Exhibit B to this Indenture. After the Closing Date, the Trustee shall disburse amounts in the Project Fund to pay or reimburse the Company for all other Project Costs no later than three (3) Business Days following receipt of and in accordance with a Requisition Certificate. Prior to the initial disbursement for Projects Costs constituting the construction of new campuses, the Company shall submit to the Trustee evidence that the operation of such campus is permitted under existing zoning regulations, or, alternatively, that the Company has secured such special use permits as may otherwise be required by applicable law to conduct such operations.

(d) Any moneys remaining in the Costs of Issuance Account ninety (90) days after the Closing Date and not needed to pay unpaid Costs of Issuance shall be deposited in the Project Account of the Project Fund. Upon final disbursement and/or transfer, the Trustee shall close the Costs of Issuance Account.

(e) 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.

(f) On the earlier of the end of the fifth Bond Year or after making all payments and deposits set forth herein, the Trustee shall transfer any amount then on deposit in the Project 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 may be used to (i) pay principal of or interest on the Bonds, subject to the limitations described in Section 1.148-6(d)(3) of the Regulations or (ii) redeem Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest dates at which the Bonds may be redeemed under this Indenture; provided, however, if the Bonds may not be redeemed, the Bonds may be defeased in accordance with Section 1.141-12 of the Regulations.

(g) In furtherance and not in limitation of this Section, all payments made from the Insurance Proceeds Account, the Reimbursement Account, 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 Insurance Proceeds Account, the Reimbursement Account, the Project Account or the Costs of Issuance Account or to inquire into the purposes for which withdrawals are being made from such Accounts.

Section 405. Rebate Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated as its “LifeSchool of Dallas Education Revenue Bonds Series 2024 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 405.

(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 (5) days after each receipt or transfer of funds to the Rebate Fund in accordance with Section 5.3(n)(i)(B) of the Agreement (and in any event within sixty (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 (5) days after receipt from the Company of any amount pursuant to Section 5.3(n)(i)(B) 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(n)(i)(B) or Section 5.3(n)(i)(C) 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(n) 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 sixty (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 406. Investment of Funds.

(a) 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 Goldman Sachs Financial Square Treasury Obligations 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 Project 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 or account to be redeemed or sold and converted into cash to the credit of that fund or account. The Trustee shall 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.

(d) The Issuer and the Company (by their execution of the Agreement) acknowledge that to the extent that regulations 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 407. 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 or for interest on the Bonds becoming includable in gross income for federal income tax purposes as a result of complying with any such Company Order, and shall not be required to ascertain any facts with respect to any such Company 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 is not a Business Day, then such payment may be made on the next succeeding Business Day without additional interest and with the same force and effect as if made on the specified date for such payment.

Section 502. 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 Bondholder of at least \$1,000,000 in principal amount of Bonds, by wire transfer (at the risk and expense of such registered Bondholder) in immediately available funds to an account in the United States designated by such registered Bondholder upon fifteen (15) days 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 hereby accepts 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 Company on behalf of the Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Company 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, 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 Bondholders 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, with prior written

notice of such name change being provided to TEA. TEA shall also receive prior written notice of the resignation or removal of the Paying Agent. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within thirty (30) days thereafter, appoint such bank or trust company as shall be specified by the Company and acceptable to TEA 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, acceptable to TEA, shall be appointed. Notice of the designation of a successor Paying Agent shall be sent by the Trustee by first-class mail to TEA and each Bondholder.

Section 503. 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. The Issuer has not described such collateral in a UCC financing statement that will remain effective on the Closing Date, other than any UCC financing statements filed in accordance with the Bond Documents. 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 504. 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 Bondholders 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, on an annual basis, the filing of continuation statements 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. The Trustee is hereby authorized to make such filings. Notwithstanding the foregoing, the Trustee shall not be responsible for the sufficiency of or the proper recording or indexing of any financing or continuation statements.

Section 505. Corporate Existence. Subject to Article VI hereof, 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 506. 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 Bondholders 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 507. Tax Covenants.

(a) The Issuer will not knowingly take any action, or omit to take any action, which action or omission, will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, and in the event of such action or omission will promptly, upon receiving knowledge thereof, take all lawful actions, based on advice of counsel and at the expense of the Company, as may rescind or otherwise negate such action or omission.

(b) The Issuer will not knowingly use or direct the use of any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, to make or finance loans to Persons who are not Exempt Persons. For purposes of the preceding sentence, a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, constitutes a loan to a person who is not an Exempt Person.

(c) The Issuer agrees that until the final Maturity of the Bonds, it will not knowingly use or direct the use of any money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other source, in a manner that would cause the Bonds to be "arbitrage bonds," within the meaning of Section 148 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 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) The Issuer will not knowingly take any action which would result in all or any portion of the Bonds being treated as “federally guaranteed” within the meaning of Section 149(b)(2) of the Code.

(e) The Issuer shall file, or cause to be filed, all information returns required to be filed with respect to the Bonds pursuant to Section 149(e) of the Code.

(f) For purposes of this Section 507, 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 Bonds. In complying with the foregoing covenants, the Issuer may rely from time to time upon a Favorable Opinion of Bond Counsel.

Section 508. 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 for interest on any issue of the Bonds to be excludable from gross income for federal income tax purposes, 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 Bondholders 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 and TEA 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 TEA an Officer's 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 that all conditions precedent herein provided for relating to such transaction have been complied with.

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 elsewhere in this Section specifically dealt with) and continuance of such default or breach for a period of thirty (30) days after there has been given, by registered or certified mail, to the Issuer, TEA and the Company by the Trustee, or to the Issuer, the TEA, the Company 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, provided, however, if such default or breach shall last longer than ninety (90) days, it shall constitute an Event of Default hereunder; or

(3) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Company under 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 ninety (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 ninety (90) days; or

(4) the Company shall institute proceedings to be adjudicated a voluntary bankruptcy, 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; 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) an event of default occurs under any agreement pursuant to which any bonds, loans, certificates, installment or lease payments or similar obligations of the Company that are payable or secured on a parity or subordinate basis to the Bonds 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 affect the Trust Estate or materially impairs the ability of the Company to timely pay principal and interest on the Bonds; or

(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 reasonably promptly give telephonic or facsimile notice to the Master Trustee and any Person that may execute an Officer’s Certificate on behalf of the Company of such failure and shall reasonably promptly thereafter confirm such notice by facsimile or letter to the other parties to the Bond Documents and TEA unless such amount is immediately thereafter paid.

Section 702. Acceleration. So long as the Bonds are guaranteed by the Permanent School Fund, the Bonds may not be accelerated.

Section 703. Collection of Indebtedness. 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 the Trustee, for the benefit of the Bondholders, 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, with the consent of TEA and shall, upon direction of TEA, 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.

Section 704. Suits for Enforcement by Trustee. If an Event of Default occurs and is continuing, the Trustee may, with the consent of TEA and shall, upon the direction of TEA, proceed to protect and enforce its rights and the rights of the Bondholders 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.

