



In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Revolving Fund (defined below), based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2020A Bonds is exempt from State of Arizona income tax and that interest on the Series 2020B Bonds is exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.



**OFFICIAL STATEMENT OF THE  
EQUITABLE SCHOOL REVOLVING FUND  
Relating to the Original Issuance of  
\$145,385,000\***

**NATIONAL CHARTER SCHOOL REVOLVING LOAN FUND REVENUE BONDS**

**ARIZONA INDUSTRIAL  
DEVELOPMENT AUTHORITY  
SENIOR NATIONAL CHARTER SCHOOL  
REVOLVING LOAN FUND  
REVENUE BONDS  
\$112,055,000\*  
Series 2020A – Social Bonds**

**CALIFORNIA INFRASTRUCTURE  
AND ECONOMIC DEVELOPMENT BANK  
SENIOR NATIONAL CHARTER SCHOOL  
REVOLVING LOAN FUND  
REVENUE BONDS  
\$33,330,000\*  
Series 2020B – Social Bonds**

**Dated: Date of Delivery**

**Due: November 1 as shown on the following pages**

*This cover page contains information for general reference only. It is not intended as a summary of these issues. Investors must read this entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.*

The bonds described above (the “Series 2020A Bonds,” and the “Series 2020B Bonds” and collectively, the “Bonds”) consist of two separate Series of the Bonds, each of which are being issued as fixed rate bonds in the principal amounts, bearing interest at the rates and maturing on the dates shown on the inside cover page of this Official Statement. Each Series of the Bonds will be issued by the related Conduit Issuer pursuant to a related Bond Indenture, dated as of August 1, 2020 (each, a “Bond Indenture”), by and between such Conduit Issuer and U.S. Bank National Association, as trustee thereunder (the “Bond Trustee”). Each Conduit Issuer will loan the proceeds of the applicable Series of Bonds to Equitable School Revolving Fund, LLC, a single member Delaware limited liability corporation (the “Revolving Fund”), the sole member of which is Equitable Facilities Fund, Inc., a Delaware nonstock, nonprofit corporation (the “Program Administrator”), pursuant to a related Loan Agreement, dated as of August 1, 2020 (each, a “Loan Agreement”), by and between such Conduit Issuer and the Revolving Fund. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

Each Series of Bonds and the interest thereon are payable solely out of certain revenues and income received by the Revolving Fund and pledged to the Bond Trustee pursuant to the related Bond Indenture, the related Loan Agreement and the related Obligation for such Series of Bonds (each, a “Series 2020 Obligation” and collectively, the “Series 2020 Obligations”), each issued by the Revolving Fund in an amount equal to the aggregate principal amount of such Series of Bonds, pursuant to a Second Amended and Restated Master Trust Indenture, dated as of August 1, 2020 (the “Master Indenture”), as supplemented, including by a Supplemental Master Indenture for each Series 2020 Obligation (each, a “Series 2020 Supplemental Master Indenture”) each by and among the Program Administrator, as representative of the Obligated Group, the Revolving Fund, as the initial member of the Obligated Group, and U.S. Bank National Association, as master trustee thereunder (the “Master Trustee”).

The proceeds of the Bonds will be used to (i) finance or reimburse the Revolving Fund for the cost of financing School Loans made or to be made by the Program Administrator and purchased by the Revolving Fund; (ii) fund a debt service reserve fund under the Master Indenture; (iii) pay swap termination payments; and (iv) pay the costs of issuance of the Bonds. The School Loans to qualifying School Borrowers are for the purpose of financing or refinancing certain costs incurred by the public charter schools of the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities (as more fully described herein).

Interest on the Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2020. The Bonds are being issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Series 2020A Bonds and Series 2020B Bonds will be made in book-entry-only form (without physical certificates) in minimum denominations of \$5,000 and any integral multiple thereof. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, (i) payments of the principal of and premium, if any, and interest on such Bonds will be made directly to Cede & Co. for payment to DTC participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption will be mailed only to Cede & Co. See APPENDIX F – “BOOK-ENTRY SYSTEM” herein.

**The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described under “THE BONDS” herein.**

**THE SERIES 2020A BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON ARE SPECIAL LIMITED OBLIGATIONS OF THE ARIZONA ISSUER PAYABLE EXCLUSIVELY FROM THE TRUST ESTATE CREATED UNDER THE RELATED BOND INDENTURE. THE SERIES 2020A BONDS DO NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ARIZONA ISSUER, THE ARIZONA FINANCE AUTHORITY OR OF THE STATE OF ARIZONA, OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY ARIZONA CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OF ARIZONA. THE SERIES 2020A BONDS SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ARIZONA ISSUER, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ARIZONA ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE RELATED BOND INDENTURE AND NOT OTHERWISE. THE ARIZONA ISSUER HAS NO TAXING POWER.**

**THE SERIES 2020B BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON ARE SPECIAL LIMITED OBLIGATIONS OF THE CALIFORNIA ISSUER AND ARE NOT A LIEN OR CHARGE UPON THE FUNDS OR PROPERTY OF THE CALIFORNIA ISSUER, EXCEPT TO THE EXTENT OF THE PLEDGE AND THE ASSIGNMENT DESCRIBED IN THE RELATED BOND INDENTURE. NEITHER THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION THEREOF, NOR THE CALIFORNIA ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2020B BONDS, PREMIUM, IF ANY, OR THE INTEREST THEREON, EXCEPT FROM REVENUES RECEIVED BY THE CALIFORNIA ISSUER FROM THE REVOLVING FUND AND THE OTHER FUNDS PROVIDED THEREFOR PURSUANT TO THE RELATED BOND INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2020B BONDS. THE CALIFORNIA ISSUER HAS NO TAXING POWER. THE SERIES 2020B BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA. See “THE CONDUIT ISSUERS – The California Issuer” herein.**

The Bonds of each Series are offered when, as and if issued by the related Conduit Issuer and received by the Underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the approval of legality of the Bonds by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Revolving Fund, and the approval of certain matters for the Conduit Issuers by their respective counsel, Kutak Rock LLP for the Arizona Industrial Development Authority and internal General Counsel for the California Infrastructure and Economic Development Bank, the approval of certain matters for the Underwriter by Squire Patton Boggs (US) LLP, as Underwriter’s Counsel, and the approval of certain matters for the Revolving Fund by Orrick, Herrington & Sutcliffe LLP. Lamont Financial Services Corporation (the “Financial Advisor”) is employed as Financial Advisor to the Revolving Fund. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about \_\_\_\_\_, 2020.

**RBC CAPITAL MARKETS**

Dated: \_\_\_\_\_, 2020

\* Preliminary, subject to change.

## MATURITY SCHEDULE

### \$112,055,000\* Series 2020A Bonds

<u>Maturity Date</u> <u>(November 1)*</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP No.†</u>
2021	\$ 500,000			
2022	1,510,000			
2023	1,850,000			
2024	1,940,000			
2025	2,040,000			
2026	2,145,000			
2027	2,250,000			
2028	2,365,000			
2029	2,480,000			
2030	2,600,000			
2031	2,735,000			
2032	2,870,000			
2033	3,035,000			
2034	3,300,000			
2035	3,600,000			
2036	3,645,000			
2037	3,735,000			
2038	4,120,000			
2039	4,630,000			
2040	4,850,000			

\$24,010,000\* \_\_\_\_% Term Bonds due November 1, 2045 – Yield \_\_\_\_%†; Price \_\_\_\_†; CUSIP No. \_\_\_\_

\$31,845,000\* \_\_\_\_% Term Bonds due November 1, 2050 – Yield \_\_\_\_%†; Price \_\_\_\_†; CUSIP No. \_\_\_\_

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\* Preliminary, subject to change.

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**\$33,330,000\* Series 2020B Bonds**

<u>Maturity Date</u> <u>(November 1)</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP No.</u> <sup>†</sup>
2021	\$ 630,000			
2022	660,000			
2023	690,000			
2024	725,000			
2025	760,000			
2026	800,000			
2027	840,000			
2028	880,000			
2029	925,000			
2030	975,000			
2031	1,020,000			
2032	1,075,000			
2033	1,125,000			
2034	1,185,000			
2035	1,240,000			
2036	1,300,000			
2037	1,355,000			
2038	1,405,000			
2039	1,465,000			
2040	1,525,000			

\$4,865,000\* \_\_\_\_% Term Bonds due November 1, 2045 – Yield \_\_\_\_%<sup>†</sup>; Price \_\_\_\_<sup>†</sup>; CUSIP No. \_\_\_\_

\$4,750,000\* \_\_\_\_% Term Bonds due November 1, 2050 – Yield \_\_\_\_%<sup>†</sup>; Price \_\_\_\_<sup>†</sup>; CUSIP No. \_\_\_\_

\$3,135,000\* \_\_\_\_% Term Bonds due November 1, 2055 – Yield \_\_\_\_%<sup>†</sup>; Price \_\_\_\_<sup>†</sup>; CUSIP No. \_\_\_\_

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\* Preliminary, subject to change.

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**Revolving Fund**

Equitable School Revolving Fund, LLC (ESRF)

**Series 2020A Conduit Issuer**

Arizona Industrial Development  
Authority

**Series 2020B Conduit Issuer**

California Infrastructure and Economic  
Development Bank

**Series 2020A Conduit Issuer's  
Counsel**

Kutak Rock LLP

**Series 2020B Conduit Issuer's Counsel**

General Counsel of California  
Infrastructure and Economic  
Development Bank

**Bond Counsel & Disclosure Counsel to ESRF**

Orrick, Herrington & Sutcliffe LLP

**Financial Advisor**

Lamont Financial Services Corporation

**Bond Trustee, Master Trustee, and Custodian**

U.S. Bank National Association

**School Loan Servicer**

Community Reinvestment Fund, Inc.

**Investor Relations**

BondLink, Inc.

**Swap Advisor**

Blue Rose Capital Advisors, LLC

**Program Administrator**

Equitable Facilities Fund, Inc. (EFF)

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**Underwriter**

RBC Capital Markets, LLC

**Underwriter's Counsel**

Squire Patton Boggs (US) LLP

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No person has been authorized by the Conduit Issuers, the Program Administrator, the Revolving Fund or the Underwriter to give any information or to make any representation, other than those contained in this Official Statement, and if given or made, such other information or representation not so authorized must not be relied upon as having been given or authorized by the Conduit Issuers, the Program Administrator, the Revolving Fund or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth herein under the captions “THE CONDUIT ISSUERS – The California Issuer” and “LITIGATION – The Conduit Issuers – *The California Issuer*” has been obtained from the California Infrastructure and Economic Development Bank (the “California Issuer”). All other information set forth herein has been obtained from the Revolving Fund and other sources (other than the California Issuer) which are believed to be current and reliable. The accuracy or completeness of any information other than that contained under the captions “THE CONDUIT ISSUERS - The California Issuer” and “LITIGATION – The Conduit Issuers – The California Issuer” is not guaranteed by, and is not to be construed as a representation by, the California Issuer.

None of the directors of the Arizona Industrial Development Authority (the “Arizona Issuer”), its officers, counsel, advisors, agents, consultants, program managers or employees have reviewed this Official Statement or investigated the statements or representations contained herein, except for those statements relating to the Arizona Issuer set forth under the captions “THE CONDUIT ISSUERS – The Arizona Issuer” and “LITIGATION — The Conduit Issuers – *The Arizona Issuer*.” Except with respect to the information contained under such captions, none of the directors of the Arizona Issuer, its officers, counsel, advisors, agents, consultants, program managers or employees makes any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. None of the directors of the Arizona Issuer, its officers, counsel, advisors, agents, consultants, program managers, employees nor any other person executing the Series 2020A Bonds is or will be subject to personal liability by reason of the issuance of the Bonds, including the Series 2020A Bonds. The Arizona Issuer assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Conduit Issuers, the Program Administrator, the Revolving Fund since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement contains statements that the Revolving Fund believes may be “forward-looking statements.” Words such as “plan,” “estimate,” “project,” “budget,” “scheduled,” “anticipate,” “expect,” “intend,” “believe” and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the control of the Revolving Fund and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The Revolving Fund undertakes no obligation, and does not plan, to issue any updates or revisions to any of the forward-looking statements in this Official Statement.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale. This Official Statement includes the cover page, the inside cover page and the appendices attached hereto.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT 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, WITHOUT PRIOR NOTICE.

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- H KESTREL VERIFIERS' SECOND PARTY OPINION



## OFFICIAL STATEMENT

**\$145,385,000\***

### **National Charter School Revolving Loan Fund Revenue Bonds**

**ARIZONA INDUSTRIAL DEVELOPMENT  
AUTHORITY  
SENIOR NATIONAL CHARTER SCHOOL  
REVOLVING LOAN FUND  
REVENUE BONDS  
\$112,055,000\*  
Series 2020A – Social Bonds**

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK  
SENIOR NATIONAL CHARTER SCHOOL  
REVOLVING LOAN FUND  
REVENUE BONDS  
\$33,330,000\*  
Series 2020B – Social Bonds**

## SUMMARY

This Summary is only a brief general summary. You must read the entire Official Statement to obtain essential information for making an informed investment decision. Capitalized terms not defined in this Summary have the same meaning assigned to them in the body of this Official Statement.

<b>Program Administrator</b>  <b>Equitable Facilities Fund, Inc.</b>	Equitable Facilities Fund, Inc., a Delaware nonstock, nonprofit corporation (the “Program Administrator”) was established in 2017 to operate a pooled revolving loan program for the benefit of a class of public charities that operate to support public charter school facilities. The Program Administrator originates loans to qualifying public charter schools across the country, including a nine step lending process from loan sourcing to portfolio management, for the purpose of financing and refinancing the costs of the acquisition, construction, improvement, equipping and furnishing of public charter school facilities (the “Charter School Facilities”). The Program Administrator received charitable contributions totaling approximately \$12 million to pay its operating expenses and currently employs ten full time employees.
<b>The Revolving Fund</b>  <b>Equitable School Revolving Fund, LLC</b>	To facilitate the making of loans to public charter schools, the Program Administrator created the Equitable School Revolving Fund, LLC, a Delaware limited liability company (the “Revolving Fund”) and is its sole member. The Revolving Fund functions as a bankruptcy remote financing entity, for purposes of owning and holding loans originated by the Program Administrator (the “School Loans”) as security for the Bonds and making Required Payments on the outstanding Obligations under the Second Amended and Restated Master Trust Indenture. The Program Administrator sells the School Loans to the Revolving Fund and uses the proceeds of such sales to originate new School Loans. The School Loans purchased by the Revolving Fund and the repayments thereof, are pledged by the Revolving Fund to the Master Trustee under the Master Indenture as security to the holders of all Obligations, including the Series 2020 Obligations issued pursuant to the Master Indenture, evidencing the Revolving Fund’s repayment obligations under the Loan Agreements and with respect to the Bonds. The Revolving Fund received a \$200 million grant (the “Capitalization Grant”), and uses this philanthropic donation combined with economies of scale, transparency, liquidity, and substantial overcollateralization levels to create an “A” rated credit structure, raise capital through municipal bond offerings in the public capital market, and finance credit-worthy charter schools.
<b>Program Purpose</b>	The program’s purpose is to decrease school facility financing costs for quality public charter schools to allow those schools to spend more time and resources helping their students continue to achieve academic success. See “THE PROGRAM

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\* Preliminary, subject to change.

	ADMINISTRATOR AND THE REVOLVING FUND” and “LOAN PROGRAM – The Purpose of the Program” herein.
<b>Program Loans</b>	The program is a national revolving loan fund that provides long-term fixed-rate, low cost loans to proven, high-quality, financially sound public charter schools. The loans to qualifying public charter schools are for the purpose of financing or refinancing certain costs incurred by the public charter schools of the acquisition, construction, improvement, equipping and furnishing of certain public Charter School Facilities.
<b>The Capitalization Grant</b>	In 2017 and 2018, the Revolving Fund received an initial \$200 million Capitalization Grant as a charitable gift for the purpose of purchasing School Loans from the Program Administrator and related activities. The Capitalization Grant is not a loan and therefore can remain with the Revolving Fund in perpetuity. The Capitalization Grant, together with any additional donated funds, form the corpus of the Revolving Fund’s capital. The Revolving Fund used funds from the Capitalization Grant for the initial purchases of School Loans from the Program Administrator.
<b>Use of Bond Proceeds</b>	The proceeds of the Bonds will be used to (i) finance or reimburse the Revolving Fund for the cost of financing School Loans made or to be made by the Program Administrator and purchased by the Revolving Fund; (ii) fund a debt service reserve fund under the Master Indenture; (iii) pay swap termination payments; and (iv) pay the costs of issuance of the Bonds. The School Loans to qualifying School Borrowers are for the purpose of financing or refinancing certain costs incurred by the public charter schools of the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities (as more fully described herein).
<b>Redemption</b>	The Bonds are subject to redemption prior to maturity as described herein.
<b>Tax Exemption</b>	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Revolving Fund (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) interest on the Series 2020A Bonds is exempt from State of Arizona personal income tax, and (iii) interest on the Series 2020B Bonds is exempt from State of California personal income tax. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Complete copies of the proposed forms of the opinions of Bond Counsel are set forth in APPENDIX E – “FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL” hereto.
<b>Sources of Payment and Security for the Bonds</b>	The Bonds are special limited obligations of the Conduit Issuers, payable solely from amounts pledged as security therefor under the Bond Indentures and issued on parity with the outstanding Series 2019A and Series 2019B Bonds (the “Series 2019 Bonds”) and any additional senior lien debt issued in the future. As security for its obligation under the Master Indenture, the Revolving Fund has pledged all School Loan repayments, associated first lien real estate collateral, and the Debt Service Reserve Fund. <b>The Bonds are not general obligations of the Conduit Issuers. The Conduit Issuers have no taxing power.</b> See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”
<b>Current Debt Outstanding</b>	The Revolving Fund currently has \$111,725,000 of debt outstanding, and in addition has entered into various interest rate hedges as described herein. See “DEBT SERVICE REQUIREMENTS” and “THE LOAN PROGRAM – Interest Rate Hedging Program.”
<b>Debt Service Reserve Fund for the Series 2020A and 2020B Bonds</b>	Upon the issuance of the Series 2020A Bonds and the Series 2020B Bonds, a deposit to the Debt Service Reserve Fund will be made from proceeds of the Series 2020A Bonds and the Series 2020B Bonds in order that the balance therein as of such date will be \$10,017,550.*
<b>Rating</b>	Series 2020A and Series 2020B Rating: S&P “A”

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\* Preliminary, subject to change.

<b>Designation of the Bonds as Social Bonds</b>	Kestrel Verifiers authored a Second Party Opinion of the Bonds as Social Bonds included herein as APPENDIX H. Kestrel Verifiers based its opinion solely on the Social Bond Principles June 2020 issued by the International Capital Market Association (“ICMA”) and does not make any representation or give any assurance with respect to any other matter relating to the Bonds. The term “Social Bonds” is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”															
<b>Senior Obligations</b>	Senior Obligations are the Series 2019 Obligations, the Series 2020A Obligations, the Series 2020B Obligations and any additional obligations issued on parity therewith.															
<b>Subordinate Obligations and Second Subordinate Obligations</b>	<p>Subordinate Obligations are any additional obligations issued subordinate to the Series 2019 Bonds, the Series 2020A Bonds and the Series 2020B Bonds.</p> <p>Second Subordinate Obligations are any future obligations issued that are subordinate to the Subordinate Obligations.</p> <p>There are no Subordinate Obligations or Second Subordinate Obligations outstanding.</p>															
<b>Prior and Additional Bonds</b>	<p>The Revolving Fund will issue additional bonds at future dates. The Revolving Fund makes no guarantee that the projected or anticipated debt issuance and loan makings described below will occur. The following projected amounts are solely for illustrative purposes:</p> <table><tr><td>Series 2019</td><td>:</td><td>\$111,725,000 (currently outstanding)</td></tr><tr><td>Series 2020</td><td>:</td><td>\$145,385,000* (offered herein)</td></tr><tr><td>Series 2021</td><td>:</td><td>\$168,000,000 (projected)</td></tr><tr><td colspan="3">-----</td></tr><tr><td>Period Total</td><td>:</td><td>\$425,110,000</td></tr></table> <p>The Revolving Fund expects to have a minimum of \$625 million in School Loans pledged to an estimated \$425 million in bonds issued by the end of 2021.</p>	Series 2019	:	\$111,725,000 (currently outstanding)	Series 2020	:	\$145,385,000* (offered herein)	Series 2021	:	\$168,000,000 (projected)	-----			Period Total	:	\$425,110,000
Series 2019	:	\$111,725,000 (currently outstanding)														
Series 2020	:	\$145,385,000* (offered herein)														
Series 2021	:	\$168,000,000 (projected)														
-----																
Period Total	:	\$425,110,000														
<b>Additional Bonds Test</b>	For additional Senior Obligations, delivery of a sufficiency certificate that shows a minimum 1.15x projected debt service coverage of all Senior Obligations and a minimum asset-to-debt ratio of 1.20x. For Subordinate Obligations, delivery of a sufficiency certificate that shows a minimum 1.05x projected debt service coverage of all Senior Obligations and Subordinate Obligations. For additional Second Subordinate Obligations, delivery of a sufficiency certificate that shows a minimum 1.00x projected debt service coverage of all Senior Obligations, Subordinate Obligations and Second Subordinate Obligations.															
<b>Ongoing Disclosure (Bonds)</b>	The Revolving Fund provides an Annual Report via EMMA that consists generally of the audited financial statements of the Revolving Fund and current information regarding the Equitable Facilities Fund Loan Program and the Charter School Borrowers but only of the type contained in the tables in APPENDIX A entitled “PORTFOLIO TABLE BY ORIGINATION DATE” and “BORROWER METRICS.” Furthermore, the Revolving Fund has agreed to include in its Annual Report the financial statements of each Charter School Borrower (if any) which is a party to a Loan Agreement or Agreements under which outstanding aggregate principal amount owed under such Loan Agreement or Agreements during the most recently ended calendar year equaled or exceeded 20% of the outstanding aggregate principal amount owed under all Loan Agreements in such year. As of the date hereof, no Charter School Borrower exceeds the 20% threshold. See “CONTINUING DISCLOSURE.”															
<b>Staff &amp; Leadership</b>	The Program Administrator employs ten full-time professionals in various lending and operational capacities, whose collective experience includes senior roles as public finance															

\* Preliminary, subject to change.

	investment bankers, commercial lender, not-for-profit lender, tax-exempt bond investor, rating agency analyst, Registered Municipal Advisor, as well as other staff members who held senior finance and operating roles at high-performing charter schools. In addition, the Program Administrator engages several consultants, including its General Counsel. The Program Administrator staff has specific charter school analytical experience, including approximately 300 transactions as a major charter school bond investor, another \$700 million as a buy-side analyst, as well as the primary researcher for the charter school sector. The Revolving Fund engages the Program Administrator to provide staffing, administrative support, office space, credit underwriting for School Loans, and bond financing program administration, as more fully described herein.
<b>School Loan Program: Initial Loan Profile</b>	As of the date of this Official Statement, twenty-two (22) School Loans totaling approximately \$290 million have closed while four School Loans, aggregating approximately \$70 million, are in the final due diligence stages and are expected to be pledged. Each of these four loans is scheduled to close within 120 days of the delivery of the Bonds. Another \$10.6 million, the second portion of a previously closed School Loan, is scheduled to be drawn down in September and will also be pledged. Combined, total pledged School Loans are expected to total approximately \$367 million within 120 days after the delivery of the Bonds.
<b>School Loan Program: Loan Sourcing, Diligence and Approvals</b>	The Program Administrator has a nine-step loan underwriting, approval, and monitoring process. These nine stages comprise: 1) pipeline generation; 2) borrower selection; 3) preliminary analysis; 4) full due diligence/underwriting; 5) loan approval; 6) loan closing; 7) loan servicing; 8) loan monitoring; and 9) portfolio monitoring.
<b>School Loan Program: Underlying Loan Ratings</b>	Twenty of twenty-two (22) outstanding loans have been assigned Standard & Poor's ratings. Ten are rated by S&P as investment grade.
<b>School Loan Program: Loan Collateral</b>	The typical underlying School Loan collateral includes a first lien on both a Charter School Borrower's revenues as well as a first lien on the financed real property. This is the case with each of the pledged twenty-two (22) School Loans and the Revolving Fund expects, though the Revolving Fund does not guarantee, identical collateral requirements for future School Loans.
<b>School Loan Program: Loan Covenants</b>	<p>The Revolving Fund generally requires that each School Loan contains the following provisions (however, such provisions may be omitted or revised for certain Charter School Borrowers as approved by the Revolving Fund and its Board). School Loan covenants typically resemble those found in the tax-exempt charter school bond market, including:</p> <p>Liquidity: In the current portfolio, seventeen loans require 60 days minimum cash on hand and five loans require 45 days minimum cash on hand.</p> <p>Debt Service Coverage: There is a minimum annual coverage ratio of 1.10x for all of the School Loans in the current portfolio.</p>
<b>Amendments to the Master Indenture</b>	Effective on the date of issuance of the Bonds, the Second Amended and Restated Master Trust Indenture will be executed with the consent of not less than a majority in aggregate principal amount of Holders of the Senior Obligations then outstanding in order to provide for and clarify the procedure for the issuance of Subordinate Obligations and Second Subordinate Obligations, including amending the tests for Additional Indebtedness and cash flow requirements related thereto. See "AMENDMENTS TO THE MASTER INDENTURE."

## INTRODUCTION

The purpose of this Official Statement of Equitable School Revolving Fund, LLC, a single member Delaware limited liability company (the “Revolving Fund”), which includes the cover page, the inside cover page and the appendices hereto, is to set forth information with respect to the bonds described above (the “Series 2020A Bonds” and the “Series 2020B Bonds,” collectively, the “Bonds”). This Official Statement describes the Revolving Fund, the sole member of the Revolving Fund, Equitable Facilities Fund, Inc., a Delaware nonstock, nonprofit corporation (the “Program Administrator” or the “Obligated Group Representative”), and the purpose of the issuance of, terms and sources of payment of, and security for, the Bonds. The Revolving Fund and the Program Administrator have provided all financial and other data included herein, except where specifically attributed to other sources. Definitions of certain capitalized terms used in this Official Statement are set forth in APPENDIX C – “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES” and in APPENDIX D – “FORMS OF THE BOND INDENTURES AND LOAN AGREEMENTS.”

The Program Administrator is the sole member of the Revolving Fund. The Revolving Fund is organized as a single member Delaware limited liability company and a disregarded entity for federal tax purposes. See “THE PROGRAM ADMINISTRATOR AND THE REVOLVING FUND.”

On August 29, 2019, \$92,715,000 National Charter School Revolving Loan Fund Revenue Bonds, Series 2019A were issued by the Arizona Issuer and \$19,010,000 National Charter School Revolving Loan Fund Revenue Bonds, Series 2019B were issued by the California Issuer (together, the “Series 2019 Bonds”). The Series 2019 Bonds will be on parity with the Series 2020A Bonds and the Series 2020B Bonds.

Each Series of the Bonds is a limited obligation of the related Conduit Issuer, the principal of, premium, if any, and interest on which will be payable solely from the revenues and other moneys pledged therefor by the Revolving Fund to secure such payment. The Senior Obligations of the Revolving Fund will be secured by, among other funds, a debt service reserve fund held under the Master Indenture. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

The Program Administrator operates a pooled revolving loan program (the “Loan Program”) for financing public charter school facilities. The Program Administrator makes loans to qualifying public charter schools across the country, for the purpose of financing and refinancing the charter school’s costs of the acquisition, construction, improvement, equipping and furnishing of public charter school facilities. The Program Administrator sells the loans to the Revolving Fund (the “School Loans”) and uses the proceeds of such sale to originate new loans. The Revolving Fund used a portion of the \$200 million philanthropic contribution (the “Capitalization Grant”) to purchase the initial School Loans. The proceeds of the Series 2019 Bonds were used to purchase additional School Loans. The School Loans purchased by the Revolving Fund and the repayments thereof are pledged by the Revolving Fund to the Master Trustee under the Master Indenture as security to the holders of all obligations, including the Series 2020 Obligations issued pursuant to the Master Indenture. The obligations issued pursuant to the Master Indenture evidence the Revolving Fund’s security for repayment of its obligations under the Loan Agreements and with respect to the Bonds. The Revolving Fund may incur additional indebtedness, including additional bond debt, on a parity, subordinate and second subordinate basis with the Bonds pursuant to the Master Indenture as described herein.

The Revolving Fund is organized as a separate corporate entity from the Program Administrator for purposes of credit structuring as more fully described herein. The relationship between the two entities is summarized as follows, and more fully described in this Official Statement:

1. The Revolving Fund engages the Program Administrator to provide staffing, administrative support, office space, credit underwriting for School Loans, portfolio administration, and bond financing program administration;
2. The Program Administrator sells approved School Loans to the Revolving Fund and, contemporaneously with the sale of such School Loans, uses the proceeds of such sale to originate such School Loans; and
3. The School Loans purchased by the Revolving Fund and the repayments thereof, are pledged by the Revolving Fund to the Master Trustee under the Master Indenture as security to the Holders of all

Obligations, including the Series 2020 Obligations, evidencing the security for the Revolving Fund's repayment obligations under the Loan Agreements and with respect to the Bonds.

Each public charter school borrower under a School Loan (each, a "School Borrower") is obligated solely for the repayment of its respective School Loan, and no School Borrower is responsible for repayment of any other School Borrower's School Loan.

This Official Statement also includes descriptions of certain contractual arrangements of the Revolving Fund and the Program Administrator, characteristics of the School Loans, certain provisions of the Bonds, the Master Indenture securing the Bonds and certain other materials. See APPENDIX C – "FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES," and APPENDIX D – "FORMS OF THE BOND INDENTURES AND LOAN AGREEMENTS."

## **AUTHORIZATION AND PURPOSE OF THE BONDS**

The Series 2020A Bonds are issued under and pursuant to provisions of the Industrial Development Financing Act, Title 35, Chapter 5, Section 35-701 et seq., Arizona Revised Statutes, as now in effect and as amended from time to time (the "Arizona Act"), a bond authorizing resolution (the "AZIDA Bond Resolution"), adopted by the Board of Directors of the Arizona Industrial Development Authority (the "Arizona Issuer") on June 24, 2020 and a Arizona Bond Indenture dated as of August 1, 2020 with respect to the Series 2020A Bonds (the "Arizona Bond Indenture"), by and between U.S. Bank National Association (the "Bond Trustee") and the Arizona Issuer. The Bonds are sold pursuant to a Bond Purchase Agreement dated August \_\_, 2020, by and between the Underwriter, the Arizona Issuer and the Revolving Fund.

The Series 2020B Bonds are issued under and pursuant to provisions of the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 (commencing with Section 63000) of the California Government Code, as now in effect and as amended from time to time, the "California Act"), a bond authorizing resolution (the "IBank Bond Resolution"), adopted by Board of Directors of the California Infrastructure and Economic Development Bank (the "California Issuer") on July 22, 2020, and a Bond Indenture dated as of August 1, 2020 (the "California Bond Indenture"), by and between the Bond Trustee and the California Issuer. The Bonds are sold pursuant to a Bond Purchase Agreement dated August \_\_, 2020, by and between the Underwriter, the California Issuer and the Revolving Fund.