Section 705. 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 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 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, with the consent of TEA, 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 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 Bondholders 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 Bondholder 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 Bondholders, 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 Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Bondholder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

(b) Notwithstanding the foregoing, any reorganization or liquidation plan with respect to the Company must be acceptable to TEA. The Trustee and each Bondholder hereby appoints TEA as their agent and attorney-in-fact with respect to the Bonds and agree that TEA may at any time during the continuation of any proceeding by or against the Company under the 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, (i) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Bondholder delegate and assign to TEA, to the fullest extent permitted by law, the rights of the Trustee and each Bondholder with respect to the 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.

Section 706. 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 Bondholders and TEA in respect of which such judgment has been recovered to the extent of the obligations then owing to such Persons.

Section 707. Application of Money Collected.

(a) 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 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:

(1) First: To the payment of all amounts due the Trustee under this Indenture;

(2) Second: To the payment of the amounts then due and unpaid upon the Bonds, for 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;

(3) 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);

(4) Fourth: To the Debt Service Fund, any remaining amounts of money so collected.

(b) If the Master Trustee has accelerated the Series 2024 Note, the portion of the master trust estate allocable to the Bonds under Section 405(c)(2) of the Master Indenture shall be applied to purchase Defeasance Obligations for deposit with the Trustee to defease all or a portion of the Bonds in inverse order of maturity through the earlier of their Maturity or first Optional Redemption date as set forth in the form of Bond attached hereto as Exhibit A.

Section 708. Limitation on Suits. Subject to Section 713(a) hereof, no Bondholder shall have the 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 Bondholder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the holders of not less than 25 percent in principal amount of the Outstanding Bonds or TEA 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 Bondholders have provided to the satisfaction of the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

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

(e) no direction inconsistent with such written request of Bondholders has been given to the Trustee during such 60-day period by TEA;

it being understood and intended that no one or more holders of the 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 the Bonds, or to obtain or to seek to obtain priority or preference over any other holders of the Bonds, 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 Bondholders and TEA to the extent of the amounts then owing to such Persons.

Section 709. Unconditional Right of Bondholders to Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, any Bondholder 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 Bondholder.

Section 710. Restoration of Rights and Remedies. If the Trustee, TEA or any Bondholder 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, TEA, or such Bondholder, then and in every such case the Issuer, the Trustee, TEA, the Company, and the Bondholders 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, TEA and the Bondholders shall continue as though no such proceeding had been instituted.

Section 711. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee, TEA or the Bondholders 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 712. Delay or Omission Not Waiver. No delay or omission of the Trustee, TEA, or any Bondholder 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 Indenture or by law to the Trustee, TEA or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, TEA or the Bondholders, as the case may be.

Section 713. Control by TEA and Bondholders. (a) Anything to the contrary in this Indenture notwithstanding, subject to Section 1101(f) of this Indenture, so long as the Bonds are guaranteed by the Permanent School Fund, upon the occurrence and during the continuance of a default or an event of default under any Bond Document that is not remedied or cured pursuant to the corrective actions required or permitted under the Bond Documents, TEA shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee or Paying Agent for the benefit of the holders of the Bonds under any Bond Document.

(b) Subject to subsection (a) above, the holders of a majority in principal amount of the Outstanding Bonds, with the consent of TEA, 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,
- (ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; and
- (iii) the Trustee shall have been provided with an indemnity satisfactory to it.

Section 714. Waiver of Past Defaults. The holders of not less than a majority in principal amount of the Outstanding Bonds, with the prior written consent of TEA, or TEA 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 715. Undertaking for Costs. All parties to this Indenture agree, and each Bondholder by such Bondholder's 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 Bondholder, or group of Bondholders, holding in the aggregate more than 10% in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder 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 716. 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 717. 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 City or of any successor corporation, either directly or through the Issuer, the Company or the City, 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, the Agreement, the Bonds and the Series 2024 Note 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 City 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, in the Agreement or in any of the Bonds or the Series 2024 Note 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 the Series 2024 Note.

Section 718. 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 Trust Estate; 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.

Section 719. Termination of Default. Once an Event of Default has been cured in accordance with the provisions of this Indenture, such Event of Default will be deemed to no longer exist and the Trustee shall notify the Company in writing that such Event of Default has been cured and all corrective actions under this Indenture shall immediately cease unless or until another Event of Default shall occur.

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, 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 Responsible Officer 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 person would exercise or use under the circumstances in the conduct of his or her 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 at the direction of the holders of not less than a majority in aggregate principal amount of Bonds then Outstanding or TEA 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.

(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.

(e) In no event shall the Trustee be responsible or liable for special, interest, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 802. Notice of Defaults. Within sixty (60) days after the occurrence of any default hereunder of which the Trustee has actual knowledge, the Trustee shall send to TEA and all Bondholders, 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 Bonds or in the payment of any sinking or purchase fund installment, the Trustee shall be protected in withholding such notice from the Bondholders 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 Bondholders; provided, further, that in the case of any default of the character specified in Section 701(2) hereof no such notice to Bondholders shall be given until at least thirty (30) days after the occurrence thereof. 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 this 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 receives a Company Request pursuant to Section 302 which directs the Trustee to redeem all the Outstanding Bonds, 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

(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 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 selected with due care and the 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 Bondholders or TEA pursuant to the provisions of this Indenture, unless such Bondholders or TEA shall have provided 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 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 or the Company, personally or by agent or attorney and to take copies of such memoranda from and in regard thereto as may 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;

(g) 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;

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder unless the Responsible Officer shall be specifically notified of such default in writing by the Issuer, TEA, or the Company or by a Bondholder, and in the absence of such notice the Trustee may conclusively assume that no 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;

(i) 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 Bondholders of the applicable percentage of the holders of Outstanding Bonds permitted to be given by them under this Indenture;

(j) The Trustee may seek the approval of the Bondholders or TEA by any means it deems appropriate and not inconsistent with the terms of this Indenture or the Master Indenture in connection with the giving of any consent or taking of any action;

(k) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty to take such action;

(l) 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;

(m) 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 any Deed of Trust) exists against the Project or the Trust Estate;

(n) 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 or therein. The Trustee may require of the Issuer full information and advice as to the performance of the aforesaid covenants, conditions and agreements; and

(o) The Trustee's rights to immunities and protection from liability hereunder will survive its resignation or removal and final payment or defeasance of the Bonds.

Notwithstanding the aforesaid, the Trustee shall be required to pay the Bondholders at the times required under this Indenture, but solely from funds held in the trust estate, so long as moneys are available therefor.

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, the other Bond Documents, 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 1001), 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 in a timely manner upon its 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 its 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 determined by a court of competent jurisdiction to have been the result of 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 4.6(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 authorized which shall be (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250,000,000 of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1,000,000,000 of assets, or (iii) a corporation otherwise approved by TEA in writing in its sole and exclusive discretion, authorized to exercise corporate trust powers. 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 assets 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 sixty (60) days written notice thereof to the Issuer and the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (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 holders of a majority in principal amount of the Outstanding Bonds, in each case 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 by the Issuer or by any such Bondholder, 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, or the Company, by Company Request, may remove the Trustee and (ii) if neither the Issuer nor the Company has acted within sixty (60) days subject to Section 714, any Bondholder who has been a bona fide holder of a Bond for at least six (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, or the Company, by Company Request, 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 or the Company. If no successor Trustee shall have been so appointed by the Issuer, the Company or the Bondholders and accepted appointment in the manner hereinafter provided, any Bondholder who has been a

bona fide Bondholder 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 remove the Trustee and appoint a substitute Trustee and notify the Issuer promptly of such an occurrence.

(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 Bondholders 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. 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 as 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 Sections 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, the Bond Registrar or the Authenticating Agent to perform in accordance with this Indenture any duty required or authorized herein to be performed by such Person or for any other acts or omissions of such Person.

Section 814. Facsimile and Electronic Transmissions. The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that: (a) subsequent to such transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions in a timely manner, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee

shall have received an incumbency certificate listing such designated persons and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Issuer or the Company elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer and the Company agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

ARTICLE IX

SUPPLEMENTS AND AMENDMENTS

Section 901. Supplemental Indentures and Amendatory Agreements Without Consent of Bondholders. Without the consent of the Bondholders, the Issuer, when authorized by a Board Resolution of the Issuer, 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 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 Bondholders, 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 Bondholders;

(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 reasonable 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 any Bondholder; provided that no such change shall be made if within thirty (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; or

(6) to modify or supplement this Indenture in such manner as may be necessary or appropriate to cause the rating assigned to the Bonds by each Rating Service to maintain an investment grade rating on the Bonds from each Rating Service.

Section 902. Supplemental Indentures and Amendatory Agreements With Consent of Bondholders. With the consent of TEA and the holders of not less than a majority in principal amount of the Outstanding Bonds affected by such supplemental indenture, by action of such Bondholders 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), 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 Bondholders under this Indenture or the Agreement; provided, however, that no such supplemental indenture or amendment shall, without the consent of each Bondholder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Bonds 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 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 each Bondholder affected thereby.

It shall not be necessary for any act of Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act of Bondholders 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. 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 Bondholder 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 Bondholder 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, if any, hereunder and under the Agreement (in addition to amounts due and payable by the Company pursuant to Section 4.1(a) or (b) of the Agreement and the terms of the Series 2024 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 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.

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) 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 of, 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 of such 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 (1) 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 Bondholders prior to said date as provided in Exhibit A to this Indenture, or (2) in the event such Bonds are not to be redeemed within the sixty (60) days next succeeding the date of such deposit with the Trustee, the Company has given irrevocable written instructions to the Trustee to give notice to the Bondholders advising that the deposit required by clause (i) of this paragraph 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 of, 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, Defeasance 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. If the Bonds are defeased as provided for herein, the Guarantee of the Bonds shall automatically be removed in its entirety.

(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, 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.

Section 1004. Payments Made Under the Guarantee. In the event that principal and/or interest due on the Bonds shall be paid by TEA pursuant to the Guarantee, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer or Company, the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of TEA, and TEA shall be subrogated to the rights of such Bondholders.

ARTICLE XI

PERMANENT SCHOOL FUND GUARANTEE

Section 1101. General Provisions Relating to TEA

(a) The parties hereto expressly recognize that TEA is a third party beneficiary to this Indenture and may enforce any right, remedy, or claim conferred, given or granted hereunder.

(b) Any provision under any Bond Document which requires the consent of the Bondholders shall also require TEA's prior written consent and any provision of the Master Indenture that requires the consent of the Trustee as holder of the Series 2024 Note shall also require TEA's consent.

(c) The Company, as the Issuer or on behalf of the Issuer, will provide TEA with all notices and other information that the Company is obligated to provide (a) under its Continuing Disclosure Agreement and (b) to the Bondholders or the Trustee under the Bond Documents.

(d) Any amendment, supplement, modification to, or waiver of, any of the Bond Documents that requires the consent of Bondholders or adversely affects the rights or interests of TEA shall be subject to the prior written consent of TEA.

(e) The rights granted to TEA under the Bond 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 Bondholders and such action does not evidence any position of TEA, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of TEA.

(f) In the event of a TEA Default, notwithstanding anything in this Indenture 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 Bondholder 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.

Section 1102. Control by TEA Upon Default.

(a) Notwithstanding any inconsistent provisions in the Bond Documents to the contrary, upon the occurrence and during the continuance of an Event of Default that is not remedied or cured pursuant to the corrective actions required or permitted under Indenture or the Agreement, TEA shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders. No Event of Default may be waived without TEA's written consent

(b) Upon the occurrence and during the continuance of an Event of Default, TEA shall be deemed the sole Bondholder for all purposes, including, without limitations, for purposes of exercising remedies and approving amendments.

(c) 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 Company's or the Issuer's default.

(d) No grace period is permitted for payment defaults on the Guaranteed Bonds.

(e) In the event of a TEA Default, notwithstanding anything in this Indenture 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 Bondholder 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.

Section 1103. Payment Procedure Under the Guarantee. (a) 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 Bonds, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the 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.

(b) 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.

(c) In addition, if the Paying Agent or Trustee has notice that any Bondholder has been required to disgorge payments of principal of or interest on the 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.

(d) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(1) Deficiency in Interest. If there is a deficiency in amounts required to pay interest on the Bonds, the 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 Bonds in any legal proceeding related to the payment and assignment to TEA of the claims for interest on the 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 Bonds, and (iv) disburse the same to such respective holders; and

(2) Deficiency in Principal. If there is a deficiency in amounts required to pay principal of the Bonds, the 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 Bonds in any legal proceeding related to the payment of such principal and an assignment to TEA of the 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 Bonds, and (iv) disburse the same to such respective holders. The Trustee shall designate any portion of payment of principal on 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 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 Bonds or the subrogation or assignment rights of TEA.

(e) Payments with respect to claims for interest on and principal of the 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 Bonds, and TEA shall become the holder of such unpaid 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 Bond 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.

(f) Irrespective of whether any such assignment is executed and delivered, the Issuer, Company 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 Bonds, TEA will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer or Company, with interest thereon, as provided and solely from the sources stated in the Bond Documents and the 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 Bonds, but only from the sources and in the manner provided therein for the payment of principal and interest on the 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.

(g) The TEA shall be entitled to pay principal or interest on the Bonds that shall become due for payment but shall be unpaid by reason of nonpayment only upon TEA's receipt of the requisite notice specified in this section.

Section 1104. Insolvency. The Trustee and each Holder of the Guaranteed Bonds 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 Company 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.

Section 1105. 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.

Section 1106. Consent Required for Release, Sale, Disposition, or Substitution of Property. (a) During the pendency of any Event of Default and so long as the 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 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 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 Bond Documents.