The Series 2020A Bonds and the Series 2020B Bonds are authorized and issued on a parity basis (with respect to Pledged Revenues) to the outstanding National Charter School Revolving Loan Fund Revenue Bonds, Series 2019 (the "Series 2019 Bonds"), and with any other senior bonds that may be issued and secured by a Senior Obligation (collectively, the "Outstanding Senior Bonds"). The proceeds of the Bonds will be used to (i) finance or reimburse the Revolving Fund for the cost of financing School Loans made or to be made by the Program Administrator and purchased by the Revolving Fund; (ii) fund a debt service reserve fund under the Master Indenture; (iii) pay swap termination payments; and (iv) pay the costs of issuance of the Bonds. The School Loans to qualifying School Borrowers are for the purpose of financing or refinancing certain costs incurred by the public charter schools of the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities (collectively, the "Charter School Facilities") (as more fully described herein).

## **AMENDMENTS TO THE MASTER INDENTURE**

The Master Indenture may be amended upon receipt of consent from the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding. By their purchase of the Series 2020A Bonds and the Series 2020B Bonds, the Holders thereof shall be deemed to have consented to the terms of the Second Amended and Restated Master Indenture. Such consent shall be deemed a direction by the Holders of the Series 2020A Bonds and the Series 2020B Bonds to the Master Trustee to consent to the amendments as the Holder of the Series 2020A and Series 2020B Obligation and a majority consent shall have been obtained.

Effective on the date of issuance of the Bonds, the Second Amended and Restated Master Indenture provides for and clarifies the procedure for the issuance of Subordinate Obligations and Second Subordinate Obligations, including amending the tests for Additional Indebtedness and cash flow requirements related thereto. Upon execution

and delivery of the Second Amended and Restated Master Indenture, the Holders of a majority of the aggregate principal amount of the Senior Obligations must consent to further amendments thereof as set forth therein, or if no Senior Obligations are outstanding, the Holders of a majority of the aggregate principal amount of the Subordinate Obligations and, if no Senior or Subordinate Obligations are outstanding, a majority of the Holders of the Second Subordinate Obligations. See APPENDIX C – “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES.”

## **SOCIAL BONDS**

The Revolving Fund has designated the Bonds as “Social Bonds” to allow investors to invest directly in bonds that provide the Revolving Fund with funds to finance and refinance the costs of the acquisition, construction, improvement, equipping and furnishing of Charter School Facilities that enable the Charter School Borrowers to serve students from underserved communities; students living below the poverty line; students with parents that are undereducated; and homeless students. The Revolving Fund has determined that the projects to be financed and refinanced with the proceeds of the Bonds are “Social Projects” based on the social benefits of addressing socioeconomic advancement and empowerment of students from underserved communities; families with students living below the poverty line; students with parents that are undereducated; and homeless students. Each of the Program Administrator’s and the Revolving Fund’s mission is related to social sustainability. The Program Administrator and the Revolving Fund were established to provide funds to assist qualified nonprofit public charter schools in accessing secure, affordable funds for school buildings, equipment and other capital projects, all of which is intended to contribute to and improve public education for the children of the United States. See “THE PROGRAM ADMINISTRATOR AND THE REVOLVING FUND” and “THE LOAN PROGRAM” herein.

The designation of the Bonds as “Social Bonds” is intended to generally comport with The Social Bond Principles promulgated by the International Capital Market Association (“ICMA”), updated as of June 2020. The term “Social Bonds” is neither defined in, nor related to, provisions in the Master Indenture, any Bond Indenture or any Loan Agreement. Owners of the Bonds do not have any security other than as described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” “Social Projects” and “Social Bonds” are entirely self-designating labels lacking any objective guidelines or criteria. ICMA is a European-based entity with some members from the United States.

No party, including the Program Administrator, the Revolving Fund, any Charter School Borrower, any Conduit Issuer or the Underwriter, assumed any obligation to ensure that the School Loans comply with any legal or other standards or principles that may relate to “Social Projects” or that the Bonds comply with any legal or other standards or principles that may be related to “Social Bonds.” The designation of the Bonds as Social Bonds does not entitle the holders thereof to any benefit under the Internal Revenue Code of 1986, as amended.

## **THE CONDUIT ISSUERS**

Except for providing the information described in the following sentence, the Conduit Issuers have not participated in the preparation of this Official Statement. Each Conduit Issuer has provided only the information with respect to itself under this caption and under the caption, “LITIGATION – The Conduit Issuers,” and aside from the provision of such information, no Conduit Issuer has provided any of the information contained in this Official Statement, including information about the other Conduit Issuer. The distribution of this Official Statement has been duly approved and authorized by each Conduit Issuer. Such approval and authorization does not, however, constitute a representation or approval by any Conduit Issuer of the accuracy or sufficiency of any information contained herein except to the extent of the material with respect to the particular Issuer under the respective headings referenced in this paragraph.

### **The Arizona Issuer**

The Arizona Industrial Development Authority is an Arizona nonprofit corporation designated as a political subdivision of the State of Arizona incorporated with the approval of the Arizona Finance Authority (the “Arizona Finance Authority”), pursuant to the provisions of the Constitution and laws of the State of Arizona, including the Arizona Act. The Arizona Issuer is governed by a Board of Directors, presently consisting of five members who are appointed by the Governor of the State of Arizona to serve concurrently as directors of the Arizona Finance Authority,

an authority established in the Governor's Office of Economic Opportunity pursuant to Title 41, Chapter 53, Article 2, Arizona Revised Statutes, as amended.

Pursuant to the Arizona Act, the Arizona Issuer is empowered to issue its bonds to provide funds for financing and refinancing the costs of the acquisition, construction, improvement, equipping or operating of a "project," as defined in the Arizona Act, including the Charter School Facilities ultimately financed with certain proceeds of the Series 2020A Bonds initially loaned by the Arizona Issuer to the Revolving Fund.

The Arizona Issuer has assets and may attain additional assets in the future. However, such assets are not pledged to secure payment of the Series 2020A Bonds, and the Arizona Issuer has no obligation or expectation of making such assets subject to the lien of the ARIZONA BOND INDENTURE or the Subordinate Arizona Bond Indenture. The Arizona Issuer has no taxing power and has committed no source of funds for payment of the Series 2020A Bonds other than the trust estate established under the ARIZONA BOND INDENTURE and the Subordinate Arizona Bond Indenture, respectively. The Arizona Issuer does not have the power to pledge its general credit or to pledge the general credit or taxing power of the State of Arizona or of any political subdivision thereof, including but not limited to, the Arizona Finance Authority. All payments made pursuant to the Arizona Loan Agreement and the Subordinate Arizona Loan Agreement will be made directly from the Revolving Fund to the Arizona Trustee for disbursement to the Registered Owners of the Series 2020A Bonds.

The Arizona Issuer does not and will not monitor the financial condition of the Revolving Fund or the Program Administrator or the uses of the Series 2020A Bond proceeds or the Charter School Facilities ultimately financed therewith, nor will it otherwise monitor payment of the Series 2020A Bonds or compliance with the documents relating to either aforementioned series of bonds. The responsibility for the use of the Series 2020A Bond proceeds will rest entirely with the Revolving Fund and not with the Arizona Issuer. The Arizona Issuer will rely entirely upon the Bond Trustee and the Revolving Fund, as applicable, to carry out their respective responsibilities under the Arizona Loan Agreement, the Arizona Bond Indenture and with respect to the Charter School Loans financed or to be financed with certain proceeds of the Series 2020A Bonds.

The Arizona Issuer has determined that financial or operating data concerning the Arizona Issuer is not material to any decision to purchase, hold or sell the Series 2020A Bonds and the Arizona Issuer will not provide any such information.

None of the Arizona Issuer, its Board of Directors, its employees, its advisors, its counsel, its contractors or its agents, if any, has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained under this heading, "THE CONDUIT ISSUERS – The Arizona Issuer" and the heading "LITIGATION – The Conduit Issuers – The Arizona Issuer" solely as such information relates to the Arizona Issuer. The Arizona Issuer has not, and will not, undertake any responsibilities to provide continuing disclosure with respect to the Series 2020A Bonds or the security therefor, and the Arizona Issuer will have no liability to holders of the Series 2020A Bonds with respect to any such disclosure.

THE SERIES 2020A BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL BE SPECIAL LIMITED OBLIGATIONS OF THE ARIZONA ISSUER AND WILL BE PAYABLE EXCLUSIVELY FROM THE ARIZONA BOND INDENTURE. THE SERIES 2020A BONDS WILL NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ARIZONA ISSUER, THE ARIZONA FINANCE AUTHORITY, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY ARIZONA CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ARIZONA ISSUER, THE ARIZONA FINANCE AUTHORITY OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF. THE SERIES 2020A BONDS WILL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ARIZONA ISSUER, BUT WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE ARIZONA ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE ARIZONA BOND INDENTURE, BUT NOT OTHERWISE. THE ARIZONA ISSUER HAS NO TAXING POWER.



No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Series 2020A Bonds against any past, present, or future officer, member, counsel, advisor, agent, contractor, consultant, program manager or executive director of the Arizona Issuer, the Arizona Finance Authority or of any successor to the Arizona Issuer or the Arizona Finance Authority, as such, either directly or through the Arizona Issuer or the Arizona Finance Authority or any successor to the Arizona Issuer or the Arizona Finance Authority, 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 officers, members, counsel, advisors, agents, contractors, consultants, program managers or executive directors, as such, is expressly waived and released as a condition of and consideration for the execution and issuance of the Series 2020A Bonds.

### **The California Issuer**

The California Issuer is a public instrumentality of the State of California and is governed by a five-member board of directors consisting of the Director of the Governor's Office of Business and Economic Development who serves as the Chairperson, the Director of the State's Department of Finance, the State Treasurer and the Secretary of the State Transportation Agency, or their respective designees, and an appointee of the Governor of the State. Since April 11, 2020, the position of Director of the Governor's Office of Business and Economic Development has been filled by an acting director, who is serving in that role as of the date of this Official Statement. The business and affairs of the California Issuer are managed and conducted by its Executive Director.

The Series 2020B Bonds are limited obligations of the California Issuer payable solely from the funds pledged therefor under the California Bond Indenture. The California Issuer has not furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the section entitled "LITIGATION – The Conduit Issuers – The California Issuer." The California Issuer does not and will not in the future monitor the financial condition of the Revolving Fund or otherwise monitor payment of the Series 2020B Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Series 2020B Bonds, the Revolving Fund or the Program Administrator has been undertaken solely by the Revolving Fund. See "CONTINUING DISCLOSURE" herein.

THE SERIES 2020B BONDS ARE LIMITED OBLIGATIONS OF THE CALIFORNIA ISSUER AND ARE NOT A LIEN OR CHARGE UPON THE FUNDS OR PROPERTY OF THE CALIFORNIA ISSUER, EXCEPT TO THE EXTENT OF THE PLEDGE AND THE ASSIGNMENT PROVIDED FOR IN THE CALIFORNIA BOND INDENTURE. NEITHER THE STATE OF CALIFORNIA NOR THE CALIFORNIA ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF SERIES 2020B BONDS, PREMIUM, IF ANY, OR THE INTEREST THEREON, OR ANY OTHER SUMS IN CONNECTION THEREWITH, EXCEPT FROM REVENUES (AS DEFINED IN THE CALIFORNIA BOND INDENTURE) RECEIVED BY THE CALIFORNIA ISSUER AND THE OTHER FUNDS PROVIDED THEREFOR PURSUANT TO THE CALIFORNIA BOND INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2020B BONDS. THE SERIES 2020B BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE LIMITED OBLIGATION OF THE CALIFORNIA ISSUER, PAYABLE SOLELY FROM REVENUES (AS DEFINED IN THE CALIFORNIA BOND INDENTURE) RECEIVED BY THE CALIFORNIA ISSUER AND THE OTHER FUNDS PROVIDED THEREFOR PURSUANT TO THE CALIFORNIA BOND INDENTURE. NEITHER THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION THEREOF IS IN ANY MANNER OBLIGATED TO MAKE ANY APPROPRIATION FOR SUCH PAYMENTS. THE CALIFORNIA ISSUER HAS NO TAXING POWERS.

### **THE PROGRAM ADMINISTRATOR AND THE REVOLVING FUND**

*The Program Administrator.* The Program Administrator, was established for the benefit of a class of public charities described in Section 501(c)(3) and Section 509(a)(1) or (2) of the Internal Revenue Code (the "Code") that operate to support public charter school facilities, including the National Alliance for Public Charter Schools ("NAPCS") and the National Association of Charter School Authorizers ("NACSA"). NAPCS and NACSA, each exempt organizations under Section 501(c)(3), operate to, among other purposes, support public charter school facilities. The Program Administrator's charitable purpose, in summary, is to support other public charities that

themselves support public charter school facilities. The Program Administrator received a determination letter of federal tax-exempt status from the Internal Revenue Service (the “IRS”) on April 23, 2017.

The corporate governance of the Program Administrator is as follows: the Program Administrator is organized as a membership nonprofit corporation, with three charitable organization members: (1) NAPCS, (2) NACSA, and (3) the Walton Family Foundation, Inc. (“WFF”, and together with NAPCS and NACSA, the “Member Organizations”). The board of directors of the Program Administrator is appointed by the Member Organizations. The Board of the Program Administrator is comprised of three directors. The three current directors of the Program Administrator are: (1) Buddy Philpot, board President, appointed by WFF; (2) Scott Pearson, Secretary, appointed by NACSA; and (3) Kevin Hall, Treasurer, appointed by NAPCS.

The Program Administrator formed the Revolving Fund, a controlled subsidiary company, for the purpose of structuring the repayment security for the Bonds, as more fully described herein.

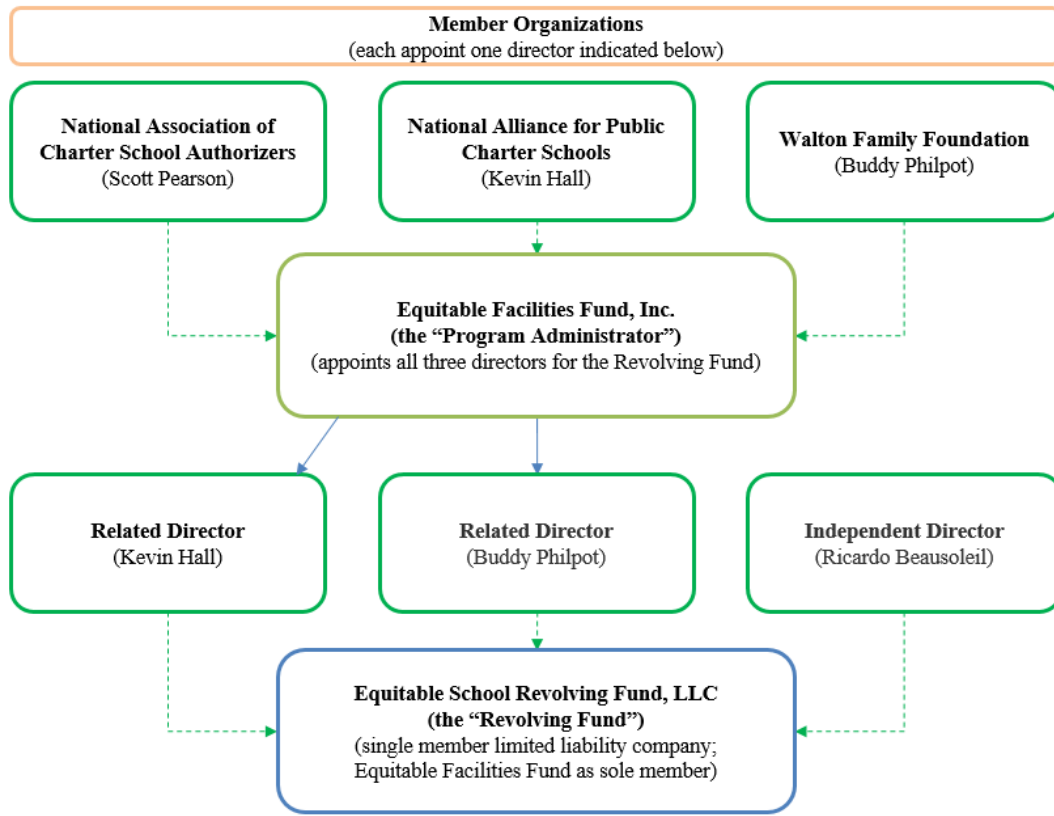
*The Revolving Fund.* The Program Administrator is the sole member of the Revolving Fund. The Revolving Fund is organized as a disregarded entity for federal tax purposes. The corporate purpose of the Revolving Fund is to further the charitable purposes of the Program Administrator by making loans and otherwise participating in financing transactions to assist public charter schools, including the issuance of the Bonds. The Revolving Fund may not carry on activities which are not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(3) of the Code. The Revolving Fund has not been formed for profit or pecuniary benefit, and no assets, income or net earnings of the Revolving Fund may inure to the benefit of any manager, director, officer or employee of the Revolving Fund or any private individual.

The Revolving Fund is controlled by its sole member, the Program Administrator, in accordance with applicable law. The board of directors of the Revolving Fund is appointed by the Program Administrator. The Board of the Revolving Fund is comprised of three directors. The three current directors of the Revolving Fund are: (1) Buddy Philpot; (2) Kevin Hall; and (3) Ricardo Beausoleil, an independent director unaffiliated with the Program Administrator, the Member Organizations or any officer or director of either (the “Independent Director”). The Revolving Fund has no employees. The Revolving Fund retains the services of the Program Administrator to provide staffing, administrative support, office space, credit underwriting for School Loans, portfolio administration, and bond financing program administration, as more fully described herein.

The Revolving Fund was created by the Program Administrator to function as a bankruptcy remote financing entity, for purposes of owning and holding the School Loans as security for the Bonds. See, “Bankruptcy of the Program Administrator” under “CERTAIN LEGAL ASPECTS – Bankruptcy”, herein.

The following diagram illustrates the governance relationship between the Program Administrator and the Revolving Fund.

**Governance Relationship between the Program Administrator and the Revolving Fund**



*The Program Administrator and Revolving Fund Board Members.* The Program Administrator’s board of directors is as follows:

Director	Board Role	Job Title
Buddy Philpot	President	Senior Advisor – Walton Enterprises Former Executive Director – Walton Family Foundation
Scott Pearson	Secretary	Executive Director – DC Public Charter School Board
Kevin Hall	Treasurer	President & CEO – Charter School Growth Fund

The Revolving Fund’s board of directors is as follows:

Director	Board Role
Buddy Philpot	President
Kevin Hall	Director
Ricardo Beausoleil	Director (independent director)

Abbreviated biographies of the Program Administrator and Revolving Fund directors are as follows:

**Buddy D. Philpot.** Mr. Philpot serves as President of the Board of Directors of the Program Administrator and as a member of the Board of Directors of the Revolving Fund. Mr. Philpot is Senior Family Adviser on the Walton Enterprises team, where he transitioned to in 2016 after almost 16 years as Executive Director of the Walton Family Foundation. He joined the Foundation in 2001 after working for over 20 years in the commercial banking business, the last 13 years with the Arvest Bank Group where he was on the founding team and served as President of Arvest Bank Springdale. He continues to serve the bank as a member of the Board of Directors and on the Executive Loan Committee. Mr. Philpot has a BSBA in Finance and Banking from the University of Arkansas and a Graduate Degree in Banking from the Southwestern Graduate School of Banking at Southern Methodist University. Mr. Philpot has been active in national and community non-profit leadership currently serving as a Director of the Building Charters Fund, a member of the Northwest Arkansas Council, a Director of Camp War Eagle and on the Finance Council at St. Joseph's Catholic Church. Mr. Philpot has been active in many other Northwest Arkansas organizations, including being a founding Board Member of Crystal Bridges Museum of American Art, Endeavor Foundation, and The Jones Center for Families.

**Kevin Hall.** Mr. Hall serves as Treasurer of the Board of Directors of the Program Administrator and as a member of the Board of Directors of the Revolving Fund. Mr. Hall is the President and CEO of the Charter School Growth Fund (CSGF). CSGF identifies the nation's best charter schools, funds their expansion, and helps increase their impact. CSGF's portfolio of school investment includes 980 public charter schools that serve nearly 420,000 students. Before joining CSGF in 2009, Mr. Hall was Chief Operating Officer of the Broad Foundation, where he led various aspects of the Foundation's grant investment strategy. Prior to joining the Broad Foundation, he cofounded and led business development for Chancellor Beacon Academies, a manager of charter and private schools across the United States. Previously, he also ran a division of infoUSA and worked at McKinsey & Co., Goldman Sachs & Co., and Teach for America. Mr. Hall taught elementary school in central Los Angeles. He earned his Master in Business Administration from Harvard Business School and Bachelor of Arts from Swarthmore College.

**Scott Pearson.** Mr. Pearson is the Executive Director of the DC Public Charter School Board (DCPCSB). Since joining DCPCSB in 2012, Mr. Pearson has implemented significant reforms in how the Board approves and oversees charter schools, making it a national model for charter school authorizing. Previously, Mr. Pearson served in the Obama Administration as the Deputy of the Office of Innovation and Improvement for the U.S. Department of Education. He also co-founded Leadership Public Schools, a network of college-prep public charter high schools in the San Francisco Bay Area. Mr. Pearson is the former Vice President for Corporate Development at America Online, where he was responsible for acquisitions and strategic planning. At Bain and Company, Mr. Pearson provided strategic management consulting services to clients in education, healthcare, media, and aviation. He currently is the Board Chair of the National Association of Charter School Authorizers (NACSA). He earned a Bachelor of Arts in History from Wesleyan University, a Masters in Public Administration from Harvard's Kennedy School of Government and a Masters in Business Administration from the Harvard Business School.

**Ricardo Beausoleil.** Mr. Beausoleil serves as the Independent Director of the Revolving Fund pursuant to the Revolving Fund Operating Agreement which means a natural person who, for the five-year period prior to his or her appointment as Independent Director has not been, and during the continuation of his or her service as Independent Director is not: (i) an employee, director, stockholder, partner, equity holder, creditor, debtor or officer of the Revolving Fund, the Program Administrator or any of their affiliates (other than his or her service as an independent director of any special purpose bankruptcy remote entity); (ii) a customer or supplier of the Revolving Fund or any of its affiliates; or (iii) any member of the immediate family of a person described in (i) or (ii). The Independent Director is an employee of a nationally recognized corporate service provider.

*The Program Administrator Senior Staff and Administration.* The Program Administrator's principal place of business is in New York State. Staff work remotely in various locations around the country. The Program Administrator employs ten full-time professionals in various lending and operating capacities, whose individual professional experiences include the following: senior role as commercial lender, not-for-profit lender, tax-exempt bond investor, rating agency analyst, financial and operational roles at high-performing charter schools. The Program Administrator engages professional consultants including its general counsel, legal advisors, financial advisors, certified public accountants, and a public relations firm. The Program Administrator currently employs three part time consultants. Senior management personnel of the Program Administrator are as follows:

**Anand Kesavan, Chief Executive Officer and Founder.** Mr. Kesavan founded the Revolving Fund combining his experience as a public finance investment banker, charter school chief financial officer (KIPP), and leader of a charter school philanthropic facilities fund. As a seasoned investment banker, charter school executive, and education philanthropist, Mr. Kesavan is passionate about creating efficient and transparent financial credit markets, optimizing school financial models, solving educational inequalities and using philanthropy to do so in a scalable and sustainable manner. Prior to founding the Revolving Fund, Mr. Kesavan led the Structured Finance group and ran the Facility Fund for the Charter School Growth Fund (CSGF), where he helped identify the nation's best schools for investment. Together, CSGF's portfolio members operate 980 public charter schools that serve nearly 420,000 students. Prior to CSGF, he served as chief financial officer of KIPP Austin Public Schools. Prior to KIPP, Mr. Kesavan spent more than a decade in senior investment banking roles, financing more than \$10 billion in public projects, including state revolving funds and K-12 schools, with a specialty in credit ratings & quantitative structuring. Mr. Kesavan is a graduate of the University of Michigan Ross School of Business, the Harvard Kennedy School of Government, and the Education Pioneers Fellowship.

**Michelle Getz, Chief Credit Officer.** Ms. Getz is charged with building the Program Administrator's credit platform and leading a thorough credit diligence and approval process for each charter school loan. Additionally, she leads the loan closing, loan servicing and portfolio management processes. She brings with her nearly 30 years of professional experience, including 18 years at Nuveen Asset Management. During her time at Nuveen, Ms. Getz developed and refined the firm's charter school investment methodology and implemented it via analysis of over 300 charter school organizations to determine viability and creditworthiness for investment. Ms. Getz has also served as an internal auditor for the Coca-Cola Company and an external financial auditor with Deloitte & Touche. Ms. Getz earned a BS from Auburn University and an MS from the University of Houston. She is also a CPA in the states of Illinois and North Carolina.

**Wendy Berry, Vice President of Structured Products and Research.** Ms. Berry is a facility financing specialist with deep credit expertise. At the Program Administrator, she conducts bond market research, builds and leads the internal underwriting process, conducts loan portfolio management, coordinates bond disclosure, and works closely with the Chief Credit Officer on approving transactions and due diligence efforts. After more than 15 years as a senior credit analyst at Moody's, Ms. Berry has spent the last decade focused on the evolving charter school sector. She has authored or co-authored several comprehensive publications on the sector, including the LISC Charter School Bond Issuance: A Complete History Volumes I, II, and III along with numerous articles on the ever-changing charter school facility finance landscape. She has also consulted for the State University of New York Charter Schools Institute and the Arizona State Board of Education. Ms. Berry received a BA and MPA from Rockefeller College at the University of Albany.

**Michael McGregor, Chief of Staff.** Mr. McGregor oversees the Program Administrator's internal finance and operations team, manages key stakeholder relationships, and supports the CEO in charting the Program Administrator's long-term strategic direction. He is a mission-oriented leader with deep experience in financial and education management. He previously served as the Chief Operating Officer of the Great Oaks Foundation, where he managed the Charter Management Organization's efforts to procure facilities, secure major grant revenues, and cultivate various stakeholders to support the expansion of the four-state Great Oaks Charter School network. Prior to Great Oaks, he served as an administrator and humanities teacher at Match Public Charter School, which consistently performed amongst the best high schools in Massachusetts during his tenure. Mr. McGregor earned an MBA with a concentration in finance and real estate from Columbia University and a BA in American History from the University of Pennsylvania.

*Relationship between the Revolving Fund and the Program Administrator.* The relationship between the Revolving Fund and the Program Administrator is governed by three contractual agreements, each respectively relating to (1) the provision of staffing and administrative services, (2) the origination of School Loans, and (3) the administration of the program of periodic bond issuance by the Revolving Fund. The relationship between the Revolving Fund and the Program Administrator is designed to maintain the separateness of the Revolving Fund for bankruptcy law purposes, as described above and as more fully described herein. See "CERTAIN LEGAL ASPECTS – Bankruptcy – Bankruptcy of the Program Administrator" below.

- 1) Administrative services are provided by the Program Administrator to the Revolving Fund pursuant to an Amended and Restated Administrative Services and Premises Agreement, dated as of August 1, 2020

(the “ASPA”), between the Revolving Fund and the Program Administrator. Key provisions of the ASPA include:

- The Revolving Fund will engage the Program Administrator to provide administrative services to the Revolving Fund in exchange for an administration fee payable on the dates and in the amounts specified in the Fee Letter (defined below).
  - The administrative services the Program Administrator provides include: (a) clerical, bookkeeping, office administration, legal, and accounting services; (b) preparing or causing to be prepared franchise, withholding, income or other tax returns; (c) preparing or causing to be prepared all filings as may be necessary or appropriate; (d) providing equipment and services related to, and access to, computer and telecommunications systems and networks; (e) procuring, on behalf of and in the name of, or for the benefit of, the Revolving Fund, standard insurance loss protection; (f) managing the Revolving Fund’s funds; (g) preparing and providing recommendations and underwriting services relating to the purchase of conduit revenue bonds; and (h) providing such other administrative services related to the operation of the Revolving Fund as may be requested by the Revolving Fund.
  - The Program Administrator will not: (a) pay or incur any obligation or liability of the Revolving Fund; (b) execute any document, agreement or instrument in the name of the Revolving Fund; (c) initiate or compromise any claim or lawsuit in the name of the Revolving Fund; or (d) dispose of any assets of the Revolving Fund, whether by sale, pledge, or otherwise.
  - The Program Administrator will render the services called for under the ASPA in good faith, taking into consideration the best interests of the Revolving Fund. In no event will the Program Administrator be liable under the ASPA or in connection with services provided thereunder for any incidental, consequential, or indirect damages in tort, contract, or otherwise.
- 2) Proceeds of the Revolving Fund’s fundraising activities (including receipt of philanthropic donations, including the Capitalization Grant, and proceeds of borrowing through the issuance of bonds, including the Bonds, from time to time) are used by the Revolving Fund to purchase School Loans originated by the Program Administrator. The Revolving Fund purchases School Loans from the Program Administrator for deposit into the revolving loan fund established pursuant to the Master Indenture (the “Loan Pool”). See “THE LOAN PROGRAM,” below. School Loans are purchased, from time to time, by the Revolving Fund from the Program Administrator pursuant to a Master Mortgage Loan Sale Agreement, dated as of September 1, 2018 (the “MMLSA” or “Master Mortgage Loan Sale Agreement”), between the Program Administrator and the Revolving Fund. The Program Administrator uses proceeds of the sale to the Revolving Fund of each School Loan to contemporaneously originate such School Loan. Once originated by the Program Administrator, purchased by the Revolving Fund and pledged to the Master Trustee in the Loan Pool, the School Loan repayment revenues serve as the primary source of security and repayment for the Bonds.\* See, “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS,” below.
- 3) The Revolving Fund Plan of Finance includes the issuance of bonds from time to time, including the Bonds, for the purposes described herein – see, “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.” Administrative services regarding the periodic issuance of bonds are provided by the Program Administrator to the Revolving Fund pursuant to a Bond Program Agreement,

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\* The Revolving Fund also has authority to purchase School Loans from parties other than the Program Administrator, and to originate School Loans directly to Charter School Borrowers. School Loans can take the form of a loan agreement secured by a promissory note, or other forms of indebtedness including governmental conduit revenue bonds issued on behalf of a Charter School Borrower. See “THE LOAN PROGRAM – Loan Underwriting Process” herein. All School Loans owned by the Revolving Fund, in whatever form, and however acquired or originated, are pledged to repayment of the Bonds pursuant to the Master Indenture.

dated as of April 9, 2019 (the “Bond Program Agreement”), by and between the Revolving Fund and the Program Administrator. Key provisions of the Bond Program Agreement include:

- The Revolving Fund will engage the Program Administrator to provide administrative services to the Revolving Fund in exchange for an administration fee payable on the dates and in the amounts specified in the Fee Letter (defined below).
- The Program Administrator will: (a) advise and assist the Revolving Fund with respect to structuring and implementation of a bond program, including (i) advising the Revolving Fund with respect to the selection and retention of qualified advisors and professionals; (ii) advising the Revolving Fund with respect to different financing options that help the Revolving Fund achieve its goals, and the use of proceeds of such options; (iii) modeling financial options; (iv) advising the Revolving Fund with respect to possible legal structures to be used as part of a bond program; (v) obtaining investor feedback and assessing investor demand; (vi) assisting the Revolving Fund with respect to rating agency presentations and submissions; (vii) assisting the Revolving Fund with respect to the preparation of transaction documents and disclosure documents appropriate for a bond program; (viii) assisting the Revolving Fund in identifying potential conduit issuers and applying to the same; (ix) advising the Revolving Fund with respect to specific terms of a particular financing that is part of a bond program; (x) assisting the Revolving Fund in the retention of a service provider to provide post-closing compliance, including rebate compliance; (xi) advising the Revolving Fund with respect to its continuing disclosure obligations; and (xii) advising the Revolving Fund with respect to any other actions appropriate for the Revolving Fund to take after the issuance of bonds.
- The Program Administrator will not: (a) pay or incur any obligation or liability of the Revolving Fund; (b) execute any document, agreement or instrument in the name of the Revolving Fund; or (c) dispose of any assets of the Revolving Fund, whether by sale, pledge, or otherwise.
- The Program Administrator will render the services called for under the Bond Program Agreement in good faith, taking into consideration the best interests of the Revolving Fund. In no event will the Program Administrator be liable under the Bond Program Agreement or in connection with services provided thereunder for any incidental, consequential, or indirect damages in tort, contract, or otherwise.