With respect to substitution or replacement of any Property, or the subsequent acquisition of additional real property by the Company that is intended to become part of the Trust Estate, the Bond Documents shall contain covenants requiring that the Company (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 the Master 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 Deed of Trust originally granting TEA its security interest

in the Property was recorded, and (ii) execution and recordation of such supplemental Deed of Trust in in favor of the Master Trustee

Section 1107. Conflicting Provisions. So long as the Guarantee is effective, the Guarantee shall be in addition to and, to the extent possible, reconciled with other provisions in the Bond Documents; provided, however, that, if there has been any draw upon the Guarantee, then the Guarantee provisions, including those set forth in Sections 701, 702, 703, 705, 713, 714, 1101, 1102 and 1103 of this Indenture and Sections 4.6, 6.1, 6.2 and 6.3 of the Agreement, shall supersede any conflicting or inconsistent provisions in the Bond Documents.

ARTICLE XII

MISCELLANEOUS

Section 1201. 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. Delivery of an executed counterpart of this Indenture by facsimile or electronic transmission shall be equally as effective as delivery of an original executed counterpart of this Indenture.

Section 1202. 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.

ARLINGTON HIGHER EDUCATION FINANCE
CORPORATION

By: _____
President, Board of Directors

REGIONS BANK,
as Trustee

By: _____
Name:
Title:

ACCEPTED AND AGREED TO BY:

REGIONS BANK,
as Paying Agent and Bond Registrar

By: _____
Name:
Title:

EXHIBIT A

FORM OF DEFINITIVE 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 Bonds.

NO. RA-____ REGISTERED
\$[____]

UNITED STATES OF AMERICA
STATE OF TEXAS
ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
EDUCATION REVENUE BOND (LIFESCHOOL OF DALLAS)
SERIES 2024

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Issue Date</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|-------------------|------------------|
| % | August 15, ____ | October 16, 2024 | |

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION (the “Issuer”), a nonstock, nonprofit higher education finance corporation organized and existing pursuant to the laws of the State of Texas (the “State”), including Chapter 53, Texas Education Code, and particularly Sections 53.35(b) and 53.48 thereof (the “Act”), hereby promises to pay to the order of CEDE & CO., or registered assigns, at the principal payment office of Regions Bank, in Houston, Texas (the “Place of Payment”), the aggregate principal amount of [____] AND 00/100 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. The date of this Bond is October 1, 2024.

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 Series 2024 Note, the Agreement (all as defined herein), and this Bond. The Bonds are special and limited obligations payable solely as provided herein. NONE OF THE CITY OF ARLINGTON, TEXAS, 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 CITY OF

ARLINGTON, TEXAS, 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. HOWEVER, THE BONDS WILL BE GUARANTEED BY THE CORPUS OF THE PERMANENT SCHOOL FUND OF THE STATE OF TEXAS PURSUANT TO THE BOND GUARANTEE PROGRAM ADMINISTERED BY THE TEXAS EDUCATION AGENCY. SUCH GUARANTEE IS SUBJECT TO THE RULES AND REGULATIONS OF THE TEXAS EDUCATION AGENCY AND SHALL BE REMOVED IN ITS ENTIRETY UPON DEFEASANCE OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

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 Regions Bank (in its capacity as the “Trustee,” “Paying Agent” and “Bond Registrar” for this series of Bonds) and mailed to the holder hereof at its address as it appears on the bond registration books of the Issuer, kept by the Bond Registrar (the “Bond Register”) at the close of business for the Trustee on the first day of the calendar month in which such payment date occurs 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 before a Record Date to the Trustee. Principal of, premium, if any, and interest on this Bond that is in Book-Entry-Only Form shall be paid in immediately available funds to DTC or its nominee, as the case may be, as the Bondholder.

THE INTEREST on this Bond shall be paid on each February 15 and August 15, commencing August 15, 2025, until the principal thereof shall have been paid or provided for.

THIS BOND is one of a series of bonds (the “Bonds”) authorized and issued in the aggregate principal amount of \$112,910,000 for the purpose of (i) financing and refinancing the cost of certain educational facilities (as that term is defined in the Act) for LifeSchool of Dallas (the “Company”). (ii) funding capitalized interest, and (iii) paying the costs of issuance of the Bonds, under and pursuant to authority conferred by the Act, a resolution adopted by the Governing Body of the Issuer, and a Trust Indenture and Security Agreement, dated as of October 1, 2024 (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, 2024 (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 “Series 2024 Note”), dated as of the date of delivery of the Bonds, in an amount equal to the aggregate principal amount of the Bonds. The Series 2024 Note is a “Note” as defined in and is entitled to the security of a Master Trust Indenture and Security Agreement, dated as of May 1, 2014 (the “Master Indenture”), as supplemented through Supplemental Master Indenture No. 4 dated as of October 1, 2024, between the Company on behalf of itself and Regions Bank, Master Trustee.

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 Registrar shall not be required (1) to issue, transfer or exchange any Bonds during a period beginning at the opening of business fifteen (15) days before the day of mailing a notice of redemption of the Bonds selected for redemption under the Indenture and ending 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.

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 Series 2024 Note and all other Master Notes except as set forth in any supplemental master indenture authorizing issuance of any Master Note.

PURSUANT TO THE INDENTURE, so long as this Bond is guaranteed by the Permanent School Fund, this Bond is not subject to acceleration.

Mandatory Redemption. The Bonds are subject to mandatory redemption in part prior to maturity with funds from the Debt Service Fund, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium, on August 15 in each of the years, and in the principal amounts, respectively, as set forth in the following schedule:

| <p align="center">Series 2024 Term Bond Maturing August 15, 2044</p> | |
|---|--|
| <u>Principal Amount</u> | <u>Redemption Date (August 15)</u> |
| \$3,335,000 | 2040 |
| \$3,610,000 | 2041 |
| \$3,890,000 | 2042 |
| \$4,180,000 | 2043 |
| \$4,485,000 | 2044 |

**Series 2024 Term Bond
Maturing August 15, 2049**

| <u>Principal Amount</u> | <u>Redemption Date (August 15)</u> |
|-----------------------------|--|
| \$5,815,000 | 2045 |
| \$6,055,000 | 2046 |
| \$6,305,000 | 2047 |
| \$6,565,000 | 2048 |
| \$6,835,000 | 2049 |

**Series 2024 Term Bond
Maturing August 15, 2054**

| <u>Principal Amount</u> | <u>Redemption Date (August 15)</u> |
|-----------------------------|--|
| \$7,115,000 | 2050 |
| \$7,410,000 | 2051 |
| \$7,715,000 | 2052 |
| \$8,035,000 | 2053 |
| \$8,365,000 | 2054 |

The principal amount of the Bonds required to be redeemed pursuant to the operation of such mandatory redemptions shall be reduced by the principal amount of any Bonds of the same series and maturity date which, at least sixty (60) days prior to the mandatory sinking fund redemption date (a) shall have been purchased and delivered to the Trustee for cancellation, (b) shall have been purchased and canceled by the Trustee with funds furnished for such purpose, in each case at a purchase price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof or (c) shall have been redeemed pursuant to the optional redemption provision described below.