*The Program Administrator Mission.* The Program Administrator describes its corporate mission as follows:

“EFF is a nonprofit social impact fund that believes all children deserve a quality education. We empower high-performing public charter schools with equitable access to low-cost, long-term financing by innovatively combining mission-related investments and capital markets.”

## **PLAN OF FINANCE**

### **The Bonds**

The Bonds will be issued in the aggregate principal amount of \$145,385,000\*, consisting of a principal amount of \$112,055,000\* of the Series 2020A Bonds and a principal amount of \$33,330,000\* of the Series 2020B Bonds. The proceeds of the Bonds will be used to (i) finance or reimburse the Revolving Fund for the cost of financing School Loans made or to be made by the Program Administrator and purchased by the Revolving Fund; (ii) fund a debt service reserve fund under the Master Indenture; (iii) pay swap termination payments; and (iv) pay the costs of issuance of the Bonds. The School Loans to qualifying School Borrowers are for the purpose of financing or refinancing certain costs incurred by the public charter schools of the acquisition, construction, improvement,

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\* Preliminary, subject to change.

equipping and furnishing of certain public charter school facilities (as more fully described herein). Additional details regarding the application of proceeds of the Bonds are described under “THE LOAN PROGRAM” herein.

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## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Bonds, together with other funds, are estimated to be applied as set forth below:

	<u>Series 2020A</u>	<u>Series 2020B</u>	<u>Program Capital</u>	<u>Total</u>
<b>Sources of Funds:</b>				
Par Amount of Bonds	\$112,055,000*.00	\$33,330,000*.00	--	\$145,385,000.00*
Net Original Issue Premium	_____	_____	_____	_____
Total Sources	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Uses of Funds:</b>				
Loan Program				
Debt Service Reserve				
Swap Termination				
Costs of Issuance <sup>(1)</sup>	_____	_____	_____	_____
Total Uses	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

<sup>(1)</sup> Costs of Issuance includes issuer fees, issuer's counsel fees, underwriter's discount, cost of printing, estimated fees of disclosure counsel, bond counsel, counsel to the Underwriter, rating agency fee, Master Trustee and Bond Trustees fees, fees of counsel to the Master Trustee and Bond Trustees, and expenses and other costs.

## DEBT SERVICE REQUIREMENTS

The Master Indenture provides various assumptions with respect to the calculation of the Obligated Group's debt service requirements for purposes of covenant compliance. See APPENDIX C – "FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES" for a summary of these covenants and assumptions.

[Table begins on following page]

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\* Preliminary, subject to change.

The following Debt Service Requirements Table sets forth the debt service requirements of the Bonds:

**DEBT SERVICE REQUIREMENTS TABLE\***

FY Ending 12/31	Series 2020A Bonds			Series 2020B Bonds			Total Series 2020 Debt Service
	1	2	3	4	5	6	7
	Principal	Interest	Total	Principal	Interest	Total	Total
2020	--	--	--	--	--	--	--
2021	\$ 500,000	\$ 5,392,950	\$ 5,892,950	\$ 630,000	\$ 1,596,000	\$ 2,226,000	\$ 8,118,950
2022	1,510,000	5,367,950	6,877,950	660,000	1,564,500	2,224,500	9,102,450
2023	1,850,000	5,292,450	7,142,450	690,000	1,531,500	2,221,500	9,363,950
2024	1,940,000	5,199,950	7,139,950	725,000	1,497,000	2,222,000	9,361,950
2025	2,040,000	5,102,950	7,142,950	760,000	1,460,750	2,220,750	9,363,700
2026	2,145,000	5,000,950	7,145,950	800,000	1,422,750	2,222,750	9,368,700
2027	2,250,000	4,893,700	7,143,700	840,000	1,382,750	2,222,750	9,366,450
2028	2,365,000	4,781,200	7,146,200	880,000	1,340,750	2,220,750	9,366,950
2029	2,480,000	4,662,950	7,142,950	925,000	1,296,750	2,221,750	9,364,700
2030	2,600,000	4,538,950	7,138,950	975,000	1,250,500	2,225,500	9,364,450
2031	2,735,000	4,408,950	7,143,950	1,020,000	1,201,750	2,221,750	9,365,700
2032	2,870,000	4,272,200	7,142,200	1,075,000	1,150,750	2,225,750	9,367,950
2033	3,035,000	4,128,700	7,163,700	1,125,000	1,097,000	2,222,000	9,385,700
2034	3,300,000	3,976,950	7,276,950	1,185,000	1,040,750	2,225,750	9,502,700
2035	3,600,000	3,811,950	7,411,950	1,240,000	981,500	2,221,500	9,633,450
2036	3,645,000	3,631,950	7,276,950	1,300,000	919,500	2,219,500	9,496,450
2037	3,735,000	3,486,150	7,221,150	1,355,000	867,500	2,222,500	9,443,650
2038	4,120,000	3,336,750	7,456,750	1,405,000	813,300	2,218,300	9,675,050
2039	4,630,000	3,171,950	7,801,950	1,465,000	757,100	2,222,100	10,024,050
2040	4,850,000	2,986,750	7,836,750	1,525,000	698,500	2,223,500	10,060,250
2041	4,520,000	2,792,750	7,312,750	1,585,000	637,500	2,222,500	9,535,250
2042	4,345,000	2,566,750	6,911,750	760,000	558,250	1,318,250	8,230,000
2043	4,505,000	2,349,500	6,854,500	800,000	520,250	1,320,250	8,174,750
2044	4,940,000	2,124,250	7,064,250	840,000	480,250	1,320,250	8,384,500
2045	5,700,000	1,877,250	7,577,250	880,000	438,250	1,318,250	8,895,500
2046	5,985,000	1,592,250	7,577,250	925,000	394,250	1,319,250	8,896,500
2047	6,285,000	1,293,000	7,578,000	970,000	348,000	1,318,000	8,896,000
2048	6,605,000	978,750	7,583,750	1,015,000	299,500	1,314,500	8,898,250
2049	6,960,000	648,500	7,608,500	1,065,000	248,750	1,313,750	8,922,250
2050	6,010,000	300,500	6,310,500	775,000	195,500	970,500	7,281,000

2051	--	--	--	570,000	156,750	726,750	726,750
2052	--	--	--	595,000	128,250	723,250	723,250
2053	--	--	--	625,000	98,500	723,500	723,500
2054	--	--	--	655,000	67,250	722,250	722,250
2055	--	--	--	690,000	34,500	724,500	724,500
<b>Total</b>	<u>\$112,055,000</u>	<u>\$103,969,800</u>	<u>\$216,024,700</u>	<u>\$33,330,000</u>	<u>\$28,467,650</u>	<u>\$61,806,650</u>	<u>\$277,831,450</u>

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\* Preliminary, subject to change.

The following Debt Service Coverage Table sets forth estimated debt service requirements on the Bonds and all other long-term Indebtedness of the Revolving Fund that will remain outstanding after the issuance of the Bonds (currently the Series 2019 Bonds), together with scheduled revenues from School Loan Repayments, other Funds, Accounts and moneys pledged to the repayment of the Bonds, and the estimated ratio of debt service coverage for each indicated fiscal year.

[Table begins on following page]

	<b>New Debt Service*</b>	<b>Existing Debt Service</b>	<b>Aggregate Total Debt Service*</b>	<b>Total Charter School Loan Repayments†</b>	<b>Debt Service Coverage‡</b>
<b>FY</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>Ending 12/31</b>					
2020	--	\$ 7,310,618	\$ 7,310,618	\$ 9,505,742	130%
2021	\$ 8,118,950	7,348,950	15,467,900	20,342,328	132%
2022	9,102,450	7,352,950	16,455,400	21,642,639	132%
2023	9,363,950	7,351,700	16,715,650	21,987,236	132%
2024	9,361,950	7,355,200	16,717,150	21,989,361	132%
2025	9,363,700	7,352,950	16,716,650	21,985,961	132%
2026	9,368,700	7,349,950	16,718,650	21,987,299	132%
2027	9,366,450	7,350,950	16,717,400	21,988,111	132%
2028	9,366,950	7,350,450	16,717,400	21,988,399	132%
2029	9,364,700	7,353,200	16,717,900	21,988,161	132%
2030	9,364,450	7,353,700	16,718,150	21,987,399	132%
2031	9,365,700	7,351,700	16,717,400	21,986,111	132%
2032	9,367,950	7,351,950	16,719,900	21,989,298	132%
2033	9,385,700	7,348,950	16,734,650	22,008,955	132%
2034	9,502,700	7,352,450	16,855,150	22,167,323	132%
2035	9,633,450	7,351,700	16,985,150	22,340,411	132%
2036	9,496,450	7,351,450	16,847,900	22,159,711	132%
2037	9,443,650	7,351,200	16,794,850	22,088,486	132%
2038	9,675,050	7,350,450	17,025,500	22,395,211	132%
2039	10,024,050	7,348,700	17,372,750	22,849,148	132%
2040	10,060,250	7,280,450	17,340,700	22,803,787	132%
2041	9,535,250	6,498,450	16,033,700	21,090,854	132%
2042	8,230,000	6,497,950	14,727,950	19,371,368	132%
2043	8,174,750	6,501,200	14,675,950	19,299,631	132%
2044	8,384,500	6,072,450	14,456,950	19,011,902	132%
2045	8,895,500	6,037,700	14,933,200	19,639,928	132%
2046	8,896,500	6,034,300	14,930,800	19,635,516	132%
2047	8,896,000	6,037,350	14,933,350	19,640,053	132%
2048	8,898,250	5,951,250	14,849,500	19,530,531	132%
2049	8,922,250	3,854,250	12,776,500	16,805,722	132%
2050	7,281,000	--	7,281,000	9,579,445	132%
2051	726,750	--	726,750	955,817	132%
2052	723,250	--	723,250	955,817	132%
2053	723,500	--	723,500	955,817	132%

\* Preliminary, subject to change. Derived from column 7 above.

† The projected charter school loan repayments consist of debt service associated with \$367,644,795 of pledged loans. Of that amount, \$289,650,361 accounts for loans already closed, representing \$286,354,831 of par outstanding, and listed in APPENDIX A, and approximately \$81,000,000 accounts for three additional loans expected to close shortly after the Bond closing, and two or more loans of estimated amounts as follows: approximately \$7,000,000 to be loaned to Public Preparatory Charter Academies– Boys Prep Bronx (rating BB+), approximately \$16,300,000 to be loaned to IDEA Baton Rouge (no rating expected), approximately \$10,600,000 to be drawn by KIPP New Jersey from its loan on September 15, 2020 (rated BBB), approximately \$30,000,000 to be loaned to a School Borrower to be determined for a term of 30 years (expected rating BBB-), and approximately \$17,000,000 to be loaned to a School Borrower to be determined for a term of 21 years (expected rating BB+).

‡ Column 11 divided by column 10. Preliminary, subject to change.

2054	722,250	--	722,250	955,817	132%
2055	<u>724,500</u>	<u>--</u>	<u>724,500</u>	<u>955,817</u>	132%
<b>Total</b>	<u><u>\$277,831,450</u></u>	<u><u>\$207,754,518</u></u>	<u><u>\$485,585,968</u></u>	<u><u>\$638,565,109</u></u>	

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## THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds and to the Bond Indentures for the provisions relating to the respective Series of Bonds and the provisions of the respective Bond Indentures included in APPENDIX D hereto for a more complete description. The discussion herein is qualified by such reference.

Whenever used herein with respect to the Bonds, “Holder” or “Bondholder” means the person in whose name such Bond is registered; provided, however, that any time the Bonds are held in a book-entry system, “Holder” or “Bondholder” will mean the Beneficial Owner of the Bonds. References herein to “Bond Indenture” or “Bond Trustee” mean, unless the context otherwise requires, the Bond Indenture pursuant to which the related Series of the Bonds were issued, and the Bond Trustee under such Bond Indenture.

### General

The Bonds are being issued pursuant to the Bond Indentures in the aggregate principal amounts set forth on the inside covers of this Official Statement. Purchases of beneficial interests in the Series 2020A Bonds and Series 2020B Bonds will be made in book-entry-only form (without physical certificates) in minimum denominations of \$5,000 and any integral multiple thereof. The Bonds will be registered initially in the name of “Cede & Co.,” as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds (the “Securities Depository”) and the Bonds will be evidenced by one Bond for each maturity of the Bonds of a Series in the principal amount of such maturity.

The Bonds will bear interest from their date of initial delivery to the Underwriter at the per annum rates set forth on the inside cover of this Official Statement. Interest will be payable semiannually on May 1 and November 1 in each year (each, an “Interest Payment Date”), commencing November 1, 2020 to the person whose name appears on the bond registration books of a Bond Trustee as the Holder thereof as of the close of business on the Record Date (which will be the fifteenth day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day) for such Interest Payment Date. Interest on the Bonds will be calculated on a 360-day year basis of twelve (12) 30-day months.

The Bonds will be transferable and exchangeable as set forth in the applicable Bond Indentures. One fully-registered Bond will be issued for each maturity of the Bonds of a Series in the total aggregate principal amount due on such maturity and will be deposited with DTC or its agent. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations set forth above. See APPENDIX F - “BOOK-ENTRY SYSTEM.”

So long as Cede & Co. is the registered owner of the Bonds, the principal of, premium, if any, and interest on the Bonds are payable by wire transfer by the Bond Trustee to Cede & Co., as nominee for DTC, which, in turn, will remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX F - “BOOK-ENTRY SYSTEM.”

If the book-entry only system for the Bonds is discontinued, payment of interest on the Bonds will be made to the person whose name appears on the bond registration books of the applicable Bond Trustee as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date, such interest to be paid by check mailed by first class mail on each Interest Payment Date to the Holder at such Holder’s address as it appears on such registration books or at such address as such owner may have filed with the applicable Bond Trustee for that purpose as of the close of business on the Record Date; provided that in the case of any Holder of Bonds in an aggregate principal amount in excess of \$1,000,000 as shown on the Registration Books who, prior to the Record Date next preceding any Interest Payment Date, shall have provided the applicable Bond Trustee with written wire transfer instructions for an account within the United States, interest payable on such Bonds shall be paid in accordance with the wire transfer instructions provided by the Holder of such Bond. If the book-entry only system for the Bonds is discontinued, payment of the principal or Redemption Price of the Bonds will be payable upon surrender or presentation thereof at the Global Corporate Trust Office of the Bond Trustee.

## Redemption of the Series 2020A Bonds\*

**Optional Redemption of the Series 2020A Bonds.** The Series 2020A Bonds maturing on and after \_\_\_\_\_ 1, 20\_\_ are subject to redemption prior to their respective stated maturities, at the option of the Revolving Fund, in whole or in part, in such amounts and such maturities as may be specified by the Revolving Fund, or, if the Revolving Fund fails to designate such maturities, in inverse order of maturity, on or after November 1, 20\_\_, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium.

**Extraordinary Optional Redemption of the Series 2020A Bonds.** The Series 2020A Bonds are subject to redemption prior to their respective stated maturities, at the option of the Revolving Fund, so long as the Bonds have not been defeased in accordance with the applicable Bond Indenture, in whole or in part, out of amounts prepaid on the Series 2020 Arizona Obligation, as applicable, at a Redemption Price equal to 100% of the principal amount of Series 2020A Bonds called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium, in the case of the pre-payment of one or more Series 2020A Charter School Loans, as applicable, due to damage or destruction to or condemnation of any Charter School Facilities financed or refinanced with a Series 2020A Charter School Loan if the net proceeds of the insurance or condemnation award exceeds \$1,000,000 and the affected School Borrower determines not to use such net proceeds to repair, rebuild or replace such charter school facilities.

**Sinking Fund Redemption of the Series 2020A Bonds.** The Series 2020A Bonds maturing on November 1, 20\_\_ are subject to redemption prior to their stated maturity in part on any November 1 on or after November 1, 20\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

Year (November 1)	Amount
_____	_____

The remaining principal amount of \_\_\_\_\_ is payable at maturity on November 1, 20\_\_ (unless redeemed earlier by optional redemption).

The Series 2020A Bonds maturing on November 1, 20\_\_ are subject to redemption prior to their stated maturity in part on any November 1 on or after November 1, 20\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

Year (November 1)	Amount
_____	_____

The remaining principal amount of \_\_\_\_\_ is payable at maturity on November 1, 20\_\_ (unless redeemed earlier by optional redemption).

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\* Preliminary, subject to change.



Upon the purchase or redemption of any Series 2020A Bonds for which Sinking Fund Installments have been established, other than by application of Sinking Fund Installments, an amount equal to the principal amount of the Series 2020A Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Series 2020A Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Bond Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by the Revolving Fund at the time of such purchase or redemption.

***Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA).*** The Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”) imposed new requirements and conditions for the interest on bonds issued by state and local governments for pooled financing programs to be and remain exempt from federal income taxation. Among those requirements are the following: (i) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the 1-year period beginning on the date of issuance, at least 30% of the net proceeds of the issue would be used directly or indirectly to make or finance loans to ultimate borrowers (the “1-year Requirement”); (ii) to the extent the 1-year Requirement is not met, the issuer must use an amount of proceeds equal to the 1-year Requirement less the amount actually used to make loans by the close of such 1-year period to redeem outstanding bonds within 90 days after the end of such 1-year period; (iii) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the 3-year period beginning on the date of issuance, at least 95% of the net proceeds of the issue would be used directly or indirectly to make or finance loans to ultimate borrowers (the “3-year Requirement”); and (iv) to the extent the 3-year Requirement is not met, the issuer must use an amount of proceeds equal to the 3-year Requirement less the amount actually used to make loans by the close of such 3-year period to redeem outstanding bonds within 90 days after the end of such 3-year period. The Conduit Issuers, in reliance on representations of the Revolving Fund, and the Revolving Fund have made representations that they reasonably expect to satisfy the 1-year Requirement and the 3-year Requirement. The Series 2019 Bonds have satisfied the 1-year Requirement.

***Extraordinary Mandatory Redemption.***\* The Series 2020A Bonds are subject to extraordinary mandatory redemption, in whole or in part, at a redemption price set forth below, plus interest accrued to the date fixed for redemption, by the Revolving Fund as a result of a failure meet the 3-year Requirement, such redemption to be made on August 27, 2023 in an amount approximating the excess of 95% of the net proceeds of the Series 2020A Bonds over the amount of proceeds actually used to make loans to one or more Charter School Borrowers; provided that, if such amount is not equal to an integral multiple of \$5,000, the amount to be redeemed shall be rounded to the nearest such integral multiple. The particular Series 2020A Bonds to be redeemed will be selected in such amounts and from such maturities as shall be determined by the Revolving Fund, upon advice from Bond Counsel.

<u>Maturity</u> <u>(November 1)</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Redemption Price†</u>
2021	%		%
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			

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\* Preliminary, subject to change.

<u>Maturity</u> <u>(November 1)</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Redemption Price†</u>
2038			
2039			
2040			
2045			
2050			

† The redemption prices set forth above are approximately 102% of the accreted value of each maturity on December 1, 2023.

The Revolving Fund expects to meet the 1-year Requirement upon the issuance of the Series 2020A Bonds and expects to meet the 3-year Requirement within one year of the date of issuance of the Series 2020A Bonds.

### **Redemption of the Series 2020B Bonds\***

***Optional Redemption of the Series 2020B Bonds.*** The Series 2020B Bonds maturing on and after November 1, 20\_\_ are subject to redemption prior to their respective stated maturities, at the option of the Revolving Fund, in whole or in part, in such amounts and such maturities as may be specified by the Revolving Fund, or, if the Revolving Fund fails to designate such maturities, in inverse order of maturity, on or after November 1, 20\_\_, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium.

***Extraordinary Optional Redemption of the Series 2020B Bonds.*** The Series 2020B Bonds are subject to redemption prior to their respective stated maturities, at the option of the Revolving Fund, so long as the Bonds have not been defeased in accordance with the applicable Bond Indenture, in whole or in part, out of amounts prepaid on the Series 2020 California Obligation, as applicable, at a Redemption Price equal to 100% of the principal amount of Series 2020B Bonds called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium, in the case of the pre-payment of one or more or California Charter School Loans, as applicable, due to damage or destruction to or condemnation of any Charter School Facilities financed or refinanced with a California Charter School Loan if the net proceeds of the insurance or condemnation award exceeds \$1,000,000 and the School Borrower determines not to use such net proceeds to repair, rebuild or replace such Charter School Facilities.

***Sinking Fund Redemption of the Series 2020B Bonds.*** The Series 2020B Bonds maturing on November 1, 20\_\_ are subject to redemption prior to their stated maturity in part on any November 1 on or after November 1, 20\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

<u>Year</u> <u>(November 1)</u>	<u>Amount</u>
_____	_____

The remaining principal amount of \$\_\_\_\_\_ is payable at maturity on November 1, 20\_\_ (unless redeemed earlier by optional redemption).

The Series 2020B Bonds maturing on November 1, 20\_\_ are subject to redemption prior to their stated maturity in part on any November 1 on or after November 1, 20\_\_, from the Sinking Fund Installments set forth below,

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\* Preliminary, subject to change.

at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

<b>Year</b>	<b>Amount</b>
<b>(November 1)</b>	

The remaining principal amount of \$ \_\_\_\_\_ is payable at maturity on November 1, 20\_\_ (unless redeemed earlier by optional redemption).

The Series 2020B Bonds maturing on November 1, 20\_\_ are subject to redemption prior to their stated maturity in part on any November 1 on or after November 1, 20\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

<b>Year</b>	<b>Amount</b>
<b>(November 1)</b>	

The remaining principal amount of \$ \_\_\_\_\_ is payable at maturity on November 1, 20\_\_ (unless redeemed earlier by optional redemption).

Upon the purchase or redemption of any Series 2020B Bonds for which Sinking Fund Installments have been established, other than by application of Sinking Fund Installments, an amount equal to the principal amount of the Series 2020B Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Series 2020B Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Bond Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by the Revolving Fund at the time of such purchase or redemption.

***Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA).*** The Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”) imposed new requirements and conditions for the interest on bonds issued by state and local governments for pooled financing programs to be and remain exempt from federal income taxation. Among those requirements are the following: (i) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the 1-year period beginning on the date of issuance, at least 30% of the net proceeds of the issue would be used directly or indirectly to make or finance loans to ultimate borrowers (the “1-year Requirement”); (ii) to the extent the 1-year Requirement is not met, the issuer must use an amount of proceeds equal to the 1-year Requirement less the amount actually used to make loans by the close of such 1-year period to redeem outstanding bonds within 90 days after the end of such 1-year period; (iii) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the 3-year period beginning on the date of issuance, at least 95% of the net proceeds of the issue would be used directly or indirectly to make or finance loans to ultimate borrowers (the “3-year Requirement”); and (iv) to the extent the 3-year Requirement is not met, the issuer must use an amount of proceeds equal to the 3-year Requirement less the amount actually used to make loans by the close of such 3-year period to redeem outstanding bonds within 90 days after the end of such 3-year period. The Conduit Issuers, in reliance on representations of the Revolving Fund, and the Revolving Fund have made representations that they reasonably expect to satisfy the 1-year Requirement and the 3-year Requirement. The Series 2019 Bonds have satisfied the 1-year Requirement.

***Extraordinary Mandatory Redemption.*** \* The Series 2020B Bonds are subject to extraordinary mandatory redemption, in whole or in part, at a redemption price set forth below, plus interest accrued to the date fixed for redemption, by the Revolving Fund as a result of a failure meet the 3-year Requirement, such redemption to be made on August 27, 2023 in an amount approximating the excess of 95% of the net proceeds of the Series 2020B Bonds over the amount of proceeds actually used to make loans to one or more Charter School Borrowers; provided that, if such amount is not equal to an integral multiple of \$5,000, the amount to be redeemed shall be rounded to the nearest such integral multiple. The particular Series 2020B Bonds to be redeemed will be selected in such amounts and from such maturities as shall be determined by the Revolving Fund, upon advice from Bond Counsel.

<u>Maturity</u> <u>(November 1)</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Redemption Price†</u>
2021	%		%
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2045			
2050			
2055			

† The redemption prices set forth above are approximately 102% of the accreted value of each maturity on December 1, 2023.

The Revolving Fund expects to meet the 1-year Requirement upon the issuance of the Series 2020B Bonds and expects to meet the 3-year Requirement within one year of the date of issuance of the Series 2020B Bonds.

#### **Redemption Terms Applicable to the Series 2020A and 2020B Bonds**

***Selection of Bonds for Redemption.*** Whenever provision is made in a Bond Indenture for the redemption of less than all of the Bonds or any given portion of the Bonds, the Bond Trustee thereunder will select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, as directed in writing by the Revolving Fund or, in the absence of direction, by lot in any manner which such Bond Trustee in its sole discretion shall deem appropriate. Notwithstanding the foregoing, the amounts and maturities of the Bonds to be redeemed pursuant to the extraordinary mandatory redemption described above will be selected as directed by the Revolving Fund in writing delivered to the Bond Trustee accompanied by an Opinion of Bond Counsel to the effect that redemption of such Bonds will not in and of itself cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes.

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\* Preliminary, subject to change.

***Notice of Redemption for the Bonds.*** Notice of redemption will be mailed by first-class mail by the applicable Bond Trustee, not less than 20 nor more than 60 days prior to the redemption date to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of such Bond Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the applicable Bond Trustee will also give notice of redemption by overnight mail or by other acceptable means to such securities depositories and/or securities information services as shall be designated in writing by the Revolving Fund. Each notice of redemption will state the date of such notice, the Series of the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the method of determining the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the applicable Bond Trustee), the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Notice of redemption of Bonds will be given by the applicable Bond Trustee, at the expense of the Revolving Fund, for and on behalf of the applicable Issuer. Failure by the Bond Trustee to give notice to any one or more of the securities information services or depositories designated by the Revolving Fund, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption. Failure of a Bond Trustee to mail notice to any one or more of the respective Holders of any Bonds designated for redemption (or failure by any such Holder or Holders to receive said notice) will not affect the sufficiency of the proceedings for the redemption with respect to the Holders to whom such notice was mailed.

***Conditional Notice and Rescission of Notice.*** Any notice of redemption given pursuant to a Bond Indenture may, if the Revolving Fund has so instructed the Trustee, state that it is conditioned upon the deposit with the Bond Trustee of moneys sufficient to effect the redemption or any other condition or event, that the failure to meet any such condition shall render such notice of redemption null and of no effect, and that any notice of redemption given may be rescinded by written notice of rescission given to such Bond Trustee by the Revolving Fund no later than four (4) Business Days prior to the date specified for redemption. The applicable Bond Trustee will give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same Persons, as notice of such redemption was given pursuant to the applicable Bond Indenture and Bonds.

***Effect of Redemption.*** Notice of redemption having been given in accordance with the applicable Bond Indenture, and moneys for payment of the Redemption Price of the Bonds (or portions thereof) so called for redemption being held by the Bond Trustee thereunder on the date fixed for redemption designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice, interest on the Bonds so called for redemption will cease to accrue from and after the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the applicable Bond Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said Redemption Price from funds held by Bond Trustee thereunder for such payment.

***Purchase in Lieu of Redemption.*** Any Bonds subject to optional redemption and cancellation pursuant to a Bond Indenture will also be subject to optional call for purchase and, at the option of the Revolving Fund, holding, resale or cancellation by the Revolving Fund at the same times and at the same Redemption Prices as are applicable to the optional redemption of such Bonds, upon written request of the Revolving Fund given to the applicable Bond Trustee. Upon receiving such written request from the Revolving Fund, the Bond Trustee will give the Holders of the Bonds to be purchased notice of such purchase in accordance with the applicable Bond Indenture and the purchase of such Bonds will be mandatory and enforceable against such Holders. On the date fixed for purchase pursuant to any exercise of such option, the Revolving Fund will pay the purchase price of the Bonds then being purchased to the applicable Bond Trustee. Following such purchase, such Bond Trustee will cause the Bonds to be registered in the name of the Revolving Fund or its assigns. No purchase of the Bonds pursuant to the Bond Indenture provisions summarized in this paragraph will extinguish the indebtedness of the applicable Issuer evidenced thereby. No purchase in lieu of redemption shall be made unless the Revolving Fund delivers an opinion of Bond Counsel addressed to the applicable Bond Trustee and the applicable Issuer, to the effect that the purchase of the Bonds will not, in and of itself, adversely affect the validity or enforceability of the Bonds issued pursuant to such Bond Indenture or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes, to the extent not already so included with respect to such purchase.

## **Book-Entry System**

The Bonds will be issued in book-entry form. As described above, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds of a Series in the total aggregate principal amount due on such maturity date and will be deposited with or held at the direction of DTC. See APPENDIX F — "BOOK-ENTRY SYSTEM."

The Conduit Issuers, the Bond Trustees and the Revolving Fund cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants or others will distribute to the Beneficial Owners payments of principal and Redemption Price of and interest on the Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Conduit Issuers, the Bond Trustees nor the Revolving Fund is responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant (as defined herein) to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

## **THE LOAN PROGRAM**

### **Purpose of the Program**

The Program Administrator and the Revolving Fund established the Loan Program for the charitable purpose of assisting qualified nonprofit public charter schools in accessing secure, affordable funds for school buildings, equipment, and other capital projects. The Loan Program is intended to contribute to improved public education for children in the United States.

Public charter schools are a unique form of public school: similar to traditional public schools, they do not charge tuition and receive funds from the state or local government to operate, however, they are operated by private organizations pursuant to a charter contract approved by a governmental agency or not-for-profit entity. Depending on the applicable state statutory and regulatory framework, public charter schools have a certain level of independence from operational and curricular mandates applicable to local school districts. One of the challenges public charter schools confront in many states is locating and paying for physical facilities, particularly in jurisdictions that do not provide dedicated facility funding. Public charter schools that are not able to access dedicated public funds for facilities typically rely upon their operating budgets and philanthropy to provide facilities to students. Land, buildings, and educational equipment costs generally increase over time, especially in urban areas where public charter schools offer services to underserved children, and public charter schools do not always have access to low-cost facility financing on the same terms as traditional school districts.