Optional Redemption. The Bonds maturing on or after August 15, 2035, are subject to optional redemption prior to scheduled maturity, in whole or in part, on August 15, 2034, and on any date thereafter, at the option of the Company, at a price of par plus interest accrued thereon to the redemption date, upon written notice of the exercise of the option to redeem Bonds delivered to the Trustee by the Company not later than the 35th day prior to the date of redemption.

Mandatory Redemption Upon Determination of Taxability. The Bonds shall be redeemed in whole prior to maturity on a date selected by the Company which is not more than one hundred twenty (120) days following receipt by the Trustee of written notice of the occurrence of a Determination of Taxability (as hereinafter defined) at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date; provided that such redemption of the Bonds will not be payable from the Permanent School Fund.

As used herein “Determination of Taxability” means a determination that the interest income on any of the Bonds does not qualify as interest excluded from gross income of the recipient thereof for the purpose of federal income taxation (“exempt interest”) under Section 103 of the Code (in the case of a private activity bond, for a reason other than that a registered owner is or a former registered owner was a substantial user within the meaning of Section 147 of the Code), which determination shall be deemed to have been made upon the first to occur of any of the following: (a) the date on which the Trustee is notified that an opinion of counsel is unable to be delivered to the effect that the interest on the Bonds qualifies as such exempt interest; or (b) the date on which the Trustee is notified by or on behalf of the Issuer that a change in law or regulation has become effective or that the Internal Revenue Service has issued any public or private ruling, technical advice memorandum or any other written communication or that there has occurred a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Bonds does not qualify as such exempt interest; or (c) the date on which the Company shall receive notice from the Trustee in writing that the Trustee has been notified by the Internal Revenue Service, or has been advised by the Issuer, the Company or any owner or former owner of a Bond that the Internal Revenue Service has issued a final determination (after the Issuer has exhausted all administrative appeal remedies and has determined not to pursue any remedies in a court of competent jurisdiction) which asserts that the interest on any of the Bonds does not qualify as such exempt interest.

Extraordinary Optional Redemption. 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 Project 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 Project 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 thirty (30) days prior to the date fixed for any redemption of the Bonds but not more than sixty (60) days prior to any redemption date, the Trustee shall cause a written notice of such redemption to be sent to each Bondholder to be redeemed, at the address appearing on the Bond Register on the date such notice is sent by the Trustee. 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 Trust Estate with 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 the Series 2024 Note issued by the Company to the Issuer pursuant to the Supplemental Indenture and the Agreement, as evidenced by an assignment by the Issuer to the Trustee of the Series 2024 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 Series 2024 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 Bondholders; 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.

[To appear on Initial 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, Arlington Higher Education 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.

ARLINGTON HIGHER EDUCATION FINANCE
CORPORATION

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

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.

Regions Bank, 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 Bond.

The Initial Bond shall be in the form set forth in "Form of Bond" except for the following alterations:

(a) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP" deleted;

(b) in the first paragraph of the Bond, the words "on the Maturity Date set forth above (or earlier as hereinafter provided)" and "at the per annum rate set forth above" shall be deleted and the following shall be inserted after "has been paid or provided for" "with such principal to be paid in installments on August 15 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:"

[Schedule to be inserted from Section 202]

(c) The Initial Series 2024 Bonds shall be numbered IA-1 and shall be payable to the Underwriter.

5. Form of Comptroller's Registration Certificate to appear on Initial 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)

6. Form of Guarantee Endorsement.

PSF CERTIFICATE

Under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, the payment, when due, of the principal of and interest on the issuance by Arlington Higher Education Finance Corporation of its Education Revenue Bonds (LifeSchool of Dallas), Series 2024 dated October 1, 2024, in the principal amount of \$112,910,000 is guaranteed by the corpus of the Permanent School Fund of the State of Texas pursuant to the bond guarantee program administered by the Texas Education Agency. This guarantee shall be removed in its entirety upon defeasance of such bonds.

Reference is hereby made to the continuing disclosure agreement of the Texas Education Agency, set forth in Section I of the Agency's Investment Procedure Manual and the Agency's commitment letter for the guarantee. Such disclosure agreement has been made with respect to the bond guarantee program, in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, for the benefit of the holders and beneficial owners of the bonds.

In witness thereof I have caused my signature to be placed in facsimile on this bond.

Mike Morath
Commissioner of Education

EXHIBIT B

FORM OF REQUISITION CERTIFICATE

Date _____

Requisition No. _____

Regions Bank
3773 Richmond Avenue, Suite 1100
Houston, TX 77046
Attention: Corporate Trust

REQUISITION CERTIFICATE

Ladies and Gentlemen:

This certificate is provided pursuant Section 404 of the Trust Indenture and Security Agreement, dated as of October 1, 2024 (the “Indenture”) by and between Arlington Higher Education Finance Corporation (the “Issuer”) and Regions Bank (the “Trustee”) for requesting payment of a certain amount as provided herein.

On behalf of the LifeSchool of Dallas (the “Company”), the undersigned hereby certifies as follows:

(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 Agreement] [Costs of Issuance, as defined in the 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 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 Bonds requested to pay Project Costs which are Qualifying Costs (as such term is defined in Section 5.3 of the Agreement) plus all previous amounts requested for Project Costs which are Qualifying Costs is not less than 95 percent of the Net Proceeds of the Bonds deposited into the Project Fund requested to date; and]

[You are hereby directed to pay the amount of \$[___] from the Project Account of the Project Fund in the amounts and to the parties as set forth in the attached schedule.]

[You are hereby directed to pay the amount of \$[___] from the Reimbursement Account of the Project Fund in the amounts and to the parties as set forth in the attached schedule.]

[You are hereby directed to pay the amount of \$[___] from the Costs of Issuance Account of the Project 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 Costs of Issuance Account of the Project 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 Project Fund in the amounts and to the parties as set forth in the attached schedule.]

LIFESCHOOL OF DALLAS

By: _____
Authorized Representative

APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry-only system has been obtained from DTC. The Issuer, Life School, the Bond Trustee, the Master Trustee, and Underwriters take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate in typewritten form will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, 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 Exchange Act of 1934, as amended (the "1934 Act"). 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 bond transactions in deposited bonds, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. bond brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners

may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the District or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or Life School, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of all payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Life School or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND THE DTC BOOK-ENTRY SYSTEM HAS BEEN PROVIDED BY DTC. THE ISSUER, LIFE SCHOOL, THE BOND TRUSTEE, THE MASTER TRUSTEE AND THE UNDERWRITERS BELIEVE SUCH INFORMATION TO BE RELIABLE, BUT TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY ANY SUCH PARTY AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

APPENDIX H

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The following is incorporated into the offering document to which it is attached.