Traditional public school districts are generally allowed to take advantage of tax-exempt financing secured by local property taxes to pay for facilities. Without that independent, dedicated form of security to offer lenders, public charter schools seeking to borrow funds for facilities generally face higher interest costs, less favorable debt terms, and uncertain market access. The Program Administrator was formed by other charitable organizations active in the public charter school sector to address this problem. See "THE PROGRAM ADMINISTRATOR AND THE REVOLVING FUND," above. The School Loans are intended to position public charter schools on more equitable footing with traditional public school districts in their ability to finance facilities and other capital assets.

### **Benefits to Schools**

The Loan Program was created to give effect to the charitable purpose and mission of the Revolving Fund and the Program Administrator. As such, the Loan Program is designed to create certain benefits for the nonprofit public charter schools that access the Loan Program. Charter School Borrowers that access the Loan Program are expected to benefit in several ways, compared to other available sources of facility financing for charter schools, including:

- A generally lower long-term fixed interest rate—closer to traditional K-12 school district financing terms;

- Full project financing, i.e., loan amount equal to 100% of project costs plus transaction costs;
- Fixed rate for the entire loan term, typically 30 years;
- Reduction or elimination of the typical sector requirement of a debt service reserve fund;
- Reduced transaction costs, as compared to traditional public capital markets tax-exempt bond issuance; and
- Ongoing financial guidance, technical assistance, close cohort management strategy including, cohort retreats, help with annual disclosure, and early intervention, if necessary.

### **Loan Program Capital**

The Revolving Fund received the \$200 million Capitalization Grant in 2017 and 2018 from charitable donors for the purpose of originating School Loans and related activities pursuant to certain gift agreements (the “Gift Agreements”). These contributed funds were received in the form of a charitable contribution, and not a loan, and therefore can remain with the Revolving Fund in perpetuity. The original Capitalization Grant, together with any additional donated funds the Revolving Fund may receive in the future, form the corpus of the Loan Program’s capital (the “Program Capital”). Pursuant to the Gift Agreements, the Program Capital is held in a subaccount (the “Contribution Account”) of the trust account (the “Loan Program Fund”) created within the Master Indenture. The Program Capital is used from time to time to purchase or originate School Loans, pursuant to the terms of the Master Indenture more fully described below. As School Loans are repaid, and as the Revolving Fund issues bonds through conduit governmental issuers from time to time, including the Bonds, the Program Capital revolves and can be re-used for the purposes set forth in the Master Indenture.

A portion of the proceeds of sale of the Bonds will be used to reimburse the Revolving Fund for previous expenditures of Program Capital from the Contribution Account incurred to originate School Loans (the “Reimbursement Proceeds”). See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein. The Reimbursement Proceeds will be deposited in a separate subaccount (the “Reimbursement Account”) of the Loan Program Fund. As of June 30, 2020, the balance of the Contribution Account was \$0.00, and the balance of the Reimbursement Account was \$43,494,721.08. Funds held in the Loan Program Fund are not pledged to payment of the Bonds and may, at the direction of the Program Administrator, be used solely for the following purposes:

- (i) to make one or more deposits to the Debt Service Reserve Fund created under the Master Indenture;
- (ii) to purchase or originate all or a portion of a School Loan, or to purchase debt obligations of a public charter school (“Local Charter School Bonds”) issued by a local governmental entity or governmental conduit issuer pursuant to a School Loan Agreement;
- (iii) to pay to the Program Administrator the purchase price of any School Loan pursuant to the MMLSA;
- (iv) to pay for any purpose permitted under a particular Gift Agreement; and
- (v) from the Reimbursement Account held within the Loan Program Fund, to make a deposit to the Revenue Fund, to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference.

Pursuant to the terms of the Master Indenture described above, money held in the Contribution Account of the Loan Program Fund may not be used to pay debt service on the Bonds. However, money held in the Reimbursement Account of the Loan Program Fund may, at the discretion of the Program Administrator, be used to pay debt service on the Bonds. For further discussion of the pledged and unpledged accounts held under the Master Indenture, and

sources of payment and security for the Bonds, see “**SECURITY AND SOURCE OF PAYMENT FOR THE BONDS**,” below.

### **Expected Future Activity of the Loan Program**

The School Loans described herein and the Bonds (see “**CHARTER SCHOOL BORROWERS**” below) are the second in a series of planned School Loan cohorts and corresponding bond transactions planned to be undertaken by the Revolving Fund in the coming years. The multi-year plan of finance is organized in a series of “Rounds,” each Round comprising multiple School Loan cohorts, and each Round requires the receipt of additional capitalization grant donations to increase Program Capital for the purpose of originating additional School Loans. For example, as an illustration, “Round 1” is expected to originate approximately \$625,000,000 in School Loans, originated using approximately \$425,000,000 from proceeds of bonds, including the Bonds, and \$200,000,000 from the Capitalization Grant, with all \$625,000,000 in School Loans pledged as security for the approximately \$425,000,000 in bonds pursuant to the Master Indenture. The Revolving Fund expects to issue approximately \$425,000,000 of bonds over a three year period, in multiple separate series on a senior and/or subordinate lien basis, from 2019-2021, with the Bonds serving as the second of the three series, all in compliance with the Additional Indebtedness tests and provisions of the Master Indenture.

The Revolving Fund expects to solicit additional capitalization grant philanthropic contributions to launch “Round 2.” All School Loans originated as part of Round 1 and Round 2 (and any future rounds) are required to be pledged on a parity or subordinate basis to secure Obligations, including the Series 2020 Obligations, issued from time to time pursuant to the Master Indenture. The ratio of School Loans to bonds issued from time to time is governed by the Additional Indebtedness tests and Reserve Account Requirement under the Master Indenture. See “**THE BONDS**” and “**SECURITY AND SOURCE OF PAYMENT FOR THE BONDS**.”

The following Historical and Future Financings Table describes, in very broad terms and solely for illustrative purposes, the current plan of finance for Round 1. All dollar amounts are in millions. The Revolving Fund makes no guarantee that the projected or anticipated debt issuance and loan making described in the Historical and Future Financings Table below will occur. See “**REGARDING THIS OFFICIAL STATEMENT**” regarding “forward-looking statements” herein.

<b>Historical and Future Financings Table</b>									
	<b>Expected Timing:</b>	<b>Series</b>	<b>Series Bond Amount<sup>1</sup></b>	<b>Cumulative Bonds</b>	<b>School Loan Cohort<sup>2</sup></b>	<b>Cumulative School Loans</b>	<b>Cumulative Loaned Program Capital Portion<sup>3</sup></b>	<b>Unloaned Program Capital Balance<sup>4</sup></b>	<b>Expected Asset to Debt Ratio for the Bonds<sup>5</sup></b>
Bond #1	August 2019	2019AB	112	112	155	155	43	157	2.79 to 1 (312/112)
Bond #2	August 2020	2020AB	145	257	220	375	105	95	1.83 to 1 (470/257)
Bond #3	Mid-2021	2021AB	168	425	250	625	185	15	1.51 to 1 (640/425)

<sup>1</sup> Each Revolving Fund bond offering may increase in size.

<sup>2</sup> Each Revolving Fund School Loan cohort may increase in size.

<sup>3</sup> It is anticipated that the Revolving Fund School Loan principal will be greater than the amount of the Revolving Fund’s outstanding bonds. Pledged Capitalization Grants make up the difference.

<sup>4</sup> The Revolving Fund was capitalized with an initial \$200 million, a portion of which has been loaned and pledged. However, the unloaned portion of the Capitalization Grant amount is not pledged. The School Loans that are funded with these amounts are and will be pledged.

<sup>5</sup> Total Revolving Fund assets divided by total Revolving Fund bond debt, the numerator of which includes unpledged assets in the form of unloaned Capitalization Grant proceeds.



## **The Program Administrator Operating Funding and Revenues**

The Program Administrator received philanthropic contributions totaling approximately \$12 million for the purpose of paying its operating expenses. These contributed operating funds (the “Program Administrator Operating Contributions”), as well as any revenues the Program Administrator derives from performing the services it provides to the Revolving Fund pursuant to the ASPA, MMLSA, and Bond Program Agreement (the “Program Administrator Earned Revenues”, and together with the Program Administrator Operating Contributions, the “Program Administrator Revenues”), are not pledged to or available for the repayment of the Bonds. The Program Administrator Revenues are held separately by, and expended for the operations of, the Program Administrator.

The Program Administrator Earned Revenues are specified in a Second Amended and Restated Fee Letter, dated as of April 1, 2020 (the “Fee Letter”), by and between the Program Administrator and the Revolving Fund. Key provisions of the Fee Letter include:

- The administration fee payable pursuant to the ASPA comprised of the General Administrative Overhead Fee (which includes the fees for the loan monitoring services provided by the Program Administrator) and the Portfolio Management Fee (each as defined and computed pursuant to the terms of the Fee Letter).
- The underwriting fee, payable pursuant to the MMLSA, and the debt obligation loan underwriting fee, payable pursuant to the ASPA, will each be calculated pursuant to the terms of the Fee Letter.
- The bond program fee will be calculated pursuant to the terms of the Fee Letter.

The above-described categories of fees will be paid as a single combined fee, due and payable in semiannual installments on July 10 and January 10 of each Fiscal Year, commencing on July 10, 2020, computed as: thirty five hundredths of one percent (0.35%) of the average principal amount of loans outstanding pursuant to all School Loan Agreements during the previous semi-annual period (January 1 through June 30, and July 1 through December 31, respectively).

Fees payable by the Revolving Fund to the Program Administrator are included in the definition of Administrative Fees payable under the Master Indenture, however such Administrative Fees payable to the Program Administrator are excluded from the payment of other Administrative Fees from the Revenue Fund. Administrative Fees payable to the Program Administrator are only payable from available monies in the Surplus Fund. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein.

## **The Program Administrator Temporary Funding for Loan Origination**

On July 9, 2020, the Program Administrator entered into a loan agreement (the “Bridge Loan”) with a nonprofit charitable foundation for the purpose of borrowing funds on a short term basis to originate loans to approved public charter school borrowers prior to the date the Revolving Fund purchases such loans pursuant to the MMLSA. The Bridge Loan terms include: (1) proceeds of the Bridge Loan may only be used by the Program Administrator for the purpose of originating loans to approved public charter schools and not for any other purpose, (2) payment obligations under the Bridge Loan are unsecured obligations of the Program Administrator, (3) draw-down loan pursuant to one or more advances not to exceed an aggregate of \$50 million, with a 0% interest rate charged on all outstanding balances, (4) prepayment in part or in full on any date, and (5) Maturity Date is the earlier of (i) December 31, 2020, or (ii) the date of issuance by the Revolving Fund of bonds, notes or other indebtedness secured by the Master Indenture, the proceeds of which are available to the Revolving Fund to pay the purchase price of School Loans under the MMSLA. The Revolving Fund is not party to, and has no obligations under, the Bridge Loan. Loans originated by the Program Administrator using proceeds of advances under the Bridge Loan are not pledged to the Master Trustee and are not available as security for the Bonds unless and until purchased by the Revolving Fund.

The Program Administrator expects to draw advances under the Bridge Loan only in the event that an approved loan is scheduled to close and there are insufficient funds available in the Loan Program Fund of the Master Indenture for the Revolving Fund to purchase such loan pursuant to the MMLSA, providing a temporary source of

funding to the Program Administrator until such time as the Revolving Fund issues additional bonds under the Master Indenture to reimburse the Loan Program Fund. As of the date hereof, the Program Administrator has drawn no advances under the Bridge Loan. In the event the Program Administrator has drawn an advance under the Bridge Loan prior to the date of issuance of the Bonds, the Revolving Fund will apply a portion of the proceeds of the Bonds to pay the purchase price of any School Loans originated by the Program Administrator from advances under the Bridge Loan.

### **Structure of Loans in the Loan Pool**

**Projects:** Eligible projects for School Loans include refinancing of existing facilities and related debt (both public and private debt), new money loans to exercise a purchase option on a new or an existing leased facility, new money construction loans for expansion or refurbishment of new or existing facilities, new money loans for long term improvements at a leased facility, new money loans for the acquisition and/or construction of new facilities, and new money loans for procurement of furniture, fixtures, equipment, and technology.

**School Loan Structures:** The legal structure of each School Loan varies depending on the existing debt structure of the Charter School Borrower, size of the Charter School Borrower's organization, ownership of the project, future debt needs, state lending laws, and other financial and legal factors.

The primary form of School Loan in the Loan Program is a direct loan to a Charter School Borrower. A direct loan can be evidenced by a stand-alone loan agreement and set of collateral documents or can be a loan agreement secured by a master indenture, intercreditor agreement or other parity collateral instrument. In a stand-alone credit structure, the Charter School Borrower's collateral is pledged directly to the Program Administrator and the Program Administrator has the exclusive right to exercise remedies against the collateral upon an event of default. In a parity collateral structure, the Charter School Borrower's collateral may be pledged to a third-party trustee and the Program Administrator's remedies against the collateral under the documents may be contingent on what is provided in the master indenture, intercreditor agreement or other parity collateral instrument. Generally, under a parity collateral structure, the consent of a majority of holders of the Charter School Borrower's parity debt is required to exercise remedies against the parity collateral.

In some instances, the Charter School Borrower under the School Loan may not be the operator of the public charter school operating at the project nor holder of the charter agreement, but rather an affiliated supporting organization landlord entity or charter management organization ("CMO"). In these instances, in order to obtain privity of contract between the Program Administrator and the operator of the public charter school operating in the project, the Program Administrator enters into a tax agreement and/or continuing covenant agreement with the operator or charter holder to enforce certain covenants against the operator or charter holder.

In some states, the Program Administrator is required to enter into tri-party School Loan agreements with a local governmental conduit issuer and the Charter School Borrower. The conduit issuer structure requires that the Charter School Borrower be responsible for all payments under the tri-party School Loan agreement and that the conduit issuer assign and pledge its interest in the collateral to the Program Administrator or to a third-party trustee on behalf of the Program Administrator.

In addition, from time to time the Revolving Fund may purchase Local Charter School Bonds being offered by a broker-dealer in the public capital market. Such bonds may conform to any of the School Loan structures listed above. However, when purchasing Local Charter School Bonds, the Revolving Fund may not have the ability to change School Loan covenants to conform entirely to the standard School Loan provisions described herein.

**Standard School Loan Provisions:** Generally, each School Loan in the Loan Program contains the following standard provisions (however, such provisions may be omitted or revised for certain Charter School Borrowers as approved by the Revolving Fund and its Board):

*Additional Debt:* Each Charter School Borrower is restricted from entering into additional indebtedness unless certain conditions are met. Additional parity debt is permitted upon the delivery of a certificate of the Charter School Borrower stating that: (i) for the Charter School Borrower's most recently

completed fiscal year, the School Debt Service Coverage Ratio (as defined below) equaled at least 1.10x prior to the issuance of the additional debt; and the (ii) School Debt Service Coverage Ratio is projected to be at least 1.20x on all debt outstanding and the proposed additional debt in the first fiscal year following the issuance of the additional debt, taking into account certain assumptions as set forth in the School Loan Agreement. Subordinate debt and short-term debt are restricted subject to approval of the lender. Non-recourse debt is generally limited to an aggregate of \$500,000 outstanding.

*Interest Rate:* School Loans bear interest at a fixed rate determined in the underwriting process.

*Prepayment:* School Loans are prepayable ten (10) years from the date of the School Loan.

*Security:* School Loans are secured by a perfected first lien interest in the revenues of either the Charter School Borrower, applicable affiliate entity or the operator of the project and are secured by a first lien mortgage or leasehold mortgage against either the project or all property of the Charter School Borrower or applicable affiliate entity. Such security may be on parity with other lenders or bondholders.

*Financial Reporting:* Charter School Borrowers are required to provide annual audited financial statements within 180 days after the fiscal year end and a compliance certificate calculating the Days Cash on Hand Requirement and the School Debt Service Coverage Ratio set forth below. The Charter School Borrowers are also required to provide, in conjunction with the audited financials, reports related to student retention data, waiting list by grade, faculty and staff information, teacher retention ratios, enrollment by grade, student demographics, competitive data, accountability ratings, and test scores by grade. Quarterly requirements include quarterly, unaudited income statements and balance sheets within sixty days of the end of each fiscal quarter, and the Charter School Borrower's annual fiscal year budget within sixty days of the commencement of each fiscal year.

*Insurance:* Charter School Borrowers are required to maintain: (i) property insurance; (ii) business interruption insurance; (iii) during the course of any construction, builder's risk insurance; (iv) general liability insurance; (v) worker's compensation insurance as required by the laws of the state of the Charter School Borrower; and (vi) flood insurance to the extent applicable.

*Notice of Certain Events:* Each Charter School Borrower is required to notify the Program Administrator in writing of: (a) the occurrence of any "Event of Default" under a School Loan; (b) any default by the Charter School Borrower under any Legal Requirement, or any default by the Charter School Borrower in the performance of any obligation which results in a material adverse effect on the School Loan; (c) any litigation instituted or threatened against the Charter School Borrower or any development in any such litigation which results in a material adverse effect on the School Loan; (d) any labor controversy pending or threatened in writing against the Charter School Borrower or any material development therein which results in a material adverse effect; (e) any change in the Charter School Borrower's name, officers or school leadership (e.g., principals or executive director); (f) any material correspondence from the chartering authority, including but not limited to: any meetings in which the Charter School Borrower is before a state agency or chartering authority, copies of any approvals or denials of any charter amendments, review or revocation notice regarding any charter and copies of written complaint notifications from chartering authority, along with the Charter School Borrower's responses thereto; and (g) any change in any rating of the Charter School Borrower's long-term debt by any rating agency.

*School Debt Service Coverage Ratio:* Each Charter School Borrower (or appropriate affiliate entity) agrees to maintain a ratio, determined by dividing the available net income for such period by the annual debt service for such period ("School Debt Service Coverage Ratio"), calculated at the end of each Fiscal Year, of not less than 1.10x for such Fiscal Year. However, failure to maintain the School Debt Service Coverage Ratio shall not constitute an "Event of Default" so long as such Charter School Borrower timely engages an independent consultant within thirty (30) days. Within sixty (60) days of engaging an independent consultant, such independent consultant shall prepare a report with recommendations for meeting the required School Debt Service Coverage Ratio. As soon as practicable, but no later than thirty (30) days after receipt of such report, the Charter School Borrower is required to implement the independent consultant's recommendations. Failure of the Charter School Borrower to maintain a School Debt Service Coverage Ratio of not less than

1.0:1.0 shall immediately constitute an “Event of Default” under a School Loan. For legal structures where the Charter School Borrower or affiliate entity leases the project facility, the School Loan Agreement may require similar lease payment coverage ratios applicable to the charter school operator of the financed project.

*Days Cash on Hand:* Each Charter School Borrower (or appropriate affiliate entity) agrees to maintain not less than forty-five (45) or sixty (60) Days Cash on Hand (such threshold determined by the Program Administrator) in each fiscal year. However, failure to maintain the required Days Cash on Hand shall not constitute an “Event of Default” so long as the Charter School Borrower timely engages an independent consultant within thirty (30) days. Within sixty (60) days of engaging an independent consultant, such independent consultant shall prepare a report with recommendations for meeting the required Days Cash on Hand. As soon as practicable, but no later than thirty (30) days after receipt of such report, the Charter School Borrower shall implement the independent consultant’s recommendations. Failure of the Charter School Borrower to maintain the required Days Cash on Hand for two consecutive Fiscal Years shall immediately constitute an “Event of Default” under a School Loan. Generally, “Days Cash on Hand” means, as of any date of determination, the product obtained by multiplying 365 by the quotient determined by dividing (a) all unrestricted cash, cash equivalents, liquid investments, and unrestricted marketable securities (valued at the lower of cost or market) of the Charter School Borrower as reported in the Charter School Borrower’s most recent audited financial statements by (b) the total Expenses, net of depreciation, and interest expense of the Charter School Borrower for the prior fiscal year.

*Charter:* Charter School Borrowers are required to maintain their charter(s) at all times.

*Academic Covenant:* Charter School Borrowers covenant to maintain high academic performance as set forth in each School Loan Agreement. However, failure to maintain the required academic performance shall not constitute an “Event of Default” so long as the Charter School Borrower timely engages an independent consultant within thirty (30) days. Within sixty (60) days of engaging an independent consultant, such independent consultant shall prepare a report with recommendations for meeting the academic standards. As soon as practicable, but no later than forty five (45) days after receipt of such report, the Charter School Borrower shall implement the independent consultant’s recommendations.

*Enrollment Covenant:* Charter School Borrowers covenant to maintain annual enrollment levels as set forth in each School Loan Agreement (“Enrollment Requirement”). However, failure to maintain the Enrollment Requirement shall not constitute an “Event of Default” so long as (i) the Charter School Borrower maintains a second (lower) annual enrollment level and within sixty (60) days of the direction of the Program Administrator, prepares and provides to the Program Administrator an internal enrollment plan to increase enrollment to the Enrollment Requirement (“Enrollment Plan”) and within thirty (30) days of approval of such Enrollment Plan by the Program Administrator, implements the Enrollment Plan; or (ii) the Charter School Borrower maintains a third (lowest) annual enrollment level and the Charter School Borrower timely engages an independent consultant within thirty (30) days of the direction of the Program Administrator. Within sixty (60) days of engaging an independent consultant, such independent consultant shall prepare a report with recommendations for meeting the required Enrollment Requirement. As soon as practicable, but no later than thirty (30) days after receipt of such report, the Charter School Borrower shall, to the extent legally permissible, implement the independent consultant’s recommendations.

*TEFRA:* Charter School Borrowers must provide evidence of local governmental approval under Tax Equity and Fiscal Responsibility Act authorizing the Program Administrator or the Revolving Fund to refinance or reimburse the School Loan through the issuance of the Bonds.

## **Loan Underwriting Process**

As part of the Loan Program, and pursuant to the ASPA and the MMLSA, the Revolving Fund engages the Program Administrator to underwrite each School Loan. The Program Administrator’s underwriting procedures include multiple approval stages, generally one informal preliminary credit committee review, two formal credit committee reviews, and final Board approval. The Program Administrator’s analysis also results in a credit memo that includes various stress tests—all specific to the individual borrower. The Program Administrator’s process also

requires a site visit, often two visits prior to loan closing, as part of the due diligence work. Recent site visits have been virtual due to the COVID-19 Pandemic.

The Loan Program was established to help public charter schools reduce their facility costs. Unless otherwise prohibited by law, most of the Charter School Borrowers are generally expected to have the following credit characteristics:

- Standardized test proficiency scores that exceed district averages and often exceed state averages;
- Strong leadership track record at board/network/school level that is partially observed during required site visits;
- Sound financial position indicated by liquidity and operating measures;
- Minimal project delivery and enrollment risk;
- Designation as not-for-profit organization; and
- A minimum of three years of operating history.

As described above under “Standard School Loan Provisions,” Loan Program loans include standard financial covenants, including debt service coverage, additional debt, and liquidity thresholds, with an event of default as a possible outcome due to non-compliance. Unlike most other public charter school lenders, however, the Loan Program also imposes academic and enrollment covenants on each of its borrowers. Non-compliance with these covenants does not trigger an event of default, however, it does provide an early warning system for the detection of potential deteriorating conditions.

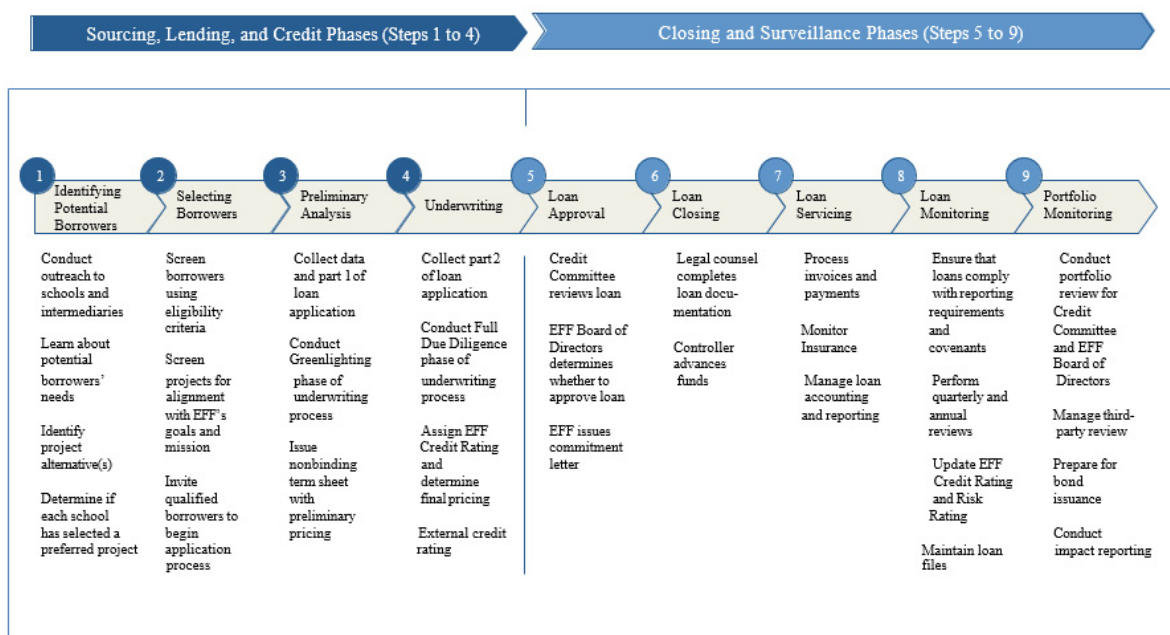
Finally, most of loans in the Loan Program’s first cohort received a credit rating from Standard & Poor’s that resulted in an assignment of a minimum rating category of “BB”. See “SCHOOL LOANS” and APPENDIX A – “CHARTER SCHOOL BORROWER METRICS” herein. Future loan cohorts may or may not have this same requirement.

Each of these supplementary due diligence, loan monitoring, and early intervention steps are designed to minimize the risk of school borrower loan defaults.

The Program Administrator follows a Loan Policy Manual as adopted by its Board to determine whether a loan should be made to a Charter School Borrower and whether such Charter School Borrower is likely to be able to continue to pay on an ongoing basis the principal amounts, including the interest thereon, required under its proposed School Loan Agreement. The Program Administrator Credit Committee and Board review the Loan Policy Manual and all related policies and procedures on an annual basis. The Credit Committee prepares and presents the Board with a summary report and recommends any necessary changes to the Loan Policy Manual. The Board is then asked to review and formally approve any of the recommended changes to the Loan Policy Manual. Pursuant to the Loan Policy Manual, the Program Administrator lending process currently consists of nine phases: Identifying Potential Borrowers, Selecting Charter School Borrowers, Preliminary Analysis, Underwriting, Loan Approval, Loan Closing and Transfer, Loan Servicing, Loan Monitoring and Portfolio Monitoring.

The chart below illustrates all nine formal steps of the Program Administrator’s lending process:

# Loan Underwriting, Approval, and Surveillance Process



The Lending and Credit teams work together seamlessly and collectively make up the investment team.

*Loan Policy Manual Appendix A: Lending and Credit Phases Map*

**Identifying Potential Borrowers.** The Program Administrator works to identify potential Charter School Borrowers by contacting potential Charter School Borrowers directly, providing partnership and advice on school facilities strategies, working with partner organizations and conducting independent market research. The Program Administrator also reviews requests from potential Charter School Borrowers that contact the Program Administrator directly.

**Selecting Charter School Borrowers.** Potential Charter School Borrowers are reviewed prior to being asked to apply for a loan. The potential Charter School Borrower and the proposed project must meet the following initial criteria: (i) the potential Charter School Borrower must be a non-profit entity, and the benefits of the School Loan must flow to a non-profit charter school, (ii) the potential Charter School Borrower must have a minimum of three full years of audit history by the time the School Loan is approved, (iii) the proposed School Loan size cannot exceed 20% of the total Pledged Assets at the next anticipated bond issuance or \$50,000,000 in any one project, (iv) the School Loan to any one potential Charter School Borrower or directly-related group of potential Charter School Borrowers is limited to 20% of the total Pledged Assets at the next anticipated bond issuance, (v) the School Loan will be secured primarily by revenues and real property or leasehold mortgages, and (vi) the School Loan is not made to potential Charter School Borrowers or guarantors who have previously declared bankruptcy or defaulted on an obligation. Additional eligibility criteria may be imposed as deemed appropriate by senior management and the Board of the Program Administrator.

In addition, potential Charter School Borrowers will be screened to prioritize those that most closely align with the goals of the Loan Program. The following criteria are applied to screen potential loans to determine which ones will be selected for the School Loan application process: (i) the potential Charter School Borrower is a good fit for long-term financing, including meeting certain financial metrics relating to coverage, liquidity, and enrollment; (ii) the quality of academic program offered and its results when compared to state and local averages, particularly for those schools located in underserved areas, (iii) the financial benefit provided to a potential Charter School Borrower compared to the alternatives that are available to such potential Charter School Borrower, (iv) the degree to which the

potential Charter School Borrower serves students from educationally underserved communities with performance results that narrow the academic achievement gap, (v) if the project fits into the model loan portfolio, i.e., credit quality/ratings, location, size, and (vi) initial risks.

Once a potential Charter School Borrower has been identified by meeting the qualifying criteria as part of the initial screening process, it is asked to complete the Program Administrator's standard form of loan application which requests more in depth information and documentation on the potential Charter School Borrower, the project, its school management and governance, its education program, enrollment and student information, and its financial information.

**Preliminary Analysis.** Upon receipt of a completed application, the Program Administrator then conducts its greenlighting process by analyzing the data provided. The purpose of the greenlighting process is to inform the potential Charter School Borrower in a relatively short period of time if the potential Charter School Borrower will undergo the full due diligence process. The potential Charter School Borrower's transaction is presented to the Program Administrator's Credit Committee for an initial recommendation during the greenlighting process. Once a potential Charter School Borrower is greenlighted, the Program Administrator issues a non-binding Term Sheet to the potential Charter School Borrower. Greenlighting approval also triggers the process for a third party rating assessment request.

**Underwriting.** Subsequent to greenlighting approval, additional information is requested from the potential Charter School Borrower. The Program Administrator then conducts additional due diligence as part of its full underwriting process according to its Credit Rating Methodology and Underwriting Guidelines to create a final Full Due Diligence Memo to be presented to its Credit Committee. The Full Due Diligence Memo includes an assessment of each risk factor and assigns an overall Program Administrator Credit Rating to each potential Charter School Borrower, including observations made during site visits.

**Underwriting Guidelines.** The Program Administrator analyzes each transaction based on information collected from the potential Charter School Borrower and from independent research. The underwriting categories include Educational Program, Financial Health, Regulatory Environment, Market Position, and Project Status. These factors are assessed according to Credit Rating Methodology and result in a Program Administrator Credit Rating for the School Loan.

**Educational Program:** The management and academic analysis is conducted at multiple levels, including the site-specific operations, any obligated group structure, and at the network or CMO level, if applicable. The Program Administrator reviews a potential Charter School Borrower's enrollment, waiting list, marketing and recruitment plan, accountability measures over recent three-year operating history, types of students served, teacher recruitment and retention, academic philosophy/school model, board of directors, school leadership, and CMO or management company, if any.

**Financial Health:** The financial health analysis of the Charter School Borrower is conducted at multiple levels, including the site-specific operations, any obligated group structure, and at the entire network or CMO level, if applicable. The Program Administrator reviews a potential Charter School Borrower's debt service coverage ratio, cash balance (current and projected), other sources of debt, debt burden, financial statement analysis, five-year pro-forma, year-to-date financials, legal and credit structure, and sensitivity analysis.

**Regulatory Environment:** The Program Administrator reviews a potential Charter School Borrower's strength of charter, length of charter, political culture of public charter schools at both the state and local level, strength of authorizer, and the availability of a state intercept program.

**Market Position:** The Program Administrator reviews a potential Charter School Borrower's community support, expansion plans, competition, likelihood of finding a replacement tenant, and demographics.

Project Status: The Program Administrator reviews a potential Charter School Borrower's cost of project, fees, sources and uses, collateral value, quality of the project, future needs, replacement and repair reserve account, maintenance and operations, and insurance.

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The following table describes the specific criteria the Program Administrator employs in the evaluation and underwriting of each School Loan.

Focus Area	Description	Criteria	Diligence Documents / Information/Processes
Governance	<ul style="list-style-type: none"> <li>Governance policies and flexibility to adapt to changing dynamics</li> <li>Board comprising individuals with diverse backgrounds in areas such as finance, law, real estate, and fundraising</li> </ul>	<ul style="list-style-type: none"> <li>Independent board comprising not more than 25% related parties and/or school employees (preferably none)</li> <li>Regular meeting schedule (at least quarterly)</li> <li>Exhibited board oversight of management and financial matters</li> </ul>	<ul style="list-style-type: none"> <li>Corporate formation documents (articles of incorporation, bylaws)</li> <li>IRS 501(c)(3) tax-exempt determination letter</li> <li>Board member bios and interviews</li> <li>Board policies, including conflict of interest policy</li> <li>Board meeting minutes – prior 24 months</li> </ul>
School Administration/ Management	<ul style="list-style-type: none"> <li>Representatives with direct successful charter school experience or background in finance, education policy, and administration</li> </ul>	<ul style="list-style-type: none"> <li>Senior management with experience in education and administration</li> <li>Senior management or contracted entities with experience and expertise in financial matters</li> </ul>	<ul style="list-style-type: none"> <li>Senior management bios and interviews</li> <li>Independent organizational background, litigation and media coverage check</li> <li>Management agreements/terms (if any)</li> <li>Operational policies and procedures</li> <li>School history, profile, and mission</li> <li>School marketing materials</li> </ul>
Charter Authority	<ul style="list-style-type: none"> <li>Charter in compliance with qualified authorizer</li> <li>Local vs. state level authorization requirements, statutory framework, and political environment. Ability of state or local authority to not renew or revoke charter</li> </ul>	<ul style="list-style-type: none"> <li>School is in good standing with its authorizer</li> <li>Charter contract is effective</li> <li>Legislative and judicial environment and proposed statutory changes are neutral or supportive of charter schools and the applicant</li> <li>Minimal (if any) authorizer sharing of school's per pupil funding</li> </ul>	<ul style="list-style-type: none"> <li>Charter application</li> <li>Charter contract and amendments</li> <li>Material correspondence</li> <li>Authorizer status review and confirmation of renewal process/timetable</li> <li>Minutes from authorizer meetings where matters related to the school were on the agenda over the past 24 months</li> <li>Performance plans and/or complaints lodged against the school (past 24 months) with the authorizer</li> <li>State charter statutory and funding review</li> </ul>

Focus Area	Description	Criteria	Diligence Document / Information / Processes
Financial Performance	<ul style="list-style-type: none"> <li>Historical and proforma financial statements demonstrating ability to repay debt service; annual and MADS coverage over the tenor of the loan; operating reserves/cash on hand</li> </ul>	<ul style="list-style-type: none"> <li>Prior FY DSCR of school or new school sponsor of at least 1.1x. Debt service includes facilities and ground lease payments</li> <li>Prior FY DCOH of school or new school sponsor of at least 45 days</li> <li>Record in prior FYs of producing positive cash flow after debt service (excluding non-cash expenses)</li> </ul>	<ul style="list-style-type: none"> <li>Audits (3-5 years)</li> <li>IRS 990 filings (3 prior years)</li> <li>Internal financials for most recently concluded FY, if audit not yet completed</li> <li>Current Year Budgeted revenue and expenditures</li> <li>YTD internal financial statements, compared to budget and projected through year end.</li> <li>Information on prior, current and projected fundraising</li> <li>Information on non-charter revenue sources (i.e., private preschools, other enterprise activities)</li> </ul>
Existing & Projected Leverage	<ul style="list-style-type: none"> <li>Level of existing debt and financial obligations; historical performance in servicing this debt; debt service coverage of at least 1.10x</li> <li>Debt metrics such as MADS, MADS ratios, lease adjusted metrics</li> </ul>	<ul style="list-style-type: none"> <li>Projected DSCR of at least 1.1x. Debt service includes facilities and ground lease payments</li> <li>Projected DCOH of at least 45 days</li> <li>Targeted leverage ratio (DS/Revenues) of less than 20%</li> </ul>	<ul style="list-style-type: none"> <li>Information and documents related to existing debt and facilities related leases (including ground leases)</li> <li>Project funding requirements, including any capitalized interest or required reserves</li> <li>Loan amortization, gross and net, including any interest only period</li> <li>5 year projected revenues and expenditures (both operating and capital)</li> <li>Breakeven student count analysis</li> <li>Intercept or deposit control agreement to prioritize scheduled loan payments upon receipt of school revenues</li> </ul>
Credit Rating	<ul style="list-style-type: none"> <li>Third party credit rating for majority of school credits</li> </ul>	<ul style="list-style-type: none"> <li>Borrowers with existing credit rating for requested credit structure will update the rating in connection with EFF loan origination; those without will likely be required to have rating assigned, as requested by EFF</li> <li>ESRF portfolio will include majority of loans rated BB- (or equivalent) or higher.</li> </ul>	<ul style="list-style-type: none"> <li>Prior borrower rating reports/presentations</li> <li>Rating agency application</li> <li>Rating agency due diligence packet</li> </ul>

**Credit Rating Methodology.** The Program Administrator Credit Rating requires an assessment of the five underwriting categories listed above, which are analyzed and combined to arrive at a single star level. The assessments for each of the factors are then weighted based on their relative importance in assessing the credit risk of the transaction. The primary drivers of the credit risk are the Educational Program and the Financial Health of the Charter School Borrower, which together creates the Program Administrator Base Credit Rating. The other categories can affect the Base Credit Rating through a credit adjustment process.

The Base Credit Rating is on a scale of 1- to 5-Stars, including partial stars, with 5-Stars being the highest (most favorable rating) and the lowest risk. The numeric score for the Educational Program and the numeric score for the Financial Health categories are used to determine the star level grade (or Base Credit Rating) in the intersecting box.

		Financial Health				
		5	4	3	2	1
Educational Program	5	5-Star	4-Star	3-Star	2-Star	1-Star
	4	4-Star	4-Star	3-Star	2-Star	1-Star
	3	3-Star	3-Star	3-Star	2-Star	1-Star
	2	2-Star	2-Star	2-Star	2-Star	1-Star
	1	1-Star	1-Star	1-Star	1-Star	1-Star

The remaining relevant risk factors in the other three categories (Regulatory Environment, Market Position, and Project Status) are used to adjust the Base Credit Rating either up or down depending on the materiality of findings when assessing the categories. The Program Administrator Credit Rating is used by (1) the Credit Committee to determine whether to recommend the School Loan to the Board (only star ratings of 3.5 or above are recommended to the Board) and (2) management in the calculation of the pricing of the Program Administrator's loans to potential Charter School Borrowers. After any adjustments are made, the result is a Program Administrator Credit Rating on a 5-Star scale.

**Loan Approval.** Upon completion, the Full Due Diligence Memo is presented to the Credit Committee to determine the creditworthiness of the transaction and the adherence to these loan policies. The Credit Committee members are nominated by either the Program Administrator executives, existing Program Administrator Credit Committee Members, or Program Administrator Board Members. The Credit Committee members must be approved by the Board and can be replaced by the Board. The Committee consists, at any time, of between three and five individuals with complementary expertise in assessing the five underwriting categories. The Credit Committee will either recommend the School Loan move forward "as is" to the full Board, recommend the School Loan move forward "with modification" to the full Board, or recommend the School Loan not move forward. The Program Administrator Board of Directors will then review the transaction and vote for either approval, deferral, or denial. When a loan receives final approval by the Board, a Commitment Letter may be issued by the Chief Credit Officer. The letter is required to follow a standard template and will be issued only after authorization by the Program Administrator's legal counsel. The Chief Executive Officer and Chief Credit Officer may recommend with reasonable discretion, loan waivers, modifications, extensions, or restructurings as the School Loan documentation process progresses. All proposed changes are reviewed by the Credit Committee and must be approved by the Board.

**Loan Closing and Transfer.** Upon approval of a transaction by the Board, the legal and finance process begins. That process may also begin earlier upon instructions from the Chief Credit Officer to the legal counsel, based on the Chief Credit Officer's determination that a transaction has an imminent closing deadline and is highly likely to

be approved. The Chief Credit Officer ensures that the documentation for the School Loan file and the closing checklist is complete prior to the closing of any School Loan. The legal counsel prepares and negotiates all documents necessary to close the transaction and necessary to transfer the ownership from the Program Administrator to the Revolving Fund pursuant to the MMLSA.

**Loan Servicing.** After transfer of the School Loan from the Program Administrator to the Revolving Fund, the Revolving Fund is responsible for servicing each School Loan and contracts with a third-party to assist in this process.

The Revolving Fund entered into a Loan Servicing Agreement with Community Reinvestment Fund, Inc. (the “Servicer”), dated as of September 28, 2018 (the “Loan Servicing Agreement”), under which the Servicer will service all School Loans. The Loan Servicing Agreement is effective through the date on which all School Loans subject to the Loan Servicing Agreement have been paid in full or written off; provided that, either party may terminate the Loan Servicing Agreement upon a 90 days’ notice period. In addition, the Loan Servicing Agreement also includes various events of default which also result in a termination.

Founded in 1988, the Servicer is a national non-profit organization with a mission to empower people to improve their lives and strengthen their communities through innovative financial solutions. The Servicer has more than 20 years of experience as a direct and master loan servicer. The Servicer provides servicing solutions for a variety of asset types including commercial real estate, community facilities, residential mortgages, equipment, and more. The Servicer currently services more than 6,600 customized loans. The Servicer provides the Revolving Fund online access with customized views for the School Loans.

When a School Loan is made, the Servicer enters the School Loan into its servicing system and provides a letter to the Charter School Borrower regarding its loan and how to access its School Loan portal where the Charter School Borrower can find its loan information and payment information. The Servicer provides billing statements based on the billing dates and terms of the School Loan and each School Loan is set up for Automatic Clearing House (ACH) payments, unless an alternative wire transfer or other automated payment mechanism is required under the School Loan documents. The Servicer collects and deposits any payments made pursuant to the School Loans to the Servicer’s lock box account, and provides the Revolving Fund with monthly loan balances, aged delinquency, principal and interest collections, any new loans, and paid loans. The Servicer also monitors the insurance coverage, expiration dates and requests renewal certificates as required in each School Loan.

The Loan Servicing Agreement excludes, and the Revolving Fund is responsible for (i) ensuring that all Charter School Borrowers comply with the agreed terms in the School Loan Agreement, (ii) confirming that all collateral agreements are on file, (iii) assisting requests from Charter School Borrowers to assist with the required IRS annual Form 1098 tax reporting, (iv) providing loan payoffs including lien release documents, (v) reviewing requests for modifications to loan terms, including repayment plans, forbearance agreements, deferments, extensions, short sales, or negotiated releases of collateral, obligors or guarantors, and (vi) performing special servicing actions and steps for loans subject to formal legal proceedings, including bankruptcy, foreclosure, deed-in-lieu of foreclosure, collections suits, repossession, and charge-offs involving either an obligor(s) or guarantor(s).

**Custodian.** The Revolving Fund entered into a Custody Agreement, dated as of October 1, 2018 (the “Custody Agreement”), between the Revolving Fund and the Master Trustee as custodian (the “Custodian”), providing for the Custodian’s obligations to accept and hold in custody on behalf of the Master Trustee all School Loan documentation, including loan agreements, promissory notes, mortgages, UCC financing statements, security agreements, and other collateral (the “Loan File”).

**Loan Monitoring.** The Revolving Fund is responsible for coordinating periodic reviews of each loan in the portfolio and ensuring compliance with the disclosure requirements of the School Loan documents as the Charter School Borrowers submit required information. The Revolving Fund engages the Program Administrator pursuant to the ASPA to perform these reviews and ensure Charter School Borrower compliance.

The Program Administrator has entered into an Issuer User Agreement with Bondlink, Inc. (“Bondlink”), under which Bondlink provides an online platform for Charter School Borrowers’ financial and operating information, debt information, financial statements, expenditure reports and other reporting required under the Charter School Loan

Agreements (the “Bondlink Agreement”). The Bondlink Agreement renews automatically each year unless terminated in accordance with the Bondlink Agreement. Each time a Charter School Borrower is added to the Bondlink Agreement, the Revolving Fund, Bondlink and such Charter School Borrower enter into a Bondlink Agreement. Most but not all Charter School Borrowers use, or are anticipated to use, Bondlink.

Each of the Charter School Borrowers is required to provide financial and reporting information on both a quarterly and annual basis. Charter School Borrowers upload both the quarterly and annual information to Bondlink, or they otherwise make the information available to the Revolving Fund, for the annual and quarterly reviews of the Charter School Borrowers.

Each School Loan is subject to periodic reviews (often quarterly) and a standard annual review after the Charter School Borrower’s audited financial statements are submitted through Bondlink or by direct submission from the Charter School Borrower. The reviews quantitatively and qualitatively assess the Charter School Borrower’s performance based on disclosure requirements from the Charter School Borrower and any other significant developments since the last review. The Loan Program requirements include a site visit to the Charter School Borrower’s pledged campus(es) each year in the first two years of each loan and then every three years thereafter to observe operations and report on the performance of such Charter School Borrower, and a determination whether additional information will be required for more rigorous monitoring or for technical assistance.

**Portfolio Monitoring.** The Chief Credit Officer is responsible for reviewing the Loan Pool portfolio mix to determine if the portfolio meets the targeted goals, contributes toward strategic interests, and adheres to the Loan Program policies. The Chief Credit Officer prepares a Loan Portfolio Report (LPR) describing the impact the portfolio has on the goals and the strategic interests of the Loan Program. To ensure best practices, the Credit Committee may request management to conduct an independent review of the portfolio by a third-party auditor. The independent audit of the portfolio may be conducted on an annual basis. The auditor will analyze a sample of the loan portfolio and will review each loan file to evaluate quality and thoroughness, as well as consistency between the loan underwriting, documentation and ongoing loan servicing/monitoring and the Program Administrator’s written policies and industry best practices, including: underwriting analysis; approval decisions; loan documentation; collateral files; loan monitoring activities; credit rating system; and, adherence to financial and reporting covenants. The auditor will prepare a summary of findings, identify any significant weaknesses and make selected recommendations, as appropriate.

### **Interest Rate Hedging Program**

As described above, the Revolving Fund uses funds held in the Contribution Account and the Reimbursement Account of the Loan Program Fund, as well as funds held in the Loan Origination Fund, to originate and acquire School Loans from time to time on a continuous basis throughout each fiscal year, in some circumstances as early as a year ahead of the anticipated issuance date. As further described above, School Loans are each structured as fixed-rate, long-term, fully amortizing loans. In expectation of periodic issuances of fixed-rate long-term bonds, including the Bonds, for the purpose of purchasing, reimbursing or originating School Loans, the Revolving Fund may seek to mitigate all or a portion of the potential interest rate difference between the interest rates fixed on each School Loan and the corresponding interest rate fixed on each series of related bonds. The primary purpose of the Revolving Fund’s hedging program is to mitigate near-term interest rate risk related to School Loans that have not been reimbursed while minimizing transaction costs.

The Revolving Fund’s Board of Directors has adopted a swap policy (the “Swap Policy”) to govern all hedging transactions, including interest rate swap agreements and other derivatives transactions. The Swap Policy includes the requirements that:

- Interest rate swaps must be used for the purpose of hedging loans and bonds without speculation.
- Swap notional amount, term, index, and rate must be sufficiently tied to the upcoming or completed School Loan origination.

- Blue Rose Capital Advisors, LLC, the Revolving Fund’s independent swap advisor (the “Swap Advisor”) is used to monitor adherence to the Swap Policies, proper hedge matching, cost management, pricing opinions, and swap monitoring/unwinding.
- The Swap Advisor will provide a written report to the Revolving Fund subsequent to each hedge execution confirming pricing accuracy, hedge appropriateness, and swap policy compliance.
- Quarterly Board updates are provided to the Revolving Fund Board of Directors and the Program Administrator Board of Directors.

The Revolving Fund may enter into hedging arrangements in the form of forward starting interest rate swaps (the “Hedges”) in conjunction with each individual School Loan closing or periodically in conjunction with multiple School Loans to mitigate portfolio interest rate risk in conjunction with the School Loans outstanding. As of the date hereof, the Revolving Fund is party to three Hedges pursuant to that certain 2002 ISDA Master Agreement dated as of November 6, 2018 as amended and supplemented from time to time, between Goldman Sachs Bank USA and the Revolving Fund with an aggregate notional amount of \$50,057,664. The Revolving Fund will terminate all three Hedges on or about the Closing Date of the Bonds, under guidance from its Swap Advisor, using approximately \$3.7 million\* of Bond Proceeds for the costs of such terminations. The following chart, entitled Interest Rate Hedges, summarizes the outstanding Hedges:

INTEREST RATE HEDGES				
Hedge number	Hedge Date	School Loans Hedged	Notional Amount	Mandatory Termination
1	June 11, 2019	BVP, KIPP Nashville, RUA	\$12,593,606	January 1, 2021
2	March 24, 2020	Itineris, Caliber, RenArts, KIPP New Jersey	\$6,390,040	November 1, 2020
3	July 10, 2020	KIPP Nashville, SVN, NYOS, Brookside, ASA	\$31,074,018	November 1, 2020
	Total:		<b>\$50,057,664</b>	

For a more information on the School Loans referenced in the Interest Rate Hedges chart, above, see APPENDIX A – “CHARTER SCHOOL BORROWER METRICS” herein.

### CHARTER SCHOOL BORROWERS

As of the date hereof, there are twenty-two (22) loans, representing twenty (20) public charter school borrowers (“Charter School Borrowers”) participating in the Loan Program (the “Existing School Loans”). A total of \$289,650,361 in principal amount of Existing School Loans has been originated, with a principal balance of \$286,354,831 outstanding. Four additional School Loans totaling approximately \$81 million have been approved by the Program Administrator’s Board with expected closing dates within 120 days of the date of this Official Statement. School Loans that are identified herein, but not yet closed as of the date hereof, and expected to close after the Closing Date of the Bonds, may not close. In such event, the Revolving Fund expects to use any unspent proceeds of the Bonds to purchase or originate additional School Loans to Charter School Borrowers not identified herein, pursuant to the Loan Program requirements described herein.

A summary description of each Charter School Borrower and each project financed with School Loans as of the date of this Official Statement is included in APPENDIX A “CHARTER SCHOOL BORROWER METRICS.” A more fulsome description of each Charter School Borrower and School Loan is made in APPENDIX B of the Official Statement for the Series 2019 Bonds and subsequent voluntary filings of the Revolving Fund, none of which is subject to the Continuing Disclosure obligations of the Revolving Fund.

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\* Preliminary, subject to change.

The following loans represent the top ten obligors in the Revolving Fund portfolio based on outstanding loan amount as of July 31, 2020 for closed loans:

ESRF PORTFOLIO - TOP 10 OBLIGORS (CLOSED LOANS)					
	OBLIGOR NAME	LOCATION	OUTSTANDING EFF LOAN(S) (7/31/2020)	% OF EFF PORTFOLIO	S&P RATING
1	KIPP Nashville	Nashville	27,290,004*	9.5%	BBB-
2	Alliance for College-Ready Public Schools	Los Angeles, CA	\$26,625,831	9.3%	BBB
3	NYOS	Austin, TX	\$25,295,892	8.8%	BB
4	James Irwin Charter Schools	Colorado Springs, CO	\$24,218,573	8.5%	BBB
5	KIPP New Jersey <sup>†</sup>	Newark, NJ	\$21,500,000	7.5%	BBB
6	Arizona School for the Arts	Phoenix, AZ	18,913,342*	6.6%	BB+
7	Renaissance Arts Academy	Los Angeles, CA	\$16,082,807	5.6%	BBB-
8	Blackstone Valley Prep	Providence, RI region	\$15,693,407	5.5%	BB+
9	KIPP Northern California	Bay Area, CA region	\$15,647,848	5.5%	BBB
10	Arlington Classical Academy	Arlington, TX	\$14,985,432	5.2%	BBB-
<sup>†</sup> Includes drawdown of second portion of KIPP New Jersey loan on 9/15/20. <sup>*</sup> Indicates aggregate outstanding principal amount of two separate School Loans with the same School Borrower.					

The follow table represents the Revolving Fund portfolio summary statistics:

SUMMARY STATISTICS: EXPECTED ESRF LOAN PORTFOLIO	
Total Pledged Loans <sup>1,2,3</sup>	\$367,644,795
Total Series 2019 and Series 2020 Bonds Outstanding <sup>1</sup>	\$257,505,000
Number of Loans	26
Number of School Obligor (Two repeat borrowers)	24
# of School Campuses Associated with Pledged Revenue <sup>1</sup>	74
Number of States <sup>1</sup>	12
% of Loan "BBB-" or Higher (by \$ amount outstanding) <sup>1</sup>	52.8%
Number of Students Enrolled (SY19-20) <sup>1</sup>	35,095
Obligor Total Revenue (FY2019) <sup>1</sup>	\$481,233,079
<sup>1</sup> Preliminary, subject to change <sup>2</sup> Includes additional \$81,289,964 of loans approved and expected to close within 120 days of bond closing <sup>3</sup> The projected charter school loan repayments consist of debt service associated with \$367,644,795 of pledged loans. Of that amount, \$289,650,361 accounts for loans already closed, representing \$286,354,831 of par outstanding, and listed in APPENDIX A, and approximately \$81,000,000 accounts for three additional loans expected to close shortly after the Bond closing, and two or more loans of estimated amounts as follows: approximately \$7,000,000 to be loaned to Public Preparatory Charter Academies– Boys Prep Bronx (rating BB+), approximately \$16,300,000 to be loaned to IDEA Baton Rouge (no rating expected), approximately \$10,600,000 to be drawn by KIPP New Jersey from its loan on September 15, 2020 (rated BBB), approximately \$30,000,000 to be loaned to a School Borrower to be determined for a term of 30 years (expected rating BBB-), and approximately \$17,000,000 to be loaned to a School Borrower to be determined for a term of 21 years (expected rating BB+).	

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

References herein to the Master Indenture describe the terms of the Second Amended and Restated Master Trust Indenture. See “AMENDMENTS TO THE MASTER INDENTURE,” herein.

### General

The Bonds of each Series are limited obligations of the Conduit Issuer thereof and are payable solely from the amounts pledged under the applicable Bond Indenture, which includes all Revenues and any other amounts held in any fund or account established pursuant to the applicable Bond Indenture (other than the Rebate Fund thereof). Pursuant to each Bond Indenture, “Revenues” means all amounts received by the applicable Conduit Issuer or the Bond Trustee for the account of such Conduit Issuer pursuant to or with respect to the applicable Loan Agreement or applicable Series 2020 Obligation, including, without limiting the generality of the foregoing, Loan Repayments required to be made by the Revolving Fund pursuant to the applicable Loan Agreement (including both timely and delinquent payments and any late charges, and whether paid from any source), Required Payments required to be made by the Revolving Fund pursuant to the Master Indenture, prepayments and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to such Bond Indenture, but not including any Additional Payments (i.e., certain fees and taxes) or any moneys required to be deposited in the applicable Rebate Fund. Pursuant to each Bond Indenture, the related Conduit Issuer will pledge and assign to the Bond Trustee, as security for the payment of the related Bonds, all of the Revenues and any other amounts (but excluding Additional Payments and payments made pursuant to the Reserved Rights) held in any fund or account established pursuant to such Bond Indenture (other than the Rebate Fund).

Each Loan Agreement will require payments by the Revolving Fund, and the applicable Series 2020 Obligation will require payments by the Obligated Group, of amounts that will be sufficient to provide for the timely payment of the principal of, premium, if any, and interest on the Bonds of the applicable Series, paying such series of bonds in order of priority with those bonds designated to be Senior Bonds (upon the date of issuance of the Bonds, the Series 2019 Bonds and the Series 2020A and 2020B Bonds) having the first priority followed by any Subordinate Bonds and any Second Subordinate Bonds that may be issued at a later date. The Revolving Fund is to be the only Member of the Obligated Group under the Second Amended and Restated Master Trust Indenture; therefore, references herein to the Obligated Group are references to the Revolving Fund. Additional Members may be added to the Obligated Group in the future; however, there are no current plans or expectations that any additional Members will be added to the Obligated Group. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Master Indenture – Changes in Obligated Group Membership” below.

The obligation of the Obligated Group to make payments on the Series 2020A and Series 2020B Obligations will be secured by the Master Indenture. The security provided by the Master Indenture includes a pledge of and security interest in the Pledged Assets of the Obligated Group, including the School Loans originated by the Program Administrator and purchased by the Revolving Fund. Under the Master Indenture, “Pledged Assets” means all School Loan Agreements (including, without limitation, all rights to payment thereunder), all Pledged Revenues, the Mortgages securing the School Loans originated by the Program Administrator, purchased by the Revolving Fund and assigned to the Master Trustee, each fund or account (other than the Loan Program Fund and any account within said fund and any other fund or account created and excluded pursuant to a Related Supplement executed after the Master Indenture) established under the Master Indenture, all financial assets, instruments, money and other property credited to or on deposit in any such fund or account, and the proceeds thereof. “Pledged Revenues” means all revenues, income, receipts and money received by or on behalf of the Members from all lawfully available sources, including (a) Pledged Loan Payments; (b) gifts, grants, bequests, donations, and contributions, exclusive of any gifts, grants, bequests, donations, and contributions to the extent specifically restricted by the donor thereof to a particular purpose inconsistent with their use for the payment of Required Payments; (c) proceeds derived from (i) accounts receivable, (ii) securities and other investments, (iii) inventory and other tangible and intangible property, and (iv) contract rights and other rights and assets owned by each Member upon the execution of the Master Indenture and thereafter; (d) rentals received from the lease of space; and (e) investment earnings on and other income from amounts held in the Revenue Fund; *provided, however*, that Pledged Revenues do not include (1) income derived from Defeasance Obligations that are irrevocably deposited in escrow to pay the principal of or interest on any defeased Obligations; (2) any gains or losses resulting from 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; (3) net unrealized gain (losses) on investments and Financial Products Agreements; (4) proceeds of borrowing; (5) net amounts received in connection with the termination or unwinding of Financial Products Agreements; and (6) income derived from, or accounts receivable for, repayment to any Member of loans made by any other Member or Members. See “— The Master Indenture” below and APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES” herein (for additional information, including the definitions of certain capitalized terms).

#### *The Series 2020A Bonds*

THE SERIES 2020A BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL BE SPECIAL LIMITED OBLIGATIONS OF THE ARIZONA ISSUER AND WILL BE PAYABLE EXCLUSIVELY FROM THE ARIZONA BOND INDENTURE. THE SERIES 2020A BONDS WILL NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ARIZONA ISSUER, THE ARIZONA FINANCE AUTHORITY, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY ARIZONA CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ARIZONA ISSUER, THE ARIZONA FINANCE AUTHORITY OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF. THE SERIES 2020A BONDS WILL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ARIZONA ISSUER, BUT WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE ARIZONA ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE ARIZONA BOND INDENTURE, BUT NOT OTHERWISE. THE ARIZONA ISSUER HAS NO TAXING POWER.

#### *The Series 2020B Bonds*

THE SERIES 2020B BONDS ARE LIMITED OBLIGATIONS OF THE CALIFORNIA ISSUER AND ARE NOT A LIEN OR CHARGE UPON THE FUNDS OR PROPERTY OF THE CALIFORNIA ISSUER, EXCEPT TO THE EXTENT OF THE PLEDGE AND THE ASSIGNMENT PROVIDED FOR IN THE CALIFORNIA BOND INDENTURE. NEITHER THE STATE OF CALIFORNIA NOR THE CALIFORNIA ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF SERIES 2020B BONDS, PREMIUM, IF ANY, OR THE INTEREST THEREON, EXCEPT FROM REVENUES (AS DEFINED IN THE CALIFORNIA BOND INDENTURE) RECEIVED BY THE CALIFORNIA ISSUER. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, INCLUDING THE CALIFORNIA ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON THE SERIES 2020B BONDS. THE SERIES 2020B BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CALIFORNIA ISSUER, WHICH SHALL BE OBLIGATED TO PAY THE SERIES 2020B BONDS SOLELY FROM THE REVENUES (AS DEFINED IN THE CALIFORNIA BOND INDENTURE) AND FUNDS PROVIDED THEREFOR. THE ISSUANCE OF THE SERIES 2020B BONDS WILL NOT DIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE CALIFORNIA ISSUER HAS NO TAXING POWERS.

### **The Loan Agreements**

Under each Loan Agreement relating to the Bonds, the Revolving Fund agrees to make the Loan Repayments and certain additional payments (generally ongoing costs and expenses of the Conduit Issuer party to such Loan Agreement and the Bond Trustee under the related Bond Indenture, which expenses are associated with the Bonds issued pursuant to such Bond Indenture), which Loan Repayments are expected to be derived primarily from the Pledged Revenues. Pledged Revenues will be available for the Loan Repayments relating to any future Subordinate Bonds or Second Subordinate Bonds only the extent they are not needed for Loan Repayments of the Outstanding Senior Bonds.

So long as the Bonds remain outstanding, the obligation of the Revolving Fund to make the Loan Repayments with respect to such Bonds under the related Loan Agreement will be absolute and unconditional. By virtue of the

related Series 2020 Obligations, however, each Member of the Obligated Group is jointly and severally liable for all debt service on the Bonds. As stated above, the Revolving Fund will be the only member of the Obligated Group upon the issuance of the Bonds. The obligation of each Conduit Issuer to make a loan to the Revolving Fund as provided in an applicable Loan Agreement is subject to (i) the receipt by such Conduit Issuer of the proceeds of the issuance and sale of the Bonds issued under the related Bond Indenture and (ii) the issuance of a Series 2020 Obligation in respect thereof, among other conditions.

## **The Bond Indentures**

**Assignment to Bond Trustee.** Pursuant to each Bond Indenture, the Conduit Issuer thereunder will assign to the Bond Trustee thereunder, as security for the payment of the Bonds (or Series of Bonds) issued thereunder, substantially all such Conduit Issuer's rights under the related Loan Agreement (other than certain Reserved Rights) and the related Series 2020 Obligation, including such Conduit Issuer's rights and interests in the Loan Repayments with respect to the Bonds payable under the related Loan Agreement and the moneys and investments held in certain funds established under the applicable Bond Indenture.