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THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

This disclosure statement provides information relating to the program (the “Guarantee Program”) administered by the Texas Education Agency (the “TEA”) with respect to the Texas Permanent School Fund guarantee of tax-supported bonds issued by Texas school districts and the guarantee of revenue bonds issued by or for the benefit of Texas charter districts. The Guarantee Program was authorized by an amendment to the Texas Constitution in 1983 and is governed by Subchapter C of Chapter 45 of the Texas Education Code, as amended (the “Act”). While the Guarantee Program applies to bonds issued by or for both school districts and charter districts, as described below, the Act and the program rules for the two types of districts have some distinctions. For convenience of description and reference, those aspects of the Guarantee Program that are applicable to school district bonds and to charter district bonds are referred to herein as the “School District Bond Guarantee Program” and the “Charter District Bond Guarantee Program,” respectively.

Some of the information contained in this Section may include projections or other forward-looking statements regarding future events or the future financial performance of the Texas Permanent School Fund (the “PSF” or the “Fund”). Actual results may differ materially from those contained in any such projections or forward-looking statements.

During the 87th Regular Session of the Texas Legislature (the “87th Regular Session”), which concluded on May 31, 2021, Senate Bill 1232 (“SB 1232”) was enacted and became effective on September 1, 2021. SB 1232 provided for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the “PSF Corporation”), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the “SBOE”) to the PSF Corporation. SB 1232 also required changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (the “SLB”), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation.

The regular session of the 88th Texas Legislature (the “Legislature”) was held from January 10, 2023, to May 29, 2023. As of the date of this disclosure, there have been four special sessions held, with the fourth special session ending December 5, 2023. The Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze legislation for any developments applicable thereto.

History and Purpose

The PSF supports the State’s public school system in two major ways: distributions to the constitutionally established Available School Fund (the “ASF”), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a \$2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be “permanent,” and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas’ historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to

the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the “Total Return Constitutional Amendment”), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

On November 8, 1983, the voters of the State approved a constitutional amendment that provides for the guarantee by the PSF of bonds issued by school districts. On approval by the State Commissioner of Education (the “Education Commissioner”), bonds properly issued by a school district are fully guaranteed by the PSF. See “The School District Bond Guarantee Program.”

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as “charter districts” by the Education Commissioner. On approval by the Education Commissioner, bonds properly issued by a charter district participating in the Guarantee Program are fully guaranteed by the PSF. The Charter District Bond Guarantee Program became effective on March 3, 2014. See “The Charter District Bond Guarantee Program.”

State law also permits charter schools to be chartered and operated by school districts and other political subdivisions, but bond financing of facilities for school district-operated charter schools is subject to the School District Bond Guarantee Program, not the Charter District Bond Guarantee Program.

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see “Capacity Limits for the Guarantee Program”). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General (the “Attorney General”) been requested to issue an opinion, with respect to its constitutional validity.

Audited financial information for the PSF is provided annually through the PSF Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). Due to the establishment of the PSF Corporation, the most recent financial statements include several restatements related thereto. The SLB’s land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message of the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2023, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2023, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2023, and for a description of the financial results of the PSF for the year ended August 31, 2023, the most recent year for which audited financial information regarding the Fund is available. The 2023 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2023 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation’s Investment Policy Statement (the “IPS”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the PSF Corporation’s web site at <https://texaspsf.org/bond-guarantee-program/> and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the

Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE and the PSF Corporation the authority and responsibility for investment of the PSF's financial assets. The SBOE consists of 15 members who are elected by territorial districts in the State to four-year terms of office. The PSF Corporation is a special-purpose governmental corporation and instrumentality of the State entitled to sovereign immunity, and is governed by a nine-member board of directors (the "PSFC Board"), which consists of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management, with one member being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

The PSF's non-financial real assets, including land, mineral and royalty interests, and individual real estate holdings, are held by the GLO and managed by the SLB. The SLB is required to send PSF mineral and royalty revenues to the PSF Corporation for investment, less amounts specified by appropriation to be retained by the SLB.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. For a detailed description of the PSFC Board's investment objectives, as well as a description of the PSFC's roles and responsibilities in managing and administering the fund, see the IPS (available on the PSF Corporation's website).

As described below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has also engaged outside counsel to advise it as to its duties with respect to the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments. TEA's General Counsel provides legal advice to the SBOE but will not provide legal advice directly to the PSF Corporation.

The Total Return Constitutional Amendment shifted administrative costs of the Fund from the ASF to the PSF, providing that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), stating that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

The Act requires that the Education Commissioner prepare, and the SBOE approve, an annual status report on the Guarantee Program (which is included in the Annual Report). The State Auditor audits the financial statements of the PSF, which are separate from other financial statements of the State. Additionally, not less than once each year, the

PSFC Board must submit an audit report to the Legislative Budget Board (“LBB”) regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor’s authority to conduct an audit of the PSF Corporation in accordance with State laws.

With respect to the 2024-2025 State biennium, and for subsequent biennia, the PSF Corporation is required to submit a legislative appropriations request (“LAR”) to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2024 and 2025. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a “total-return-based” that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the “Distribution Rate”), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the “Ten Year Total Return”). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att’y Gen. No. GA-0707 (2009) (“GA-0707”), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve “intergenerational equity.” The definition of intergenerational equity that the SBOE has generally followed is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon PSF Corporation and TEA staff and external investment consultants, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

The Texas Constitution also provides authority to the GLO or another entity (described in statute as the SLB or the PSF Corporation) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. The Texas Constitution limits the maximum transfer to the ASF to \$600 million in

each year from the revenue derived during that year from the PSF from the GLO, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

The following table shows amounts distributed to the ASF from the portions of the Fund administered by the SBOE (the “PSF(SBOE)”), the PSF Corporation (the “PSF(CORP)”), and the SLB (the “PSF(SLB)”).

Annual Distributions to the Available School Fund¹

| <u>Fiscal Year Ending</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> ² |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|-------------|--------------------------|
| PSF(CORP) Distribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$2,076 |
| PSF(SBOE) Distribution | 839 | 839 | 1,056 | 1,056 | 1,236 | 1,236 | 1,102 | 1,102 | 1,731 | - |
| PSF(SLB) Distribution | 0 | 0 | 0 | 0 | 0 | 300 | 600 | 600 ³ | 415 | 115 |
| Per Student Distribution | 175 | 173 | 215 | 212 | 247 | 306 | 347 | 341 | 432 | 440 |

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2023.

² Reflects the first fiscal year in which distributions were made by the PSF Corporation.

³ In September 2020, the SBOE approved a special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2022, the SBOE approved a \$3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of \$1.2 billion for the biennium.

Efforts to achieve the intergenerational equity objective, as described above, result in changes in the Distribution Rate for each biennial period. The following table sets forth the Distribution Rates announced by the SBOE in the fall of each even-numbered year to be applicable for the following biennium.

| <u>State Fiscal Biennium</u> | <u>2008-09</u> | <u>2010-11</u> | <u>2012-13</u> | <u>2014-15</u> | <u>2016-17</u> | <u>2018-19</u> | <u>2020-21</u> | <u>2022-23</u> | <u>2024-25</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| <u>SBOE Distribution Rate¹</u> | 3.5% | 2.5% | 4.2% | 3.3% | 3.5% | 3.7% | 2.974% | 4.18% | 3.32% ² |

¹ Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2024-25.