## **The Master Indenture**

**The Obligated Group.** Upon issuance of the Bonds, the Revolving Fund will be the only member of the Obligated Group. The Program Administrator is not a member of the Obligated Group. Other persons may join the Obligated Group upon satisfaction of the conditions set forth in the Master Indenture; however, the Obligated Group has no current plans to add additional members to the Obligated Group. With the exception of the Initial Member, Members of the Obligated Group may withdraw from the Obligated Group upon the satisfaction of certain conditions set forth in the Master Indenture. See APPENDIX C — "FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE — Changes in Obligated Group Membership" herein.

**The Series 2020 Obligations.** The obligation of the Revolving Fund to pay Loan Repayments with respect to a Series of the Bonds under the related Loan Agreement will be secured by a Series 2020 Obligation that will be issued as a Senior Obligation to the applicable Bond Trustee by the Obligated Group pursuant to a Related Supplement. The applicable Bond Trustee will agree not to assign or transfer such Series 2020 Obligation other than to a successor Bond Trustee for such Series of the Bonds.

Each Series 2020 Obligation will be the joint and several obligation of the Obligated Group under the Master Indenture. Each Series 2020 Obligation will be secured by a security interest granted to the Master Trustee in all of the Obligated Group's right, title and interest, whether owned by each Member upon the execution of the Master Indenture or acquired at any time thereafter while any Obligation is Outstanding, in, to and under all Pledged Assets. In connection with a School Loan Agreement, a Charter School Borrower may provide collateral security in the form of a mortgage, including a leasehold deed of trust, deed of trust, security agreement, assignment of rents and leases, and/or financing statement encumbering such Charter School Borrower's property, plant and equipment or other property or assets. See APPENDIX C — "FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE" herein.

**Outstanding Obligations.** The Obligated Group previously issued an Obligation on November 6, 2018 ("Obligation No. 1") to Goldman Sachs Bank USA (the "Swap Counterparty") evidencing the Obligated Group's payment obligations arising under an interest rate hedging arrangement (the "Swap Agreement") entered into with the Swap Counterparty for the purposes described herein. See "THE LOAN PROGRAM – Interest Rate Hedging Program" herein. Pursuant to Obligation No. 1, the Program Administrator is required to direct the Master Trustee to transfer amounts on deposit in the Loan Program Fund to an account (the "Collateral Account") established under the Supplemental Master Indenture pursuant to which Obligation No. 1 was issued to the extent amounts on deposit in such account are insufficient to meet the collateral requirements under Swap Agreement, including any termination payment. Upon delivery of Obligation No. 1, the Revolving Fund directed the Master Trustee to transfer the amount of \$250,000 from the Loan Program Fund to the Collateral Account. Amounts on deposit in the Collateral Account are transferred to or received from the Swap Counterparty from time to time as required under the Swap Agreement. The balance of the Collateral Account as of June 30, 2020 was \$3,090,000. See "THE LOAN PROGRAM – Interest Rate Hedging Program" herein.

The Obligated Group previously issued an Obligation on August 29, 2019 (“Obligation No. 2”) in the aggregate principal amount of \$92,715,000 pursuant to Supplemental Master Indenture for Obligation No. 2 dated as of August 1, 2019, among the Revolving Fund, as initial member of the Obligated Group, the Program Administrator, as Obligated Group Representative, and U.S. Bank National Association as Master Trustee, related to the Series 2019A Bonds.

The Obligated Group previously issued an Obligation on August 29, 2019 (“Obligation No. 3”) in the aggregate principal amount of \$19,010,000 pursuant to Supplemental Master Indenture for Obligation No. 3 dated as of August 1, 2019, among the Revolving Fund, as initial member of the Obligated Group, the Program Administrator, as Obligated Group Representative, and U.S. Bank National Association as Master Trustee, related to the Series 2019B Bonds.

Obligation No. 1, Obligation No. 2 and Obligation No. 3 are each Senior Obligations under the Master Indenture.

***Additional Indebtedness.*** The Master Indenture permits the members of the Obligated Group to incur additional Indebtedness upon compliance with the terms and conditions and for the purposes described therein. Such additional Indebtedness may be issued as an Obligation under the Master Indenture or as other Indebtedness and may be secured or unsecured and may be issued on a parity with, subordinate to, or second subordinate to any other existing Obligations issued and to be issued under the Master Indenture as defined therein. See APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE” herein.

***Additional Obligations.*** The Master Indenture permits the Obligated Group to issue additional Obligations in accordance with the Master Indenture. Additional Obligations may be issued to secure additional bonds issued pursuant to a bond indenture therefor for the benefit of the Borrower or to evidence or secure other additional indebtedness of the Obligated Group. Any additional Obligations may be issued on a parity with, subordinate to, or second subordinate to any other Obligations issued and to be issued under the Master Indenture. All members of the Obligated Group will be jointly and severally liable for payment of all Indebtedness evidenced by any Obligations issued under the Master Indenture. See APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE” herein.

***School Loan Agreements.*** For so long as a Series 2020 Obligation is Outstanding, each Member of the Obligated Group will assign and grant to the Master Trustee an assignment of and a security interest in all present or future “School Loan Agreements” which, under the Master Indenture, means any loan agreement, financing agreement, debt obligation or other comparable instrument (and related collateral and security agreements) entered into, or acquired, by a Member to provide a loan to a Charter School financed with Bond Proceeds (including proceeds of the Bonds) or from amounts in the Loan Program Fund. Each Member covenants and agrees under the Master Indenture to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges due from the Charter Schools under the School Loan Agreements so that Pledged Revenues, together with other available moneys, will be sufficient to make all Required Payments when due. Each Member further covenants under the Master Indenture to deliver all Pledged Loan Payments received by any Member, or to direct the delivery of all Pledged Loan Payments received by any Person, including any loan servicer, at the direction of any Member, to the Master Trustee for deposit in the Revenue Fund. However, notwithstanding anything to the contrary contained in the Master Indenture, upon receipt by the Master Trustee of an Officer’s Certificate directing the same and a Sufficiency Certificate, any loan originated pursuant to a School Loan Agreement, and the Pledged Loan Payments due thereunder, will be exempted from the pledge of the Master Indenture and any security interest created thereunder, and will be released from the pledge of the Master Indenture and any security interest created thereunder; provided that, for any School Loan Agreement exempted and released under these provisions the principal payments outstanding for which constitute greater than five percent (5%) of all Pledged Assets (as reasonably determined by the Obligated Group Representative and evidenced by an Officer’s Certificate), the Master Trustee must also receive a Rating Confirmation. See APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE.”

***Master Indenture Funds and Accounts.*** As security for the obligations of the Obligated Group under the Master Indenture, the Obligated Group has granted to the Master Trustee, pursuant to the Master Indenture, for the benefit of the holders of all Obligations issued under the Master Indenture, a security interest in each fund or account

established under the Master Indenture, all financial assets, instruments, money and other property credited to or on deposit in any such fund or account, and the proceeds thereof. As of the date of this Official Statement, the funds and accounts established under the Master Indenture include (in addition to the Loan Program Fund and other administrative funds) the Revenue Fund, the Excess Revenue Fund, the Surplus Fund, the Loan Origination Fund, the Debt Service Reserve Fund and the Subordinate Obligations Fund.

Revenue Fund. The Master Trustee is to deposit into the Revenue Fund, as and when such amounts are received, (i) all Pledged Revenues, including all Pledged Loan Payments, (ii) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (iii) any other amounts required to be deposited therein pursuant to the Master Indenture and any Related Supplement. The Master Trustee is to use and withdraw amounts in the Revenue Fund from time to time and apply such amounts (1) first, to the payment of any unpaid fees and expenses of the Master Trustee; (2) second, at the written direction of the Obligated Group Representative, to the Person or Persons (other than the Obligated Group Representative) set forth in such written direction for the purpose of paying any Administrative Fees set forth in such written direction; (3) third, to make Required Payments with respect to Senior Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts are not sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Senior Obligations ratably without any discrimination or preference; (4) fourth, for transfer to the Debt Service Reserve Fund, (a) the greater of (i) the amount designated for deposit thereto in a written direction of the Obligated Group Representative, and (ii) the aggregate amount of each prior withdrawal from the Debt Service Reserve Fund for the purpose of making up a deficiency in the Revenue Fund (until deposits on account of such withdrawals are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Debt Service Reserve Fund if the balance in said fund is at least equal to the Reserve Account Requirement, and (b) in the event the balance in the Debt Service Reserve Fund is less than the Reserve Account Requirement due to the valuation of the Permitted Investments deposited therein in accordance with the Master Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said fund to said amount); (5) fifth, to the Subordinate Obligations Account of the Subordinate Obligations Fund, an amount to be set forth in a Related Supplement with respect to Subordinate Obligations, as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Subordinate Obligations ratably without any discrimination or preference; (6) sixth, to the Second Subordinate Obligations Account of the Subordinate Obligations Fund, an amount to be set forth in a Related Supplement with respect to Second Subordinate Obligations, as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Second Subordinate Obligations ratably without any discrimination or preference; and (7) seventh, to the payment of any amount arising under indemnification provisions of any contract with any Person (excluding the Obligated Group Representative) pursuant to which Administrative Fees are payable. On or before the last Business Day of each calendar month, the Master Trustee is to transfer from the Revenue Fund to the Excess Revenue Fund the amount of any excess on deposit in the Revenue Fund, after taking into account amounts necessary to remain on deposit in the Revenue Fund in order to make any of the payments described in clauses (1) through (7) of the preceding sentence coming due during both the balance of such calendar month and the immediately succeeding calendar month; provided that, the Master Trustee will retain such additional amounts in the Revenue Fund as indicated pursuant to the written direction of the Obligated Group Representative.

Excess Revenue Fund. The Master Trustee is to deposit into the Excess Revenue Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to the Master Indenture and any Related Supplement. On the second Business Day immediately preceding the first day of each calendar month, to the extent there are insufficient funds on deposit in the Surplus Fund to make any transfer required pursuant to following paragraph, the Master Trustee is to withdraw from the Excess Revenue Fund and transfer to the Revenue Fund an amount equal to the difference between the amount required to be transferred to the Revenue Fund and the amount, if any, actually transferred to the Revenue Fund as described in the following paragraph; provided that, the Master Trustee will transfer such additional amounts to the Revenue Fund as indicated pursuant to the written direction of the Obligated Group Representative. On each January 1 and July 1, provided that the applicable transfer to the Revenue Fund described in the preceding sentence has been made, the Master Trustee is

to transfer all amounts on deposit in the Excess Revenue Fund in excess of the Excess Revenue Requirement to the Surplus Fund; provided that, the Master Trustee will retain such additional amounts in the Excess Revenue Fund as indicated pursuant to the written direction of the Obligated Group Representative.

Surplus Fund. The Master Trustee is to deposit into the Surplus Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to the Master Indenture and any Related Supplement. On the second Business Day immediately preceding the first day of each calendar month, the Master Trustee is to withdraw from the Surplus Fund and transfer to the Revenue Fund an amount equal to the difference between the amount on deposit in the Revenue Fund and the amount of all payments to be made therefrom pursuant to the Master Indenture coming due during such calendar month. At the written direction of the Obligated Group Representative, the Master Trustee is to transfer from the Surplus Fund the amount set forth in such written direction (i) to the Master Indenture fund or account, including the Loan Origination Fund described below, set forth in such written direction, and/or (ii) to the Revolving Fund free and clear of the lien of the Master Indenture to be used for any lawful and proper corporate purposes of the Revolving Fund.

Loan Origination Fund. The Master Trustee is to deposit into the Loan Origination Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to the Master Indenture and any Related Supplement. At the written direction of the Obligated Group Representative, the Master Trustee is to transfer from the Loan Origination Fund the amount set forth in such written direction (i) provided that such written direction includes confirmation that the applicable Loan Program Fund Disbursement Conditions have been satisfied, to the Person or Persons set forth in such written direction for the purpose of originating all or a portion of a School Loan Agreement or purchasing a School Loan Agreement, (ii) to the Obligated Group Representative to pay the purchase price for any School Loan Agreement pursuant to the MMLSA, or (iii) to the Revenue Fund to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference.

Debt Service Reserve Fund. The Master Trustee is to deposit into the Debt Service Reserve Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to the Master Indenture and any Related Supplement. Upon the issuance of the Bonds, a deposit to the Debt Service Reserve Fund will be made from proceeds of the Bonds in order that the balance therein as of such date will be \$10,017,550.\* Amounts on deposit in the Debt Service Reserve Fund will be valued by the Master Trustee at their fair market value on each July 1, and the Master Trustee is to notify the Obligated Group Representative of the results of such valuation. If the amount on deposit in the Debt Service Reserve Fund on the first Business Day following such valuation is less than 100% of the Reserve Account Requirement, then the Master Trustee is to make the transfer to the Debt Service Reserve Fund described in clause (4) of the second sentence in the above paragraph entitled "Revenue Fund". If the amount on deposit in the Debt Service Reserve Fund on the first Business Day following such valuation is greater than the Reserve Account Requirement, any such excess may be transferred to the Revenue Fund. All amounts in the Debt Service Reserve Fund are to be used and withdrawn by the Master Trustee solely for the purposes of making up any deficiency in the Revenue Fund solely with respect to Senior Obligations or (together with other moneys available therefor) for the payment or redemption of all Related Senior Bonds then Outstanding. On the Business Day immediately preceding the first day of each calendar month, the Master Trustee is to withdraw from the Debt Service Reserve Fund and transfer to the Revenue Fund an amount equal to the difference between the amount on deposit in the Revenue Fund (taking into account any amounts transferred from the Subordinate Obligations Fund to the Revenue Fund pursuant to the Master Indenture, any amounts transferred from the Excess Revenue Fund to the Revenue Fund pursuant to the Master Indenture, any amounts transferred from the Surplus Fund to the Revenue Fund pursuant to the Master Indenture, any amounts transferred from the Loan Origination Fund to the Revenue Fund pursuant to the Master Indenture and any amounts transferred from the Reimbursement Account of the Loan Program Fund to the Revenue Fund pursuant to the Master Indenture) and the amount of all payments to be made from the Revenue Fund and coming due during such calendar month. Notwithstanding the foregoing, amounts in the Debt

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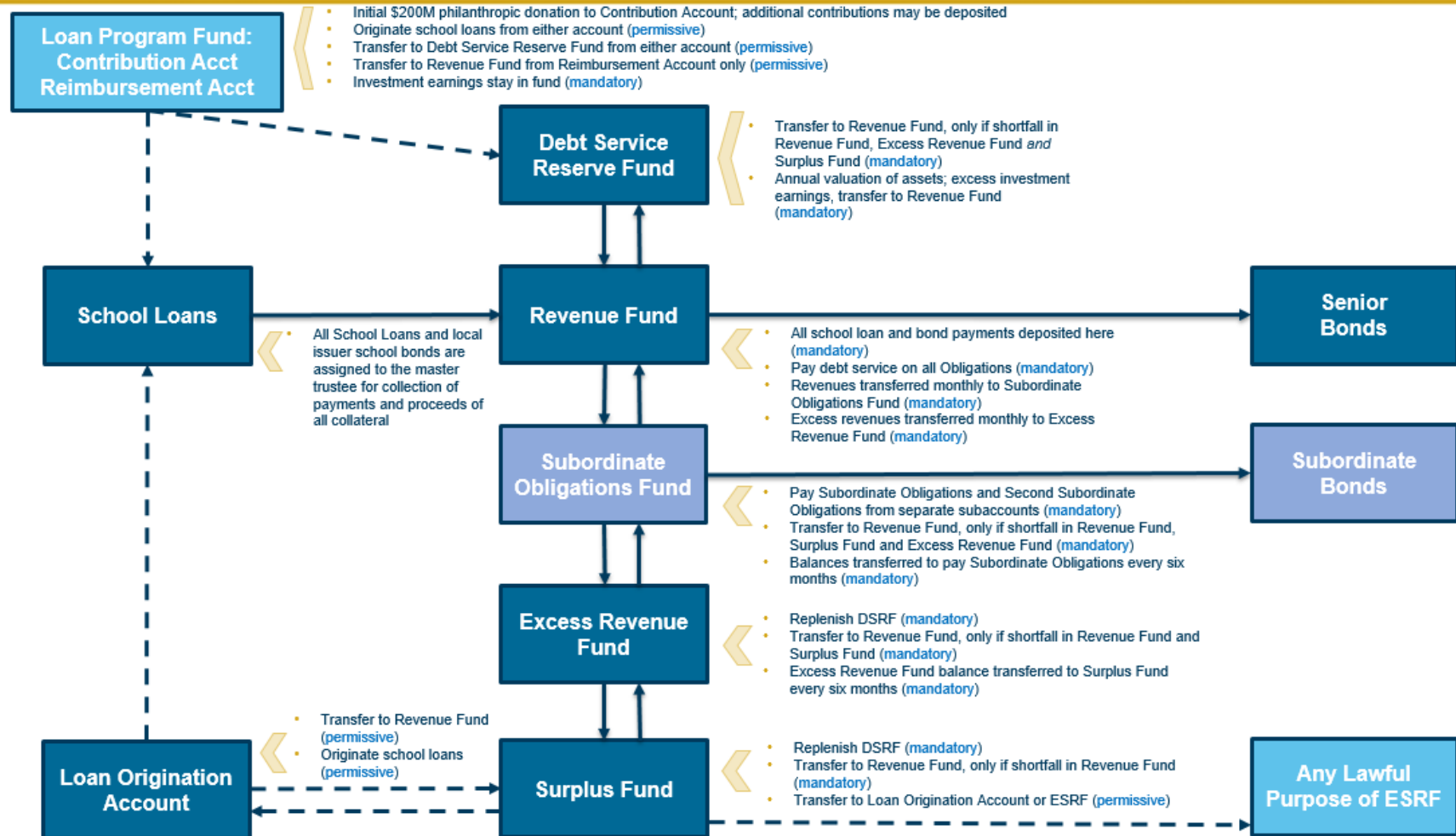
\* Preliminary, subject to change.

Service Reserve Fund shall be used and withdrawn by the Master Trustee, at the written direction of the Obligated Group Representative, for the payment or redemption of Related Senior Bonds identified in such written direction as necessary to maintain the tax-exempt status of Related Senior Bonds in connection with any prepayment received by a Member on any School Loan Agreement or the refunding of Related Senior Bonds; provided however that any such use or withdrawal by the Master Trustee shall not, unless otherwise permitted, cause a reduction in the Reserve Account Requirement. Under the Master Indenture, “Reserve Account Requirement” means, as of any date of calculation, the aggregate of the Related Reserve Account Requirements; provided, however, that any decrease to any Related Reserve Account Requirement is required be accompanied by a Sufficiency Certificate and a Rating Confirmation delivered to the Master Trustee.

**Subordinate Obligations Fund.** The Master Trustee is to deposit into the Subordinate Obligations Account of the Subordinate Obligations Fund, as and when such amounts are received, (i) each month and to the extent provided in the Master Indenture, the amounts required to be deposited from the Revenue Fund into the Subordinate Obligations Account pursuant to the Master Indenture, (ii) to the extent provided in the Master Indenture, any amounts from the Surplus Fund required to be deposited into the Subordinate Obligations Account pursuant to the Master Indenture, (iii) all amounts delivered by or at the direction of the Obligated Group Representative to the Master Trustee for deposit therein, and (iv) any other amounts required to be deposited therein pursuant to the Master Indenture and any Related Supplement. The Master Trustee shall deposit into the Second Subordinate Obligations Account of the Subordinate Obligations Fund, as and when such amounts are received, (i) each month and to the extent provided hereunder, the amounts required to be deposited from the Revenue Fund pursuant to the Master Indenture, (ii) all amounts delivered by or at the direction of the Obligated Group Representative to the Master Trustee for deposit therein, and (iii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement. Investment earnings on amounts on deposit in the Subordinate Obligations Fund shall be retained therein. On the second Business Day immediately preceding the first day of each calendar month, to the extent there are insufficient funds on deposit in the Surplus Fund to make any transfer required by the Master Indenture and insufficient funds on deposit in the Excess Revenue Fund to make any transfer required by the Master Indenture, the Master Trustee is to withdraw from the Subordinate Obligations Fund (first, from the Second Subordinate Obligations Account until such account balance is zero (\$0), then from the Subordinate Obligations Account) and transfer to the Revenue Fund an amount equal to the difference between the amount required to be transferred to the Revenue Fund, respectively, and the amount, if any, actually transferred to the Revenue Fund, respectively all pursuant to the Master Indenture. On each January 1 and July 1, provided that the applicable transfer required has been made, and that no Event of Default shall have occurred or be continuing, the Master Trustee is to transfer: (i) from the Subordinate Obligations Account of the Subordinate Obligations Fund to the Related Bond Trustee to make Required Payments with respect to Subordinate Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Subordinate Obligations ratably without any discrimination or preference, and (ii) from the Second Subordinate Obligations Account of the Subordinate Obligations Fund to the Related Bond Trustee to make Required Payments with respect to Second Subordinate Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Second Subordinate Obligations ratably without any discrimination or preference. If no Subordinate Obligations remain Outstanding, the balance in the Subordinate Obligations Fund shall be transferred to the Revenue Fund.

For additional information regarding the funds and accounts pledged pursuant to the Master Indenture, see APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE” and “— THE SUPPLEMENTAL MASTER INDENTURES.”

# Flow of Funds



Notes:

(1) Dark blue boxes represent pledged accounts under the MTI and series Indentures.

(2) Solid arrows represent mandatory transfers by the Master Trustee, as required under the MTI. Dotted arrows represent discretionary transfers, upon direction of ESRF, under the MTI.

## **The Controlling Party**

Pursuant to the Second Amended and Restated Master Trust Indenture, “Controlling Party” means (a) so long as any Senior Obligations are Outstanding, the Holders of at least a majority of the aggregate Principal Amount of the Senior Obligations then Outstanding; (b) while any Subordinate Obligations are Outstanding and no Senior Obligations are Outstanding, the Holders of at least a majority of the aggregate Principal Amount of the Subordinate Obligations, and (c) while any Second Subordinate Obligations are Outstanding and no Senior Obligations or Subordinate Obligations are Outstanding, the Holders of at least a majority of the aggregate Principal Amount of Second Subordinate Obligations then Outstanding. The Controlling Party approves amendments to the Master Indenture and related bond documents, approves the appointment and substitution of any successor to the Master Trustee, approves the exercise of remedies by the Master Trustee during the occurrence and continuation of an Event of Default under the Master Indenture and has other rights, all as set forth more fully in the Master Indenture. So long as any Senior Obligations are outstanding, Holders of Subordinate Obligations and Second Subordinate Obligations will not approve the actions or have the rights described above in this paragraph. See APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE.”

## **Amendments to the Master Indenture, Bond Indentures and Loan Agreements**

***Amendments to the Master Indenture.*** The provisions of the Master Indenture may be modified or amended in certain instances without the consent of the Controlling Party. See APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES — THE MASTER INDENTURE — Supplements and Amendments to the Master Indenture.”

***Amendments to Bond Indentures and Loan Agreements.*** Certain modifications or amendments to the Bond Indentures or the Loan Agreements may be made from time to time and at any time without the consent of Holders or with the written consent of not less than Holders of a majority in aggregate principal amount of the Bonds of the applicable Series then outstanding. See APPENDIX D — “FORMS OF THE BOND INDENTURES AND LOAN AGREEMENTS — THE BOND INDENTURES — Amendments to the Bond Indentures” and “— THE LOAN AGREEMENTS — Amendment of the Loan Agreements.”

## **Security and Enforceability**

***Bankruptcy.*** In the event of bankruptcy of a Member of the Obligated Group, the rights and remedies of the Holders of the Bonds are subject to various provisions of the federal Bankruptcy Code. If a Member of the Obligated Group were to file a petition in bankruptcy, payments made by a Member of the Obligated Group during the 90-day (or, in some cases involving payments to “insiders,” one year) period immediately preceding the filing of such petition may be avoidable as preferential transfers. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Member of the Obligated Group and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over such property, as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustees. If the bankruptcy court so ordered, the property of the Member of the Obligated Group, including Pledged Revenues, could be used for the financial rehabilitation of such Member of the Obligated Group, despite any security interest of the Bond Trustees or the Master Trustee therein. The rights of the Bond Trustees and the Master Trustee to enforce their respective security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

A Member of the Obligated Group could file a plan of reorganization in any such proceeding, which could include provisions modifying or altering the rights of creditors generally or any class of them, whether secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in the dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.



In addition, the obligations of the Revolving Fund under each Loan Agreement and the Members of the Obligated Group under the Master Indenture are not secured by a lien on or security interest in any assets or revenues of any Member, other than the lien on Pledged Revenues and certain funds held by the Master Trustee described under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Master Indenture.” Except with respect to the lien on Pledged Revenues and certain funds held by the Master Trustee, in the event of a bankruptcy of any Member, Holders would be unsecured creditors and, generally speaking, on a parity with all other unsecured creditors.

The covenant of the Revolving Fund to collect sufficient amounts from the Charter Schools so that all Required Payments will be made may no longer be enforceable if the Revolving Fund is in bankruptcy.

In the event of bankruptcy of a Member, there is no assurance that certain covenants, including tax covenants, contained in the Tax Agreements or certain other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Holders for federal income tax purposes and exemption of interest on the Bonds from state personal income taxes.

***Perfection of a Security Interest.*** Each Member of the Obligated Group has granted a security interest in all of the Pledged Revenues and certain funds held by the Master Trustee and has agreed to perfect the grant of a security interest in such collateral to the extent, and only to the extent, that such security interest may be perfected by control under the applicable Uniform Commercial Code of the State of New York. It may not be possible to perfect a security interest in any manner whatsoever in certain types of receivables prior to actual receipt by any Member for deposit into the Revenue Fund. The grant of a security interest in certain receivables may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior interests and claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any 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 (v) federal or state bankruptcy laws that may affect the enforceability of the Master Indenture or grant of a security interest in such receivables.

***Enforceability of the Master Indenture, the Loan Agreements and the Obligations.*** The legal right and practical ability of the Bond Trustees to enforce their respective rights and remedies against the Revolving Fund under each Loan Agreement and related documents and of the Master Trustee to enforce its rights and remedies against the Obligated Group Members under the Master Indenture and the Series 2020 Obligations may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors’ rights. In addition, the Bond Trustees’ and the Master Trustee’s ability to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited.

The state of the insolvency, fraudulent conveyance, and bankruptcy laws relating to the enforceability of guaranties or obligations issued by one corporation in favor of the creditors of another or the obligations of an Obligated Group Member to make debt service payments on behalf of another Obligated Group Member is unsettled, and the ability to enforce the Master Indenture and the Obligations against any Obligated Group Member that would be rendered insolvent thereby could be subject to challenge. In particular, such obligations may be voidable under the federal Bankruptcy Code or applicable state fraudulent conveyance laws if the obligation is incurred without “fair” and/or “reasonably equivalent” consideration to the obligor and if the incurrence of the obligation thereby renders the Obligated Group Member insolvent. The standards for determining the fairness of consideration and the manner of determining insolvency are not clear and may vary under the federal Bankruptcy Code, state fraudulent conveyance statutes and applicable cases.

The joint and several obligation described herein of each Member of the Obligated Group to pay debt service on each Series 2020 Obligation may not be enforceable under any of the following circumstances:

(1) to the extent payments on the applicable Series 2020 Obligation are requested to be made from assets of a Member which are donor-restricted or which are subject to a direct, express or charitable trust that does not permit the use of such assets for such payments;

(2) if the purpose of the debt created and evidenced by the applicable Series 2020 Obligation is not consistent with the charitable purposes of the Member from which such payment is requested or required, or if the debt was incurred or issued for the benefit of an entity other than a nonprofit corporation that is exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Code and is not a “private foundation” as defined in Section 509(a) of the Code; or

(3) if and to the extent payments are requested to be made pursuant to any loan violating applicable usury laws.

These limitations on the enforceability of the joint and several obligations of the Members of the Obligated Group on the Series 2020 Obligations also apply to their obligations on all Obligations. If the obligation of a particular Member of the Obligated Group to make payment on an Obligation is not enforceable and payment is not made on such Obligation when due in full, then Events of Default will arise under the Master Indenture.

In addition, common law authority and authority under state statutes exists for the ability of courts in such states to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court’s own motion or pursuant to a petition of the attorney general of such states or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

The various legal opinions delivered concurrently with the issuance of each Series of the Bonds are qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, policy 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.

***Financial Status of the Obligated Group.*** As stated in this Official Statement, the Revolving Fund only recently began lending to Charter School Borrowers and the Bonds are the first debt issuance of the Revolving Fund. Therefore, past financial and balance sheet information is not indicative of current functions and performance. The Revolving Fund is obligating itself to provide future audited financial statements as part of its continuing disclosure obligation. See “CONTINUING DISCLOSURE,” herein. In addition, the Revolving Fund expects to report future audited financial statements in disclosure documents for future issuances of bonds. Plante & Moran, PLLC, independent auditor of the Program Administrator, has not been involved in the preparation of this Official Statement.

***Changes in Obligated Group Membership.*** The Master Indenture provides that entities may be admitted to the Obligated Group from time to time upon the satisfaction of certain conditions. Any Member, except the Revolving Fund (as the Initial Member) of the Obligated Group may withdraw from the Obligated Group upon the satisfaction of certain conditions. Changes to the composition of the Obligated Group may result in an Obligated Group that is financially and operationally different from the current Obligated Group. See APPENDIX C — “FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES” — THE MASTER INDENTURE — Members of the Obligated Group” and “— Withdrawal from the Obligated Group.” The Revolving Fund and the Program Administrator have no present plan or expectation for new Members to join the Obligated Group.

## **CERTAIN LEGAL ASPECTS**

### **Bankruptcy Risks**

#### ***Bankruptcy of the Program Administrator***

The Program Administrator will sell School Loans to the Revolving Fund. Each of the Program Administrator and the Revolving Fund intends for each transfer of School Loans to be an absolute sale and not a secured loan. Nonetheless, if the Program Administrator were to go into bankruptcy, and a party in interest (including the Program Administrator) were to assert that any transfer of School Loans from the Program Administrator to the Revolving Fund is not a sale, but rather should be recharacterized as the grant of a security interest in the School Loans

to secure a borrowing of the Program Administrator, delays in payments on the Bonds could result. If a court were to adopt such a position, then delays or reductions in payments on, or other losses with respect to, Bonds could result.

The Program Administrator and the Revolving Fund have taken steps to reduce the risk that in the event the Program Administrator were to become the debtor in a bankruptcy case, a court would order that the assets and liabilities of the Revolving Fund be substantively consolidated with those of the Program Administrator. These steps include the creation of the Revolving Fund as a separate, limited purpose entity. Nonetheless, if a party in interest (including the Program Administrator) asserted that the assets and liabilities of the Revolving Fund should be consolidated with those of the Program Administrator, delays in payments on the Bonds could result. If the court ordered that the assets and liabilities of the Revolving Fund be consolidated with those of the Program Administrator, there could be delays or reductions in payments on, or other losses with respect to, the Bonds.