² The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE and the SLB). The IPS provides that the Fund’s investment objectives are as follows:

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;

- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a AAA credit rating, as assigned by a nationally recognized securities rating organization.

The table below sets forth the current asset allocation of the Fund that was adopted February 2024 (which is subject to change from time to time):

| Asset Class | Strategic Asset Allocation | Range | |
|---|----------------------------|-------|-------|
| | | Min | Max |
| Cash | 2.0% | 0.0% | 7.0% |
| Core Bonds | 10.0% | 5.0% | 15.0% |
| High Yield | 2.0% | 0.0% | 7.0% |
| Bank Loans | 4.0% | 0.0% | 9.0% |
| Treasury Inflation Protected Securities | 2.0% | 0.0% | 7.0% |
| Large Cap Equity | 14.0% | 9.0% | 19.0% |
| Small/Mid-Cap Equity | 6.0% | 1.0% | 11.0% |
| Non-US Developed Equity | 7.0% | 2.0% | 12.0% |
| Absolute Return | 3.0% | 0.0% | 8.0% |
| Real Estate | 12.0% | 7.0% | 17.0% |
| Private Equity | 20.0% | 10.0% | 30.0% |
| Private Credit | 8.0% | 3.0% | 13.0% |
| Natural Resources | 5.0% | 0.0% | 10.0% |
| Infrastructure | 5.0% | 0.0% | 10.0% |

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2022 and 2023, as set forth in the Annual Report for the 2023 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

Comparative Investment Schedule – PSF(CORP)

| Fair Value (in millions) August 31, 2023 and 2022 | | | | |
|---|-----------------|-----------------|-------------------------------|----------------|
| ASSET CLASS | August 31, 2023 | August 31, 2022 | Amount of Increase (Decrease) | Percent Change |
| EQUITY | | | | |
| Domestic Small Cap | \$ 2,975.1 | \$ 2,858.4 | \$ 116.7 | 4.1% |
| Domestic Large Cap | <u>7,896.5</u> | <u>6,402.1</u> | <u>1,494.4</u> | <u>23.3%</u> |
| Total Domestic Equity | 10,871.6 | 9,260.5 | 1,611.1 | 17.4% |
| International Equity | <u>7,945.5</u> | <u>7,197.9</u> | <u>747.6</u> | <u>10.4%</u> |
| TOTAL EQUITY | 18,817.1 | 16,458.4 | 2,358.7 | 14.3% |
| FIXED INCOME | | | | |
| Domestic Fixed Income | 5,563.7 | 5,867.5 | (303.8) | -5.2% |

| | | | | |
|------------------------------------|--------------------|--------------------|-------------------|---------------|
| U.S. Treasuries | 937.5 | 1,140.2 | (202.7) | -17.8% |
| High Yield Bonds | 1,231.6 | 1,142.5 | <u>89.1</u> | 7.8% |
| Emerging Market Debt | <u>869.7</u> | <u>1,190.9</u> | <u>(321.2)</u> | <u>-27.0%</u> |
| TOTAL FIXED INCOME | 8,602.5 | 9,341.1 | (738.6) | -7.9% |
| ALTERNATIVE INVESTMENTS | | | | |
| Absolute Return | 3,175.8 | 2,932.3 | 243.5 | 8.3% |
| Real Estate | 6,525.2 | 6,286.9 | 238.3 | 3.8% |
| Private Equity | 8,400.7 | 7,933.1 | 467.6 | 5.9% |
| Emerging Manager Program | 134.5 | 29.9 | 104.6 | 349.8% |
| Real Return | 1,663.7 | 1,620.3 | 43.4 | 2.7% |
| Real Assets | <u>4,712.1</u> | <u>4,341.3</u> | <u>370.8</u> | <u>8.5%</u> |
| TOT ALT INVESTMENTS | 24,612.0 | 23,143.8 | 1,468.2 | 6.3% |
| UNALLOCATED CASH | <u>348.2</u> | <u>231.7</u> | <u>116.5</u> | <u>50.3%</u> |
| TOTAL PSF(CORP) INVESTMENTS | \$ 52,379.8 | \$ 49,175.0 | \$ 3,204.8 | 6.5% |

Source: Annual Report for year ended August 31, 2023.

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2023.

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2023

| | As of <u>8-31-23</u> |
|--|--------------------------------|
| Investment Type | |
| Investments in Real Assets | |
| Sovereign Lands | \$ 276.14 |
| Discretionary Internal Investments | 264.32 |
| Other Lands | 167.97 |
| Minerals ^{(2), (3)} | <u>5,435.62</u> ⁽⁶⁾ |
| Total Investments ⁽⁴⁾ | 6,144.05 |
| Cash in State Treasury ⁽⁵⁾ | 508.38 |
| Total Investments & Cash in State Treasury | \$ 6,652.44 |

¹ Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

² Historical Cost of investments at August 31, 2023 was: Sovereign Lands \$838,776.71; Discretionary Internal Investments \$129,728,504.04; Other Lands \$38,241,863.70; and Minerals \$13,437,063.73.

³ Includes an estimated 1,000,000.00 acres in freshwater rivers.

⁴ Includes an estimated 1,747,600.00 in excess acreage.

⁵ Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.

⁶ Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

The asset allocation of the Fund's financial assets portfolio is subject to change by the PSF Corporation from time to time based upon a number of factors, including recommendations to the PSF Corporation made by internal investment staff and external consultants. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets and other capital markets in the United States and abroad, which may be affected by different levels of economic activity; decisions of political officeholders; significant adverse weather events; development of hostilities in and among nations; cybersecurity threats and events; changes in international trade policies or practices; application of the Prudent Person Standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and PSF operational limitations impacted by Texas law or legislative appropriation. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Education Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event that two or more payments are made from the PSF on behalf of a district, the Education Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the regulations that govern the School District Bond Guarantee Program (the “SDBGP Rules”) limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings. The SDBGP Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the “CDBGP Rules”). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Education Commissioner for designation as a “charter district” and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see “Capacity Limits for the Guarantee Program.” The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district’s bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on

guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a “bond enhancement agreement” or a “credit agreement,” unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding “intercept” feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBG Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of \$500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the Attorney General (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

The CDBG Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Education Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBG Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in

the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the "CDBG Capacity") is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program." Other factors that could increase the CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a notice issued by the IRS (the "IRS Limit", with the limit in effect at any given time being the "Capacity Limit"). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

Since September 2015, the SBOE has periodically voted to change the capacity multiplier as shown in the following table.

| <u>Changes in SBOE-determined multiplier for State Capacity Limit</u> | |
|---|-------------------|
| <u>Date</u> | <u>Multiplier</u> |
| Prior to May 2010 | 2.50 |
| May 2010 | 3.00 |
| September 2015 | 3.25 |
| February 2017 | 3.50 |
| September 2017 | 3.75 |
| February 2018 (current) | 3.50 |

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the “IRS Notice”), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds, effective as of May 10, 2023.