Should the Program Administrator go into bankruptcy, there could be other adverse effects that could result in delays or reductions in payments on, or other losses with respect to, the Bonds. These adverse effects could include, but may not be limited to, one or more of the following. The automatic stay provisions of the bankruptcy laws could prevent (unless approval of the bankruptcy court was obtained) any action by the Bond Trustee, the Master Trustee, the applicable Issuer, or any holder of Bonds to enforce any obligations of the Program Administrator under any transaction document or to collect any amount owing by the Program Administrator under any transaction document.

In addition, with the authorization of the bankruptcy court, the Program Administrator may be able to repudiate any of the transaction documents to which it is a party. Such a repudiation would excuse the Program Administrator from performing any of its obligations under that transaction document. The rights of the Revolving Fund under the repudiated transaction document may be limited or eliminated. Such a repudiation could also excuse the other parties to the repudiated transaction document from performing any of their obligations. In particular, the Program Administrator may be able to repudiate its obligation to repurchase School Loans, as required by the transaction documents, or it may be able to repudiate its obligations to perform the services with respect to the Revolving Fund, the School Loans, the Obligations, and the Bonds that it has agreed to perform under the transaction documents. If the Program Administrator repudiates its obligations to perform any or all of these services, it may be difficult or impossible to find another entity to perform these services.

Any event of default under the Bonds or the Obligations that relates to the bankruptcy of the Program Administrator may be unenforceable.

The occurrence of any of these events could result in delays or reductions in payments on, or other losses with respect to, the Bonds. There may also be other possible effects of a bankruptcy or insolvency of the Program Administrator that could result in delays or reductions in payments on, or other losses with respect to, the Bonds.

Regardless of any ruling made by a court, moreover, the mere fact that the Program Administrator has become insolvent or gone into bankruptcy could have an adverse effect on the value of the School Loans or on the liquidity and value of the Bonds.

### ***Bankruptcy of the Servicer***

If the Servicer were to go into bankruptcy, it may stop performing its functions as Servicer. Because the School Loans are highly specialized, it may be difficult, if not impossible, to find a third party to act as successor servicer. Alternatively, the Servicer may take the position that unless the amount of its compensation is increased or the terms of its obligations are otherwise altered, it will stop performing its functions as Servicer. Because it may be difficult, if not impossible, to find a third party to act as successor Servicer, the parties, as a practical matter, may have no choice but to agree to the demands of the Servicer. The Servicer may also have the power, with the approval of the bankruptcy court, to assign its rights and obligations as Servicer to a third party, without the consent, and even over the objection, of the Revolving Fund, the Conduit Issuers, the Bond Trustee, the Master Trustee, or the holders of the Bonds, and without complying with the requirements of the transaction documents.

The automatic stay provisions of the Bankruptcy Code would prevent (unless approval of the bankruptcy court was obtained) any action by the Conduit Issuers, the Revolving Fund, the Bond Trustee, the Master Trustee, or

the holders of the Bonds to enforce any obligations of the Servicer under the applicable documents, to collect any amount owing by the Servicer under the transaction documents, or to terminate or replace the Servicer, regardless of the provisions of the transaction documents.

Collections on the School Loans may be commingled with assets of the Servicer for up to three (3) business days before they are remitted to the Master Trustee. In the event the Servicer goes into bankruptcy, the Bond Trustee and the holders of the Bonds may not have a perfected or priority interest in any collections that are in the possession of the Servicer or that have not been remitted to the Master Trustee at the time of the commencement of the bankruptcy. The Servicer may not be required to remit to the Master Trustee any collections that are in its possession or under its control at the time it enters bankruptcy. To the extent that the Servicer has commingled collections on the School Loans with its own funds, the holders of the Bonds may be required to return to the Servicer as preferential transfers payments received on the Bonds.

If a bankruptcy trustee for the Servicer were to argue that any of its administrative expenses relate to the School Loans or the transaction documents, those expenses could be paid from collections on the School Loans before the Master Trustee receives any collections.

The occurrence of any of these events could result in delays or reductions in payments on, or other losses with respect to, the Bonds. There may also be other possible effects of a bankruptcy of the Servicer that could result in delays or reductions in payments on, or other losses with respect to, the Bonds. Regardless of any specific adverse determinations in a bankruptcy case of the Servicer, the fact that such a case has been commenced could have an adverse effect on the value of the School Loans or the liquidity and value of the Bonds.

#### ***Bankruptcy of a Charter School Borrower***

Should a Charter School Borrower become the subject of a bankruptcy case, there could be adverse effects on the holders of the Bonds that could result in delays or reductions in payments on, or other losses with respect to, the Bonds.

The automatic stay provisions of the Bankruptcy Code could prevent any action to collect any amount from the Charter School Borrower or any action to enforce any obligation of the Charter School Borrower, unless the permission of the bankruptcy court is obtained. In particular, the Bond Trustee, the Master Trustee, and other parties may be prevented from foreclosing on any part of the collateral that secures the related School Loan. These restrictions may also prevent the Bond Trustee and the Master Trustee from making payments to the holders of the Bonds from funds in the possession of the Bond Trustee or the Master Trustee during the pendency of the bankruptcy case. Any “intercept” or similar mechanism may no longer be enforceable and the Charter School Borrower may be able to require that all funds owing to it be paid directly to it.

The Charter School Borrower may be able to borrow additional money that is secured by a lien on any of its property (including the collateral that secures the related School Loan), which lien could have priority over the lien of the School Loan, as long as the bankruptcy court determines that the rights of the Master Trustee will be adequately protected. The Charter School Borrower may be able to cause some of the collateral that secures the related School Loan to be released to it, free and clear of the lien of the School Loan, as long as the bankruptcy court determines that the rights of the Master Trustee will be adequately protected.

The Charter School Borrower may be able, without the consent and over the objection of the Master Trustee, the Bond Trustee, the Revolving Fund, the applicable Conduit Issuer, and the holders of the Bonds, to alter the priority, interest rate, principal amount, payment terms, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the School Loan, as long as the bankruptcy court determines that the alterations are fair and equitable.

The Master Trustee, the Bond Trustee, and the holders of the Bonds may be required to return to the Charter School Borrower any property that became subject to the lien of the School Loan within the 90 days (or in some cases one year) immediately preceding the filing of the bankruptcy petition. Payments previously made to the holders of the Bonds during the 90 days (or in some cases one year) immediately preceding the filing of the bankruptcy petition

may be avoided as preferential payments, so that the holders would be required to return such payments to the Charter School Borrower.

The lien of the School Loan may not attach to any property, including any revenues of the Charter School Borrower, that the Charter School Borrower acquires after the filing of a bankruptcy petition, unless such property is proceeds of property that was subject to the lien of the School Loan prior to the bankruptcy filing.

Actions could be taken in a bankruptcy of the Charter School Borrower that could adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of a Charter School Borrower that could result in delays or reductions in payments on the Bonds or result in other losses to the holders of the Bonds. Regardless of any specific adverse determinations in a bankruptcy of a Charter School Borrower, the fact of a bankruptcy of a Charter School Borrower could have an adverse effect on the liquidity and value of the Bonds.

### **Other Risks to Public Charter Schools**

#### ***General Risks to Public Charter Schools***

The ability of each Charter School Borrower to generate sufficient revenues to make debt service payments on their respective School Loans is dependent on a number of elements, including charter renewal, state budget pressures, demand for charter schools, the ability of the Charter School Borrower to provide the educational services and classes demanded by parents or to attract students generally, changes in the level of confidence in the local public school systems, reputational damage to public charter schools in general or to a particular Charter School Borrower, competition, faculty recruitment, demographic changes, statutory changes, governmental regulations, changes in immigration policy, litigation and the Charter School Borrowers' ability to achieve sufficient enrollment, attendance and fundraising levels. These elements, in turn, are affected by numerous circumstances outside the control of any individual public charter school, including the continuation of necessary governmental policies, laws, regulations and programs with respect to public charter schools; the competitive appeal and perceived quality of a public charter school's curriculum; and the benevolence of donors to such schools.

Potential purchasers should be aware that public charter schools face constant competition for students and there can be no assurance that a public charter school will continue to attract and retain the number of students needed to generate revenues sufficient to make payments on the School Loans. Public charter schools compete against traditional public schools, each other and, in some cases, private schools for students. Various proposals offering private school vouchers to families to assist with the cost of private schools have been considered across the country and enacted in several locations. The enactment or expansion of a private school voucher program in the geographic vicinity of a public charter school may lead to increased competition, decreased public charter school enrollment and corresponding decreases in revenue.

#### ***Funding Risks***

The School Loans are expected to be secured by the Charter School Borrowers' property and revenues, including per student payments the Charter School Borrowers receive from their state or local government. A decrease in enrollment or daily attendance may impair an individual Charter School Borrower's ability to make debt service payments to the Program Administrator. Various state requirements, including audits, may result in a public charter school returning payments to the state government. Many jurisdictions prohibit public charter schools from charging tuition or fees. Public charter schools do not have taxing authority. The amount of state and local government assistance to public charter schools, including per student payments, is based on a variety of factors, which may include the state or locality's economic performance. The availability of state funds for public education is a function of constitutional and statutory provisions affecting school districts' revenues and expenditures, the condition of a state's economy (which affects total revenue available to all of the state's public schools, including public charter schools) and a state's budget process. If a state legislature decreases or eliminates funding for public charter schools no liability would accrue to the state and the state would not be obligated or liable for any future payments or any damages. If a

state or local government withholds per student payments or other assistance to a public charter school for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the school may be forced to cease operations.

### ***General Legal and Regulatory Risks***

State laws and regulations governing public charter schools are evolving and amendments are made relatively frequently and legislative and public attitudes are still forming. It is likely additional changes will be made in the future, some of which may be adverse to public charter schools and may affect their financial viability. An authorizer may decline to renew or revoke a public charter school's charter for contractual or regulatory violations which may include failure to meet or pursue any of the pupil outcomes identified in such school's charter, failure to meet generally accepted accounting principles or fiscal mismanagement. Public charter schools in different states are subject to different state laws and regulations. The Charter School Borrowers are located in and operate public charter schools in many states including but not limited to Rhode Island, California, Texas, Arizona, Tennessee and Florida.

### ***State of California Legal and Regulatory Risks for California Charter School Borrowers***

As of the date to this Official Statement, California is the only state in which Charter School Borrowers hold at least 20% of the aggregate principal amount of all School Loans outstanding. See, APPENDIX B – "CALIFORNIA CHARTER SCHOOL LAW," for a discussion the legal and regulatory risks for Charter School Borrowers located in California.

### ***Construction Risks***

Where School Loans are for new facility construction or renovation they will be subject to typical construction-related risks. Such risks include, among others, labor disputes, defective building materials, schedule delays, shortages in various labor trades, fire or other property or casualty damage, unanticipated subsoil conditions and financial difficulties on the part of or disputes with a construction manager, key suppliers, contractors or subcontractors. There can be no assurance that construction problems of the types described above, or other problems, will not frustrate the planned completion of any part of a Charter School Borrower's School Loan financed facility or impair a Charter School Borrower's repayment of a School Loan.

### ***Environmental Risks***

There are risks relating to liabilities for environmental hazards with respect to the ownership of any real property. If hazardous substances are found to be located on a property, Charter School Borrowers', as owners of such property that may be pledged as collateral for the School Loans, may be held liable for costs and other liabilities related to the removal of such substances which costs and liabilities could exceed the value of the property. Real property mortgaged under School Loans 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 to a Charter School Borrower for remediating adverse environmental conditions on or relating to such real property, whether arising from pre-existing conditions or conditions as a result of activities conducted in connection with school construction, ownership, or operation. Public charter schools in seismically active regions of California and other states are at risk of suffering substantial damage to property and their ability to operate due to seismic activity.

### ***COVID-19 Pandemic Risks***

COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to over 170 countries including the United States, was characterized as a global pandemic by the World Health Organization on March 11, 2020 (the "COVID-19 Pandemic" or the "Pandemic"). On March 13, 2020, President Trump declared a national emergency. The responses of governments, business and individuals to the Pandemic have caused widespread and significant changes in economic activity. Certain sectors of the global, national and local economics are experiencing negative effects due to reduced consumer spending, decreased investor confidence and increased unemployment as well as government mandated and voluntary responses to mitigate the Pandemic including school and business closures, event cancellations and reduced travel. The full effect of the

Pandemic on global financial markets as well as national, state, and local economies is unknown. There can be no assurances as to the materiality, severity and duration of negative economic conditions caused by the Pandemic.

The extent to which the Pandemic impacts operations and finances of public charter schools will depend on future developments, which are highly uncertain and cannot be predicted by the Program Administrator or the Revolving Fund. The duration of the Pandemic is unknown. Reductions in state and local government budgets due to decreased tax revenues or changes in budget priorities as a result of the Pandemic may cause reductions in per pupil enrollment payments to public charter schools, including the Charter School Borrowers. The Pandemic may also cause material declines in enrollment of students in public charter schools in the future. For example, if it is perceived that competitors to a Charter School Borrower, including traditional public schools or other public charter schools, are better equipped to handle the spread of contagious diseases or to provide virtual learning, the Charter School Borrower's enrollment may decline and adversely impact the Charter School Borrower's ability to service its School Loan.

### ***Labor and Management Risks***

The creation of, and the philosophy of teaching in, public charter schools may initially reflect the commitment of a few key persons on the board of directors and/or the upper management of the public charter school or its management organization. A Charter School Borrower's loss of any such key personnel and the inability to retain appropriate replacements could adversely affect a school's operations and financial results.

Public charter school employees are not widely unionized. Should teachers and staff of a Charter School Borrower become unionized while a School Loan is outstanding, contractual terms with the union could adversely affect the operational flexibility of a Charter School Borrower and/or increase costs, thus adversely impacting the Charter School Borrower's ability to generate sufficient revenues to service its School Loan.

### ***Limitations on Enforceability of Remedies***

There exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out its stated charitable purposes. In addition to the foregoing, the realization of any rights under any agreement related to the School Loans, including remedies for nonpayment of debt service charges, may require judicial action which is subject to discretion and delay.

### ***Real Property Risks***

Real property mortgaged under School Loans and the facilities thereon 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 or the School Loans transactions. At any time there may be a difference between the actual market value of a Charter School Borrower's mortgaged property and the amount of School Loans such borrower has outstanding, and that difference may be material and adverse to the Revolving Fund in its capacity as owner of an individual School Loan. School Loans will require various insurance coverages including property insurance and builder's risk insurance and flood insurance where applicable. See "THE LOAN PROGRAM."

## **INVESTMENTS**

The Master Indenture provides that, except as otherwise provided in a Related Supplement, all moneys in any of the funds and accounts established pursuant to the Master Indenture and held by the Master Trustee are to be invested by the Master Trustee at the written direction of the Obligated Group Representative solely in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Master Indenture. Permitted Investments purchased under any investment agreement may be deemed to mature on the date or dates on which the Master Trustee may redeem such Permitted Investments under such agreement.

The Master Trustee may sell at the best price obtainable, or present for redemption, any Permitted Investments so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of the Master Indenture, the Master Trustee will not be liable or responsible for any loss resulting from any investment made in accordance with provisions of the Master Indenture. Any Permitted Investments that are registrable securities are to be registered in the name of the Master Trustee.

If the Master Trustee has not received written investment directions from the Obligated Group Representative with respect to any moneys, such moneys are to be deposited in the Master Trustee's Money Market Deposit Account, provided that such qualifies as a Permitted Investment. All income earned on investments of moneys in the funds and accounts will be treated as income of the Obligated Group Representative for federal income tax purposes.

Under the Master Indenture, "Permitted Investments" means, unless otherwise provided in a Related Supplement, any of the following: (a) negotiable instruments or securities represented by instruments in bearer or registered or in book-entry form which evidence (i) obligations fully guaranteed by the United States of America; (ii) obligations of any agency of the United States of America; (iii) time deposits in, or bankers acceptances issued by, any depository institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by Federal or state banking or depository institution authorities; provided, however, that at the time of investment or contractual commitment to invest therein, the certificates of deposit or short-term deposits, if any, or long-term unsecured debt obligations (other than such obligation whose rating is based on collateral or on the credit of a Person other than such institution or trust company) of such depository institution or trust company must have a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively, in the case of the certificates of deposit or short-term deposits, or a rating not lower than one of the two highest investment categories granted by Moody's and by S&P; (iv) certificates of deposit having, at the time of investment or contractual commitment to invest therein, a rating from Moody's and S&P of at least "P-1" and "A-1," respectively; or (v) investments in money market funds (including those owned or managed by the Master Trustee) rated in the highest investment category or otherwise approved in writing by Moody's and S&P; (b) demand deposits and cash escrows in any depository institution or trust company (including those owned or managed by the Master Trustee) referred to in (a)(iii) above; (c) commercial paper (having original or remaining maturities of no more than 30 days) having, at the time of investment or contractual commitment to invest therein, a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively; Eurodollar time deposits having a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively; (e) repurchase agreements involving any of the Permitted Investments described in clauses (a)(i), (a)(iv) and (d) of this definition so long as the other party to the repurchase agreement has at the time of investment therein, a rating from Moody's and S&P of at least "P-1" and "A-1," respectively; and (f) any other investment permitted by such Related Supplement and which satisfies any Rating Agency conditions.

For additional information regarding the funds and accounts pledged pursuant to the Master Indenture and the investment thereof, See APPENDIX C — "FORMS OF THE MASTER AND SUPPLEMENTAL TRUST INDENTURES" — THE MASTER INDENTURE — PLEDGE; PLEDGED FUNDS; INVESTMENTS; SECURITIES INTERMEDIARY; CUSTODIAL ACCOUNT" and "— SUPPLEMENTAL MASTER INDENTURE NUMBER THREE."

## LITIGATION

### The Conduit Issuers

*The Arizona Issuer.* As of the date hereof, there is no litigation pending (as to which the Arizona Issuer has received service of process) or, to the actual knowledge of the Arizona Issuer, overtly threatened in writing, directly against the Arizona Issuer to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020A Bonds, or any proceedings of the Arizona Issuer with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Series 2020A Bonds or the existence or powers of the Arizona Issuer.

*The California Issuer.* To the current actual knowledge of the California Issuer, without independent investigation, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body known to the California Issuer to be pending or threatened against the California Issuer wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the existence or organization of the



California Issuer or the title to office of any member or officer of the California Issuer or any power of the California Issuer material to the issuance, sale and delivery of the Series 2020B Bonds, or (ii) the validity of the proceedings taken by the California Issuer for the adoption, authorization, execution, delivery and performance by the California Issuer of, or the validity or enforceability of, the California Bond Purchase Agreement relating to the Series 2020B Bonds, the California Bond Indenture or the related Loan Agreement.

### **The Program Administrator and the Revolving Fund**

To the knowledge of the Program Administrator, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Program Administrator seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Program Administrator taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Program Administrator in connection with the Bonds or any School Loan, the completeness or accuracy of this Official Statement or the existence or powers of the Program Administrator relating to the sale of the Bonds or any School Loan.

To the knowledge of the Revolving Fund, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Revolving Fund seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Revolving Fund taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Revolving Fund in connection with the Bonds or any School Loan, the completeness or accuracy of this Official Statement or the existence or powers of the Revolving Fund relating to the sale of the Bonds or any School Loan.

### **KIPP New Jersey Litigation**

In April 2020, the Board of Education of the City of Newark, New Jersey (the “Newark Board of Education”), filed a complaint (the “Newark Litigation”) in the Superior Court of New Jersey, Chancery Division, Essex County, Dkt. No. ESX-C-62-20 against the Program Administrator, the Revolving Fund, the Master Trustee and others in connection with the sale of property by the Housing Authority of the City of Newark (the “Housing Authority”) to 33 Maple Urban Renewal LLC and the subsequent sale of the property by 33 Maple Urban Renewal LLC to The Friends of Team Charter Schools, Inc. The Newark Litigation identifies the property as Maple Avenue School, located in Newark, New Jersey. On March 19, 2020, the Revolving Fund purchased from the Program Administrator a School Loan (the “KIPP New Jersey Loan”) for The Friends of TEAM Charter Schools (as a Charter School Borrower under the KIPP New Jersey Loan and as landlord to KIPP New Jersey charter schools in Newark, New Jersey (“KIPP New Jersey”)), and assigned the KIPP New Jersey Loan and all related collateral, including a mortgage on the Maple Avenue School, to the Master Trustee pursuant to the Master Trust Indenture.

The Newark Litigation alleges that the sale of the Maple Avenue School violates an agreement entered into by the Newark Board of Education and the Housing Authority, which agreement was effective at the time the Newark Board of Education sold Maple Avenue School to the Housing Authority. Specifically, the Board of Education alleges that a Site Disposition and Development Agreement (the “Development Agreement”) entered into by the Newark Board of Education and the Housing Authority permits transfer of Maple Avenue School on the condition that the property be used for one of three purposes: housing, redevelopment or economic development opportunity. The Newark Board of Education avers that the sale of the Maple Avenue School to The Friends of Team Charter Schools satisfies none of these conditions. Furthermore, the Newark Board of Education claims that the Development Agreement sets forth certain development milestones, none of which have been met.

The Newark Litigation seeks to enforce what the Newark Board of Education claims is a reversionary interest in the Maple Avenue School provided for in the Development Agreement. The Newark Board of Education thus seeks a judgment that would require the Program Administrator, the Revolving Fund and the Master Trustee to relinquish any interest they may have in the property. The complaint also seeks money damages, but only against the Housing Authority.

As of July 28, 2020, the Program Administrator, the Revolving Fund and the Master Trustee have not responded to the complaint. A response to the complaint—by way of answer, motion to dismiss or motion for summary judgment—is due on August 2, 2020.

The claims set forth in the Newark Litigation do not challenge the obligation of the Charter School Borrower to make timely payments under the KIPP New Jersey Loan, and solely relate to the mortgage provided as collateral therefor. Should the Newark Board of Education obtain the relief sought in the Newark Litigation, the mortgage of the Maple Avenue School provided as collateral for the KIPP New Jersey Loan could be terminated. However, at this stage of the process, it is not possible to predict the outcome of the Newark Litigation.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Revolving Fund (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) interest on the Series 2020A Bonds is exempt from State of Arizona personal income tax, and (iii) interest on the Series 2020B Bonds is exempt from State of California personal income tax. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Complete copies of the proposed forms of the opinions of Bond Counsel are set forth in APPENDIX E – “FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL” hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Each Conduit Issuer, the Revolving Fund, the Program Administrator and the Charter School Borrowers have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the

tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied on, among other things, various opinions of different counsel to the different Charter School Borrowers (“School Counsel”) delivered at the time loans were made to each Charter School Borrower regarding the then current qualification of the Charter School Borrowers as organizations described in Section 501(c)(3) of the Code. Such opinions are subject to a number of qualifications and limitations. Bond Counsel has also relied on representations and covenants of the Revolving Fund, the Program Administrator and the Charter School Borrowers concerning their “unrelated trade or business” activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor School Counsel has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor School Counsel can give or has given any opinion or assurance about the future activities of the Revolving Fund, the Program Administrator or the Charter School Borrowers, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure of either of the Program Administrator or any of the Charter School Borrowers to be organized and operated in accordance with the IRS’s requirements for the maintenance of their respective status as organizations described in Section 501(c)(3) of the Code, or to undertake activities or operate the facilities financed by the Bonds in a manner that is substantially related to their respective charitable purposes under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, interest on the Series 2020A Bonds are exempt from State of Arizona personal income tax and interest on the Series 2020B Bonds is exempt from State of California personal income tax, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of any Conduit Issuer, the Revolving Fund, the Program Administrator, and the Charter School Borrowers, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Each Conduit Issuer, the Revolving Funds, the Program Administrator and the Charter School Borrowers have covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend any Conduit Issuer, the Revolving Fund, the Program Administrator, the Charter School Borrowers or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than an Issuer, the Revolving Fund, the Program Administrator and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which a Conduit Issuer, the Revolving Fund or the Program Administrator legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability

of, the Bonds, and may cause an Conduit Issuer, the Revolving Fund, the Program Administrator or the Beneficial Owners to incur significant expense.

## **CONTINUING DISCLOSURE**

The Bonds of each Series are special limited obligations of the applicable Conduit Issuer, payable by each Conduit Issuer solely from amounts received by each Conduit Issuer from the Revolving Fund. The Revolving Fund has determined that no financial or operating data concerning either Conduit Issuer is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds, and neither Conduit Issuer will provide any such information. The Revolving Fund has undertaken all responsibilities for any continuing disclosure to Holders of the Bonds as described below, and neither Conduit Issuer will have any liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended.

The Revolving Fund has entered into a Continuing Disclosure Agreement with the Trustee dated as of the date of delivery of the Bonds to the Underwriter (the “Continuing Disclosure Agreement”) for the benefit of Holders of the Bonds to provide certain financial and operating information (the “Annual Report”) not later than the June 30<sup>th</sup> following the end of the preceding calendar year, commencing June 30, 2021, and to provide notices of certain enumerated events. Specifically, the Revolving Fund agrees to provide the Annual Report to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system and to provide notice of the occurrence of the enumerated events to the MSRB through the EMMA system.

The Annual Report will consist generally of the audited financial statements of the Revolving Fund and information regarding the Equitable Facilities Fund Loan Program and the Charter School Borrowers but only of the type contained in the tables in APPENDIX A entitled “PORTFOLIO TABLE BY ORIGINATION DATE” and “BORROWER METRICS.” Furthermore, the Revolving Fund has agreed to include in its Annual Report the financial statements of each Charter School Borrower (if any) which is a party to a Loan Agreement or Agreements under which outstanding aggregate principal amount owed under such Loan Agreement or Agreements during the most recently ended calendar year equaled or exceeded 20% of the outstanding aggregate principal amount owed under all Loan Agreements in such year. Any of the above-described financial and operating information may be supplied by the Revolving Fund including in its Annual Report by specific reference to information previously supplied to the MSRB through its EMMA system, or to the Securities and Exchange Commission (the “SEC”). Information will not be included by reference to a final official statement unless such final official statement is available from the MSRB.

The Continuing Disclosure Agreement is being executed by the Revolving Fund to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC (the “Rule”). The Revolving Fund has agreed to give notice in a timely manner to the MSRB through its EMMA system of any failure to supply the information required to be provided in the Continuing Disclosure Agreement; however, any such failure will not constitute a default under any Bond Indenture or the terms of the Bonds. See APPENDIX G – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

For purposes of the Rule, the Revolving Fund has in a timely manner made all filings and given all notices required under its prior continuing disclosure agreement entered into in connection with the Series 2019 Bonds.

Any commitment or obligation for continuing disclosure with respect to the Bonds, the Program Administrator or the Revolving Fund has been undertaken solely by the Revolving Fund.

## **LEGAL OPINIONS**

Legal matters incident to the issuance of the Bonds and with regard to their tax-exempt status (see “TAX MATTERS”) are subject to the legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Revolving Fund. The signed legal opinions dated as of, and premised on the transcript of proceedings examined and the law in effect on, the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of that original delivery. The text of the opinions will be printed on or appended to the Bonds.

The proposed text of Bond Counsel's legal opinion is set forth as APPENDIX E hereto. The legal opinions to be delivered may vary from that text, if necessary, to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distribution of the opinions by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed, or expresses any opinion concerning, any of the matters referred to in its opinions subsequent to the opinions' date.

Certain legal matters will be passed on for the Program Administrator and the Revolving Fund by its bond and disclosure counsel, Orrick, Herrington & Sutcliffe LLP and certain legal matters will be passed on for the Underwriter by its counsel, Squire Patton Boggs (US) LLP. Orrick has previously served and may in the future serve as bond counsel to certain of the Charter School Borrowers. Squire Patton Boggs (US) LLP has previously and may in the future serve as bond counsel to certain public charter schools, which may include one or more of the Charter School Borrowers.

## **FINANCIAL ADVISOR**

Lamont Financial Services Corporation (the "Financial Advisor") is employed as Financial Advisor to the Revolving Fund. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on fixed fees for pricing activities and hourly fees for various bond and credit structuring activities, and the payment of such fees is contingent on the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

## **UNDERWRITING**

RBC Capital Markets, LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds at a price of \$ \_\_\_\_\_ (consisting of the par amount thereof (\$ \_\_\_\_\_) plus original issue premium (\$ \_\_\_\_\_) less Underwriter's Discount of \$ \_\_\_\_\_). The Underwriter is obligated to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold by the Underwriter to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed from time to time.

The obligation of the Underwriter to purchase the Bonds is subject to the terms and conditions set forth in (i) the Arizona Bond Purchase Agreement dated August \_\_, 2020 (the "Arizona Bond Purchase Agreement") among the Revolving Fund, the Arizona Issuer and the Underwriter, and (ii) the California Bond Purchase Agreement dated August \_\_, 2020 (the "California Bond Purchase Agreement" and, together with the Arizona Bond Purchase Agreement, the "Bond Purchase Agreement") among the Revolving Fund, the California Issuer and the Underwriter, including the approval of certain legal matters by Bond Counsel, the existence of no material adverse change (not in the ordinary course of business) in the condition of the Revolving Fund from that set forth in this Official Statement and the Appendices hereto and certain other conditions. The Bond Purchase Agreement provides that the Underwriter will not be obligated to purchase the Bonds if all the Bonds are not available for purchase and requires the Revolving Fund to indemnify the Underwriter against losses, claims, damages and liabilities arising out of any incorrect or incomplete statement or information contained in this Official Statement pertaining to the Revolving Fund and other matters.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices. The public offering prices may be changed after the initial offering by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Conduit Issuers. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Revolving Fund.

## **RATING**

S&P Global Ratings has assigned to each of the Series 2020A Bonds and the Series 2020B Bonds a rating of “A”. Any explanation of the significance of the rating may only be obtained from the rating agency. Generally, rating agencies base their ratings on information and materials furnished to them and other investigations, studies and assumptions they deem appropriate. The ratings are not recommendations to buy, sell or hold the Bonds. There can be no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely by the respective rating agency, if in its judgment circumstances so warrant. Any revision or withdrawal of a rating may have an effect on the marketability and/or market price of the Bonds.

## **DESIGNATION OF THE BONDS AS SOCIAL BONDS**

The information set forth below concerning (i) International Capital Market Association (“ICMA”) and the Social Bond Principles, and (ii) Kestrel Verifiers in its role as an external reviewer with respect to the Second Party Opinion (“SPO”) of the Bonds as Social Bonds, all as more fully described below, has been extracted from materials provided by ICMA and Kestrel Verifiers.

ICMA is a not-for-profit membership association, headquartered in Switzerland, that serves the needs of its wide range of member firms in global capital markets. ICMA works on mobilizing the bond market for green, social, and sustainability solutions. ICMA has established principles and guidelines that provide criteria for eligible projects to be considered a Social Bond. The ICMA Social Bond Principles June 2020 are used globally by bond issuers, governments, investors and the financial markets to prioritize investments which genuinely contribute to addressing social change.

Accredited as an “Approved Verifier” by the Climate Bonds Initiative, Kestrel Verifiers is qualified to evaluate bonds against the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and Criteria. Kestrel Verifiers is a Woman-Owned Small Business and a certified Women’s Business Enterprise based in the USA.

The term “Social Bonds” is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Second Party Opinion of the Bonds as Social Bonds by Kestrel Verifiers is based solely on the ICMA Social Bond Principles June 2020 and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Bonds or the Project, including but not limited to the Official Statement, the transaction documents, the Revolving Fund or the Program Administrator.