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2023 the cost value of the Guarantee Program was \$44,034,322,531 (unaudited), thereby producing an IRS Limit of \$220,171,612,655 in principal amount of guaranteed bonds outstanding.

As of December 31, 2023, the estimated State Capacity Limit is \$154,120,128,859, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table “Permanent School Fund Guaranteed Bonds” below. Effective March 1, 2023, the Act provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the “Capacity Reserve”). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the PSF Corporation’s web site at <https://texaspsf.org/monthly-disclosures/>, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

No representation is made as to how the capacity will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 (“SB 1480”) was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond

Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.69% in February 2024. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2024, the Charter District Reserve Fund contained \$97,636,048, which represented approximately 2.32% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides \$60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter

districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon ongoing compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding “intercept” function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the “educator of last resort” for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under “The Charter District Bond Guarantee Program,” the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency’s essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, <https://gov.texas.gov/>, and, with respect to public school events, the website of TEA, <https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance>.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of January 2024, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody’s Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF “Aaa,” “AAA” and “AAA,” respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district’s underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

| Permanent School Fund Valuations | | |
|----------------------------------|---------------------------|-----------------------------|
| Fiscal Year Ended 8/31 | Book Value ⁽¹⁾ | Market Value ⁽¹⁾ |
| 2019 | \$35,288,344,219 | \$46,464,447,981 |
| 2020 | 36,642,000,738 | 46,764,059,745 |
| 2021 | 38,699,895,545 | 55,582,252,097 |
| 2022 | 42,511,350,050 | 56,754,515,757 |
| 2023 ⁽²⁾ | 43,915,792,841 | 59,020,536,667 |

⁽¹⁾ SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

⁽²⁾ At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately \$13.4 million, \$168.8 million, and \$708.4 million, respectively, and market values of approximately \$5,435.6 million, \$678.4 million, and \$508.4 million, respectively.

| Permanent School Fund Guaranteed Bonds | |
|--|---------------------------------|
| At 8/31 | Principal Amount ⁽¹⁾ |
| 2019 | \$84,397,900,203 |
| 2020 | 90,336,680,245 |
| 2021 | 95,259,161,922 |
| 2022 | 103,239,495,929 |
| 2023 | 115,730,826,682 ⁽²⁾ |

⁽¹⁾ Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

⁽²⁾ At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$178,520,723,868, of which \$62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were \$115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

| Fiscal Year Ended 8/31 | <u>School District Bonds</u> | | <u>Charter District Bonds</u> | | <u>Totals</u> | |
|------------------------------|------------------------------|--------------------------|-------------------------------|--------------------------|------------------|--------------------------|
| | No. of Issues | Principal Amount (\$) | No. of Issues | Principal Amount (\$) | No. of Issues | Principal Amount (\$) |
| 2019 | 3,297 | 82,537,755,203 | 49 | 1,860,145,000 | 3,346 | 84,397,900,203 |
| 2020 | 3,296 | 87,800,478,245 | 64 | 2,536,202,000 | 3,360 | 90,336,680,245 |
| 2021 | 3,346 | 91,951,175,922 | 83 | 3,307,986,000 | 3,429 | 95,259,161,922 |
| 2022 | 3,348 | 99,528,099,929 | 94 | 3,711,396,000 | 3,442 | 103,239,495,929 |
| 2023 ⁽²⁾ | 3,339 | 111,647,914,682 | 102 | 4,082,912,000 | 3,441 | 115,730,826,682 |

⁽¹⁾ Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

⁽²⁾ At December 31, 2023 (based on unaudited data, which is subject to adjustment), there were \$117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating \$113,174,765,034 in principal amount and 105 charter district issues, aggregating \$4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was \$26,935,589,587(based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2023

The following discussion is derived from the Annual Report for the year ended August 31, 2023, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSFC Board are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2023, the PSF(CORP) net position was \$52.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2023.

Beginning January 1, 2023, Texas PSF transitioned into the PSF Corporation combining all PSF financial investment assets under the singular management of the PSF Corporation. The new structure of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include absolute return, private equity, real estate, natural resources, infrastructure, and real return (TIPS and commodities). The inauguration of the PSF Corporation as a discretely presented component unit of the State of Texas for fiscal year 2023 required a change in the basis of accounting to full accrual. For a description of the full accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2023 Annual Report which is included by reference herein.

PSF Returns Fiscal Year Ended 8-31-2023¹

| <u>Portfolio</u> | <u>Return</u> | <u>Benchmark Return²</u> |
|---------------------------------|---------------|---|
| Total PSF(CORP) Portfolio | 6.14 | 4.38 |
| Domestic Large Cap Equities | 16.09 | 15.94 |
| Domestic Small/Mid Cap Equities | 9.31 | 9.14 |
| International Equities | 12.38 | 11.89 |
| Emerging Market Equity | 2.48 | 1.25 |
| Fixed Income | (1.30) | (1.19) |
| U.S. Treasuries | (9.21) | (9.69) |
| Absolute Return | 7.59 | 3.58 |
| Real Estate | (1.96) | (3.13) |
| Private Equity | 4.55 | 0.20 |
| Real Return | (5.51) | (5.88) |
| Emerging Market Debt | 12.68 | 11.34 |
| High Yield | 7.80 | 7.19 |
| Emerging Manager Program | 33.35 | 0.97 |
| Natural Resources | 5.70 | 3.67 |
| Infrastructure | 14.22 | 3.67 |

¹ Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2023.

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2023, \$2.1 billion was distributed to the ASF, \$345 million of which was distributed by the PSF(CORP) on behalf of the SLB.

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

In addition, the SLB and GLO have established processes and controls over the administration of real estate transactions and are subject to provisions of the Texas Natural Resources Code and internal procedures in administering real estate transactions for Fund assets it manages.

As of August 31, 2023, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the

normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at <https://tea.texas.gov/sites/default/files/ch033a.pdf>.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org, and the continuing disclosure filings of the TEA with respect to the PSF can be found at <https://emma.msrb.org/IssueView/Details/ER355077> or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

Annual Reports

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

The PSF Corporation classified as a proprietary endowment fund and reported by the State of Texas as a discretely presented component unit and accounted for on an economic resources measurement focus and the full accrual basis

of accounting. Measurement focus refers to the definition of the resource flows measured. Under the full accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund's non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

The State's current fiscal year end is August 31. Accordingly, the TEA and the PSF Corporation must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA will notify the MSRB of the change.

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (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, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the

PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The TEA and the PSF Corporation have agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

The TEA and the PSF Corporation have agreed to update information and to provide notices of material events only as described above. The TEA and the PSF Corporation have 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 is provided, except as described above. The TEA and the PSF Corporation make 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 TEA and the PSF Corporation disclaim 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 TEA and the PSF Corporation to comply with its agreement.

The continuing disclosure agreement is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in this offering document.

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation 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 TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such 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 holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision 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 guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA’s Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the “small issuer exemption” set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities.

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ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
EDUCATION REVENUE BONDS (LIFESCHOOL OF DALLAS) SERIES 2024



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