The SPO of the Bonds as Social Bonds was addressed solely to the Program Administrator’s Board and is not a recommendation to any person to purchase, hold or sell the Bonds and such review does not address the market price or suitability of the Bonds for a particular investor. The external review also does not address the merits of the decision by the Revolving Fund, the Program Administrator or any third party to participate in any nominated project and does not express and should not be deemed to be an expression of an opinion as to the Program Administrator or any aspect of the Loan Program other than with respect to conformance with ICMA’s standards for Social Bonds.

In issuing or monitoring, as applicable, the SPO, Kestrel Verifiers has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to Kestrel Verifiers. Kestrel Verifiers does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any nominated project or the Revolving Fund.

In addition, Kestrel Verifiers does not assume any obligation to conduct (and have not conducted) any physical inspection of any nominated project. The SPO may only be used with the Bonds and may not be used for any other purpose without Kestrel Verifier’s prior written consent.

The SPO does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Bonds and/or the payment of principal at maturity or any other date.

The SPO may be withdrawn at any time in the Kestrel Verifier's sole and absolute discretion and there can be no assurance that such SPO will not be withdrawn.

#### **EXTERNAL REVIEWER FOR SECOND PARTY OPINION OF SOCIAL BOND**

The Program Administrator has engaged Kestrel Verifiers to provide a verification on the bond's conformance with the Social Bond Principles. Kestrel Verifiers has determined that the projects to be financed with the proceeds of the Bonds satisfy the Social Bond Principles and the project categories of Access to Essential Services and Socioeconomic Advancement and Empowerment by reaching the Target Populations as described in the SPO as set forth in APPENDIX H hereto. Accredited as an "Approved Verifier" by the Climate Bonds Initiative, Kestrel Verifiers is qualified to evaluate bonds against the ICMA Green and Social Bonds Principles Standards and Criteria in all sectors. Kestrel's Second Party Opinion report can be found in APPENDIX H.

#### **CONCLUDING STATEMENT**

Any quotations from and summaries and explanations of the Bonds, Loan Agreements, the Master Indenture and the Bond Indentures do not purport to be complete, and reference is made to the pertinent provisions of such documents for their complete provisions.

To the extent that any statements in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, those statements are made as such and not as representations of fact or certainty, and no representation is made that any of these statements will be realized. Information in this Official Statement has been derived by the Revolving Fund from official and other sources and is believed by the Revolving Fund to be reliable, but information other than that obtained from official records of the Program Administrator or the Revolving Fund has not been independently confirmed or verified by the Revolving Fund and its accuracy is not guaranteed. This Official Statement is not to be construed as a contract or agreement between the Revolving Fund, the Program Administrator or the Conduit Issuers and the Underwriter, any Holder of any of the Bonds or subsequent Book-Entry Interest Owners.

The Revolving Fund and the Conduit Issuers have authorized and approved the use and distribution of this Official Statement, although the Conduit Issuers have not reviewed or approved any information in this Official Statement except the information contained under the captions "THE CONDUIT ISSUERS" and "LITIGATION — The Conduit Issuers", each only as to the related Conduit Issuer's information (together, the "Conduit Issuer Portion"). The Conduit Issuers will bear no responsibility for the accuracy or completeness of any such information in this Official Statement other than that information which is directly provided by each of the Conduit Issuers in the sections of the Conduit Issuer Portion directly related to it.

Language under the headings captioned "THE BONDS –Book-Entry System" and in APPENDIX F - "BOOK-ENTRY ONLY SYSTEM" was summarized from information provided by DTC.

Additional copies of this Official Statement are available upon request to the Underwriter. Copies of other relevant documents including the Master Indenture, Bond Indentures and Loan Agreements are available upon request to Revolving Fund.

This Official Statement has been prepared, approved and delivered, for and on behalf of the Revolving Fund and executed by the undersigned in their official capacity.

**EQUITABLE SCHOOL REVOLVING FUND, LLC, A  
DELAWARE LIMITED LIABILITY COMPANY**

By: \_\_\_\_\_  
Title: Chief Executive Officer



**APPENDIX A**

**CHARTER SCHOOL BORROWERS METRICS**

(begins on following page)

Portfolio Table by Origination Date											
Loan #	LOAN ORIGINATION DATE	OBLIGOR NAME	LOCATION	OBLIGOR DESCRIPTION	YEAR FOUNDED	ORIGINAL EFF LOAN \$	OUTSTANDING EFF LOAN(S) (7/31/2020)	% OF ESRF PORTFOLIO	LOAN MATURITY DATE	LOAN PAYMENT CURRENT?	S&P RATING
1	10/12/2018	The Soulesville Charter School	Memphis, TN	Single campus school	2005	\$10,330,106	\$10,062,248	3.5%	10/1/2048	Yes	NR
2	12/20/2018	Village Tech Academy	Duncanville, TX	Single campus school	2013	\$8,385,000	\$8,385,000	2.9%	8/15/2048	Yes	BB
3	2/12/2019	Arizona School for the Arts	Phoenix, AZ	Single campus school	1995	\$10,620,000 \$8,536,764	\$18,913,342	6.6%	7/1/2048 7/1/2041	Yes	BB+
4	2/25/2019	Choices in Learning Academy	Winter Springs, FL	Single campus school	2001	\$9,199,407	\$8,915,929	3.1%	11/1/2043	Yes	BBB-
5	3/14/2019	KIPP Northern California Public Schools (formerly KIPP Bay Area)	Bay Area, CA	2 school Obligated Group (15 school network)	2002	\$16,000,000	\$15,647,848	5.5%	4/1/2049	Yes	BBB
6	3/21/2019	Arlington Classics Academy	Arlington, TX	Single school, 2 campuses	1999	\$15,635,234	\$14,985,432	5.2%	8/1/2040	Yes	BBB-
7	4/26/2019	Blackstone Valley Preparatory Academy	Providence, RI Region	6 school network	2009	\$16,000,000	\$15,693,407	5.5%	5/1/2049	Yes	BB+
8	5/31/2019	Rocketship United Academy	Nashville, TN	Single school Obligated Group (2 school network)	2015	\$7,282,964	\$7,150,555	2.5%	6/1/2049	Yes	NR
9	6/5/2019	KIPP Nashville	Nashville, TN	7 school network	2005	\$10,500,000 \$16,991,883	\$27,290,004	9.5%	6/1/2049 7/1/2050	Yes	BBB-
10	8/31/2019	James Irwin Charter Schools	Colorado Springs, CO	5 school network	1999	\$24,580,313	\$24,218,573	8.5%	8/1/2049	Yes	BBB
11	11/1/2019	Itineris Early College High School	West Jordan, UT	Single campus school	2004	\$7,965,982	\$7,883,395	2.8%	12/1/2049	Yes	BB
12	12/5/2019	Alliance for College-Ready Public Schools	Los Angeles, CA	15 school Obligated Group (25 school network)	2003	\$26,916,709	\$26,625,831	9.3%	7/1/2049	Yes	BBB
13	2/27/2020	Caliber: ChangeMakers Academy	Vallejo, CA	Single school Obligated Group (2 school network)	2014	\$14,219,046	\$14,134,920	4.9%	2/1/2050	Yes	BB+
14	3/18/2020	KIPP New Jersey <sup>1</sup>	Newark, NJ	11 School Network	2001	\$10,910,036	\$10,910,036	3.8%	9/1/2050	Yes	BBB
15	3/31/2020	Renaissance Arts Academy	Los Angeles, CA	Single campus school	2003	\$16,121,412	\$16,082,807	5.6%	5/1/2056	Yes	BBB-
16	5/14/2020	Not Your Ordinary School (NYOS)	Austin, TX	Single school, 2 campuses	1998	\$25,295,892	\$25,295,892	8.8%	6/1/2050	Yes	BB
17	5/29/2020	Scuola Vita Nuova	Kansas City, MO	Single campus school	1999	\$8,885,903	\$8,885,903	3.1%	6/1/2050	Yes	BB+
18	6/22/2020	KIPP Nashville	2nd Loan for Obligor - See Loan #9 for school information								
19	6/29/2020	Arizona School for the Arts	2nd Loan for Obligor - See Loan #3 for school information								
20	6/30/2020	Brookside	Kansas City, MO	Single campus school	2002	\$5,655,705	\$5,655,705	2.0%	7/1/2050	Yes	BB
21	7/22/2020	Sarasota School for the Arts	Sarasota Spring, FL	Single campus school	1997	\$8,935,316	\$8,935,316	3.1%	7/1/2040	N/A	BBB-
22	7/24/2020	Dayspring Academy	New Port Richey, FL	Single school, 5 campuses	2000	\$10,682,688	\$10,682,688	3.7%	8/1/2050	N/A	BB
Total:						\$289,650,361	\$286,354,831				
mean			NA	NA	2003	\$13,165,925.51	\$14,317,741.56	5.00%	10/16/2048	NA	NA
median			NA	NA	2002	\$10,651,344.18	\$12,522,477.88	4.37%	7/16/2049	NA	BB+

<sup>1</sup> Excludes drawdown of second \$10,589,963.79 portion of KIPP New Jersey loan on 9/15/20.

Borrower Metrics <sup>1</sup>													
Loan #	OBLIGOR NAME	GRADES SERVED	OBLIGOR REPORTED ENROLLMENT (66 schools)	REPORTED ENROLLMENT CHANGE FROM PRIOR YEAR <sup>2</sup>	REPORTED WAIT LIST AS % OF ENROLLMENT	CHARTER EXPIRATION DATE(S)	STATE/AUTHORIZER RATING (if applicable)	ELA PROFICIENCY RELATIVE TO DISTRICT <sup>3</sup>	MATH PROFICIENCY RELATIVE TO DISTRICT <sup>3</sup>	OBLIGOR TOTAL REVENUE	ANNUAL DSC	DEBT BURDEN (as % of total revenue)	DAYS CASH ON HAND
1	The Soulsville Charter School	6-12	669	3.1%	8.5%	6/30/2030	State: Level 3 (TVAAS) <sup>4</sup> Authorizer: 4.0 (SCPF) <sup>5</sup>	102.6%	99.4%	\$7,834,876	1.45	9.9%	127.2
2	Village Tech Academy	PK-12	1,224	11.7%	81.1%	7/31/2028	B	112.1%	102.1%	\$10,700,284	1.74	17.3%	29.6
3	Arizona School for the Arts	5-12	844	0.1%	34.6%	6/30/2031	A	368.2%	308.3%	\$8,803,225	1.12	18.0%	98.5
4	Choices in Learning Academy	K-5	687	0.1%	31.7%	6/30/2024	A	139.3%	148.2%	\$6,020,492	1.51	9.5%	169.0
6	KIPP Northern California Public Schools (formerly KIPP Bay Area)	K-8	989	0.0%	38.2%	Multiple	NA	158.4%	177.5%	\$11,933,595	1.13 <sup>6</sup>	10.6%	155.5
5	Arlington Classics Academy	K-8	1,561	0.1%	44.6%	7/31/2023	A	174.4%	129.8%	\$14,407,584	2.34	11.6%	278.5
7	Blackstone Valley Preparatory Academy	K-12	2,095	6.6%	105.9%	6/30/2024	Multiple	158.4%	196.9%	\$29,164,485	1.13	9.3%	77.8
8	Rocketship United Academy	K-4	544	1.5%	18.9%	6/30/2025	Level 3	108.8%	183.9%	\$7,264,476	2.17	8.9%	57.6
9	KIPP Nashville	K-12	2,337	14.7%	34.0%	Multiple	Multiple	120.7%	113.8%	\$28,316,779	4.19	5.7%	226.0
10	James Irwin Charter Schools	K-12	2,090	5.4%	41.4%	Multiple	Multiple	123.0%	173.0%	\$23,618,477	5.4	6.9%	217.3
11	Itineris Early College High School	10-12	414	11.3%	7.5%	Evergreen	Exemplary	143.5%	203.3%	\$3,747,910	1.14	18.1%	45.8
12	Alliance for College-Ready Public Schools	6-12	8,151	0.0%	19.4%	Multiple	NA	119.8%	144.0%	\$120,382,009	1.74 <sup>6</sup>	8.8%	144.3
13	Caliber: ChangeMakers Academy	TK-8	754	6.5%	74.5%	6/30/2021	NA	146.3%	192.7%	\$8,491,954	1.43	8.5%	15.2
14	KIPP New Jersey	K-12	4,754	8.8%	46.5%	6/30/2021	Lighthouse District	130.2%	106.0%	\$100,962,221	1.49	11.5%	97.9
15	Renaissance Arts Academy	TK-12	540	1.7%	69.1%	6/30/2023	NA	169.1%	138.4%	\$7,590,658	1.63	22.1%	300.4
16	Not Your Ordinary School (NYOS)	PK-12	1,063	6.7%	267.0%	7/31/2023	A	123.6%	111.3%	\$9,607,813	1.48	8.2%	74.7
17	Scuola Vita Nuova	K-8	279	10.3%	8.2%	6/30/2028	NA	185.3%	339.8%	\$4,788,861	6.08	3.5%	174.4
18	KIPP Nashville	2nd Loan for Obligor - See Loan #9 for school information											
19	Arizona School for the Arts	2nd Loan for Obligor - See Loan #3 for school information											
20	Brookside Charter School	PK-8	705	14.4%	29.4%	6/30/2022	NA	186.1%	227.3%	\$9,318,458	1.81	4.6%	64.8
21	Sarasota School for the Arts	6-8	752	0.1%	42.7%	6/30/2028	A	118.2%	106.3%	\$7,207,891	1.37	11.7%	115.2
22	Dayspring Academy	PK-12	911	4.4%	127.4%	6/30/2033	A	172.0%	195.4%	\$7,864,220	4.77	3.6%	19.4
Total			31,363							\$428,026,268			
Mean <sup>7</sup>			NA	1,568	5.4%	56.5%	NA	153.0%	169.9%	\$21,401,313	2.35	10.4%	124
Median <sup>7</sup>			NA	878	4.9%	39.8%	NA	141.4%	160.6%	\$9,060,842	1.57	9.4%	107

<sup>1</sup> School data based on School Year 2019-2020; financial and academic comparison data based on Fiscal Year 2019, unless otherwise noted

<sup>2</sup> School reporting dates may vary

<sup>3</sup> Based on highest grade tested and SAT/ACT when necessary, e.g., insufficient test data

<sup>4</sup> Tennessee Value Added Assessment System - range is 1-5

<sup>5</sup> Shelby County Academic Component of the School Performance Framework - range is 1-5

<sup>6</sup> Based on management fees as expenses; if these expenses are subordinated in accordance with MTL, coverage is 2.04x for KIPP Northern California and 2.86x for Alliance.

<sup>7</sup> Portfolio statistical data is provided to indicate the general credit characteristics of the portfolio of borrower. Note that while all of the loan payments are pledged to all of the ESRF bonds, the loan obligations of the individual borrowers are not cross-collateralized, i.e., each borrower is responsible only for its loan obligation.

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## **APPENDIX B**

*Additional information is provided in this Appendix B regarding the local laws and public funding rules and procedures pertaining to public charter schools for jurisdictions in which greater than 20% of School Loans are outstanding or expected to be outstanding within sixty (60) days from the date of this Official Statement.*

## CALIFORNIA CHARTER SCHOOL LAW

### General

This section provides a brief overview of California's system for authorizing and funding charter schools. Prospective purchasers of the Bonds should note that the overview contained in this section and the summary of relevant law noted by cross-reference in the sections that follow are provided for the convenience of prospective purchasers but are not and do not purport to be comprehensive. Additional information regarding various aspects of charter school funding in California is available on numerous state-maintained websites and through other publicly available sources.

Under California Law, charter schools are largely independent schools operating as part of the public school system under the exclusive control of the officers of the public schools. A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and is usually sponsored by an existing local public school district or county board of education. Specific goals and operating procedures for the charter school are detailed in a "charter" granted by the sponsoring board to the charter organizers.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law or required by the chartering authority. Charter schools in State of California (the "State") are created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). The law also requires that a public charter school be nonsectarian in its programs, admission policies, employment practices and all other operations, and prohibits the conversion of a private school to a charter school. Public charter schools may not charge tuition and may not discriminate against any pupil on the basis of ethnicity, national origin, gender or disability, or any other characteristic that is contained in the definition of hate crimes set forth in Section 422.55 of the Penal Code. Public charter schools in the State are required to participate in the California Assessment of Student Performance and Progress System in the same manner as other pupils attending traditional public schools.

According to the Charter School Law, the purpose of a charter school is to: (a) improve pupil learning; (b) increase learning opportunities for all pupils, with special emphasis on expanded learning experiences for pupils identified as academically low achieving; (c) encourage the use of different and innovative teaching methods; (d) create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site; (e) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (f) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (g) provide vigorous competition within the public school system to stimulate continual improvements in all public schools.

Anyone may write a charter. However, for a new charter school (not conversion of an existing traditional public school), charter developers must present a petition to the governing board of the local school district (or other chartering authority) containing the signatures of either: (a) a number of teachers meaningfully interested in teaching at the school equal to at least 50 percent of the number of teachers the charter school estimates will be employed during the charter school's first year of operation, or (b) a number of parents or legal guardians representing at least 50 percent of the number of pupils expected to enroll at the school in its first year. For conversion schools, the Charter School Law requires signatures of at least 50% of the permanent status teachers at the school to be converted. Pupils may not be required to attend a charter school nor may teachers be compelled to teach there. Charters are granted for a maximum term of five years, and may be renewed for new five-year terms without limitation upon satisfaction of certain criteria described below.

Generally, each charter school is funded to its statutory entitlement after the local contribution is taken into account. Local funding comes from the chartering school district or other sponsoring local education agency in lieu of property taxes (generally funded from the school district's own property tax receipts), while the State funds the balance directly through the county office of education. The proportion coming from the State will vary from district to district depending on the amount of local property taxes collected. In addition, charter schools receive certain State funding and lottery funds based upon pupil attendance, and may be eligible for other special programmatic aid from State and federal grants. Charter schools are prohibited from charging tuition under the Charter School Law.

### **Chartering Authority**

Under the Charter School Law, the local school district governing board serves as the primary chartering authority. A petitioner may seek approval of a charter from a county board of education if the pupils to be served are pupils that would normally be provided direct education and related services by the county office of education. A petitioner may also seek approval from a county board of education for a countywide charter school, which may be granted only if the county board finds that the proposed countywide charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates only in one school district in the county. See “—Countywide Benefit Charter Schools” below. Prior to the adoption of AB 1505 (defined herein), a petitioner was able to seek approval directly from the California State Board of Education (the “State Board of Education”), but only if the State Board of Education found that the proposed state charter school would provide instructional services of statewide benefit that could not be provided by a charter school operating in only one school district or county. Following the adoption of AB 1505, the State Board of Education is no longer able to authorize statewide benefit charter schools. See “—Statewide Benefit Charter Schools” below. If a petitioner's charter petition is denied by either the local school district governing board or the county board of education, and subsequently appealed to and approved by the State Board of Education (upon a finding of abuse of discretion), the State Board of Education will designate either the school district or the county as the authorizer.

### **Elements of a Charter Petition**

Each charter petition, at a minimum, must contain reasonably comprehensive descriptions of each of the following required elements:

- (a) A description of the educational program of the charter school;
- (b) The annual goals for the charter school for all pupils and for each subgroup of pupils.
- (c) If the proposed charter school will serve high school pupils, the manner in which the charter school will inform parents about the transferability of courses to other public high schools and the eligibility of courses to meet college entrance requirements.
- (d) The measurable pupil outcomes identified for use by the charter school;
- (e) The method by which pupil progress in meeting those pupil outcomes is to be measured;
- (f) The charter school's governance structure, including, but not limited to, parental involvement;

- (g) The qualifications to be met by individuals employed by the charter school;
- (h) Procedures to ensure health and safety of pupils and staff, including criminal background checks;
- (i) The means by which the charter school will achieve a balance of racial and ethnic pupils, special education pupils, and English learner pupils, that is reflective of the general population residing within the territorial jurisdiction of the chartering district.
- (j) Admission policies and procedures, if applicable.
- (k) The manner in which annual independent financial audits will be conducted, and the manner in which audit exceptions and deficiencies will be resolved to the satisfaction of the chartering authority.
- (l) The procedures by which pupils may be suspended or expelled from the charter school for disciplinary reasons or otherwise involuntarily removed from the charter school for any reason.
- (m) Provisions for employee coverage under the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security.
- (n) The public school attendance alternatives for pupils residing within the district who choose not to attend charter schools.
- (o) A description of the rights of any employee of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school.
- (p) The procedures to be followed by the charter school and the entity granting the charter to resolve disputes relating to provisions of the charter.
- (q) A declaration of whether or not the charter school will be deemed the exclusive public school employer of the employees of the charter school for purposes of the Educational Employment Relations Act.
- (r) A description of the procedures for closure of the school and disposition of assets, which will ensure a final audit of the charter school to determine the disposition of all assets and liabilities of the charter school, including plans for disposing of any net assets and for the maintenance and transfer of pupil records.

Each chartering authority must identify at least one staff member as a contact person for charter schools, visit each charter school at least once a year, and ensure that charter schools under its authority submit all required reports (including fiscal reports that must be sent four times a year to the district and/or local county office of education). In addition, each chartering authority must monitor the fiscal condition of its charter schools and timely notify the State Department of Education whenever a charter is granted, denied, revoked, or the charter school will cease operation. Charter schools must show a certain level of academic performance to have their charters renewed.



## **Approval or Denial of Charter Petition**

No later than 60 days after receiving a petition, the governing board of the school district shall hold a public hearing on the provisions of the charter, at which time the governing board of the school district shall consider the level of support for the petition by teachers employed by the school district, other employees of the school district, and parents. Following review of the petition and the public hearing, the governing board of the school district shall either grant or deny the charter within 90 days of receipt of the petition, provided, however, that the date may be extended by an additional 30 days if both parties agree to the extension. A petition is deemed received by the governing board of the school district for purposes of commencing the timelines described above on the day the petitioner submits a petition to the district office, along with a signed certification that the petitioner deems the petition to be complete. The governing board of the school district shall publish all staff recommendations, including the recommended findings regarding the petition at least 15 days before the public hearing at which the governing board of the school district will either grant or deny the charter. At the public hearing at which the governing board of the school district will either grant or deny the charter, petitioners shall have equivalent time and procedures to present evidence and testimony to respond to the staff recommendations and findings.

In reviewing petitions for the establishment of charter schools authorized by a school district, the chartering authority will be guided by the intent of the State Legislature that charter schools are and should become an integral part of the California educational system and that the establishment of charter schools should be encouraged. The governing board of the school district will grant a charter for the operation of a school if it is satisfied that granting the charter is consistent with sound educational practice and with the interests of the community in which the school is proposing to locate.

The governing board of the school district shall consider the academic needs of the pupils the school proposes to serve. The governing board of the school district will not deny a petition for the establishment of a charter school unless it makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the following findings: (a) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (b) petitioners are demonstrably unlikely to successfully implement the program set forth in the petition, (c) the petition does not contain the number of required signatures, (d) the petition does not contain an affirmation of each of the admission conditions described in Education Code Section 47605(e), (e) the petition does not contain reasonably comprehensive descriptions of all of the elements described in “— Elements of a Charter Petition” herein; (f) the petition does not contain a declaration of whether or not the charter school will be deemed the exclusive public employer of the employees of the charter school for purposes of Chapter 10.7 of the Government Code; (g) the charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate; and (h) the school district is not positioned to absorb the fiscal impact of the proposed charter school.

In reviewing petitions for the establishment of charter schools within the school district, the governing board of the school district will give preference to petitions that demonstrate the capability to provide comprehensive learning experiences to pupils identified by the petitioner or petitioners as academically low achieving pursuant to the standards established by the State Board of Education.

If the governing board of a school district denies a petition, the petitioner may elect to submit the petition for the establishment of a charter school to the county board of education. The petitioner shall submit the petition to the county board of education within 30 days of a denial by the governing board of the school district. At the same time the petition is submitted to the county board of education, the petitioner shall also provide a copy of the petition to the school district. The county board of education will review the petition pursuant to the same process by which a school district reviews a charter school petition. If the petition submitted on appeal contains new or different material terms, the county board of education shall

immediately remand the petition to the governing board of the school district for reconsideration, which shall grant or deny the petition within 30 days. If the governing board of the school district denies a petition after reconsideration, the petitioner may elect to resubmit the petition for the establishment of a charter school to the county board of education. The county board of education shall review the appeal petition pursuant to the same process by which a school district reviews a charter school petition. If the denial of the petition was made pursuant to a finding that the school district is not positioned to absorb the fiscal impact of the proposed charter school, the county board of education shall also review the school district's findings regarding the school district's ability to absorb the fiscal impact of the proposed charter school.

If the county board of education denies a petition, the petitioner may appeal that denial to the State Board of Education. The petitioner shall submit the petition to the State Board of Education within 30 days of a denial by the county board of education. The petitioner shall include the findings and documentary record from the governing board of the school district and the county board of education and a written submission detailing, with specific citations to the documentary record, how the governing board of the school district or the county board of education, or both, abused their discretion. The governing board of the school district and county board of education shall prepare the documentary record, including transcripts of the public hearing at which the governing board of the school district and county board of education denied the charter, at the request of the petitioner. The documentary record shall be prepared by the governing board of the school district and county board of education no later than 10 business days after the request of the petitioner is made. At the same time the petition and supporting documentation is submitted to the State Board of Education, the petitioner shall also provide a copy of the petition and supporting documentation to the school district and the county board of education. If the appeal contains new or different material terms, the State Board of Education shall immediately remand the petition to the governing board of the school district to which the petition was submitted for reconsideration. The governing board of the school district shall grant or deny the petition within 30 days. If the governing board of the school district denies a petition after reconsideration, the petitioner may elect to resubmit the petition to the State Board of Education.

Within 30 days of receipt of the appeal submitted to the State Board of Education, the governing board of the school district or county board of education may submit a written opposition to the State Board of Education detailing, with specific citations to the documentary record, how the governing board of the school district or the county board of education did not abuse its discretion in denying the petition. The governing board of the school district or the county board of education may submit supporting documentation or evidence from the documentary record that was considered by the governing board of the school district or the county board of education.

The State Board of Education's Advisory Commission on Charter Schools shall hold a public hearing to review the appeal and documentary record. Based on its review, the Advisory Commission on Charter Schools shall submit a recommendation to the state board whether there is sufficient evidence to hear the appeal or to summarily deny review of the appeal based on the documentary record. If the Advisory Commission on Charter Schools does not submit a recommendation to the State Board of Education, the State Board of Education shall consider the appeal, and shall either hear the appeal or summarily deny review of the appeal based on the documentary record at a regular public meeting of the State Board of Education.

The State Board of Education shall either hear the appeal or summarily deny review of the appeal based on the documentary record. If the State Board of Education hears the appeal, it may affirm the determination of the governing board of the school district or the county board of education, or both of those determinations, or may reverse only upon a determination that there was an abuse of discretion. If the denial of a charter petition is reversed by the State Board of Education, it shall designate, in consultation

with the petitioner, either the governing board of the school district or the county board of education in which the charter school is located as the chartering authority.

A charter school that receives approval of its petition from a county board of education or from the State Board of Education on appeal shall be subject to the same requirements concerning geographic location to which it would otherwise be subject if it received approval from the chartering authority to which it originally submitted its petition. A charter petition that is submitted to either a county board of education or to the State Board of Education shall meet all otherwise applicable petition requirements, including the identification of the proposed site or sites where the charter school will operate. Upon the approval of the petition by the county board of education, the petition or petitioners shall provide written notice of that approval, including a copy of the petition, to the governing board of the school district in which the charter school is located, the department, and the State Board of Education.

If either the county board of education or the State Board of Education fails to act on a petition within 180 days of receipt, the decision of the governing board of the school district to deny the petition will be subject to judicial review.

### **Countywide Benefit Charter Schools**

Education Code Section 47605.6 provides for the creation of countywide benefit charter schools to operate at one or more sites within the geographic boundaries of a county and that provide instructional services that are not generally provided by a county office of education. A county board of education may approve a countywide charter only if it finds, in addition to the other requirements of the Charter School Law, that the educational services to be provided by the charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates in only one school district in the county. The provisions governing denial of a charter petition for school district governing boards also apply to the denial of a charter petition to countywide benefit charters.

A county board of education will deny a petition if it finds one or more of the following: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are demonstrably unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, (v) the petition does not contain comprehensive descriptions of the educational program of the school, measurable pupil outcomes and certain other factors, as required by State law, (vi) the petition does not contain a declaration of whether or not the charter school will be deemed the exclusive public employer of the employees of the charter school for purposes of Chapter 10.7 of the Government Code and (vii) any other basis that the county board of education finds justifies the denial of the petition.

If a petition for a countywide benefit charter is denied, or the renewal of an existing countywide benefit charter is denied, the petition may not be submitted to the State Board of Education for review.

### **Statewide Benefit Charter Schools**

The former Education Code Section 47605.8, which was repealed by AB 1505, provided for the creation of statewide benefit charter schools to operate at multiple locations throughout the State of California. Under former Education Code Section 47605.8, a petition for the operation of a state charter school could be submitted to the State Board of Education for approval. Following the adoption of AB 1505, however, petitioners may no longer seek approval directly from the State Board of Education. Instead, following AB 1505, a petition to establish a charter school may be submitted only to the governing board of the school district or county office of education within the boundaries of which the charter school

proposes to locate. A charter school operating under a charter approved by the State Board of Education may continue to operate under that authority, but only until the date on which its charter is up for renewal. At that time, the charter school must submit a petition for renewal to the governing board of the school district in which it is located.

### **Charter Management Organizations**

As the number of charter schools operating pursuant to the Charter School Law has increased over time, nonprofit organizations have been established, referred to as charter management organizations (“CMOs”), to manage the operations of several charter schools for the purpose of achieving certain economic and operational efficiencies. CMOs centralize or share certain functions and resources among multiple charter schools, including but not limited to accounting, human resources, marketing, purchasing, property management and administration. CMOs may operate at the regional or statewide level.

### **Charter Revocation**

A charter may be revoked if the chartering authority finds, based on substantial evidence, that a charter school (a) has committed a material violation of any of the conditions, standards or procedures set forth in its charter; (b) has failed to meet or to pursue any of the student outcomes identified in its charter; (c) has failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement; or (d) has violated any provision of law. Prior to revoking a charter, the chartering authority must notify the charter school of the violation, afford the charter school a reasonable opportunity to remedy the violation (unless the chartering authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils), and, upon failure to remedy the violation, give written notice of intent to revoke and notice of facts in support of revocation to the charter school and hold a public hearing on the matter. An adverse decision by a school district governing board may be appealed to the county board of education and an adverse decision by the county board, directly or on appeal, may be appealed to the State Board of Education.

In addition, the State Board of Education, whether or not it is the chartering authority, may take action based on the recommendation of the State Superintendent of Public Instruction, including but not limited to revocation of a school’s charter, upon a finding of (a) gross financial mismanagement that jeopardizes the financial stability of the charter school; (b) illegal or substantially improper use of charter school funds for the personal benefit of any officer, director or fiduciary of the charter school; (c) substantial and sustained departure from measurably successful practices such that continuing departure would jeopardize the educational development of the school’s pupils; or (d) failure to improve pupil outcomes across multiple state and school priorities identified in the charter. Regulations promulgated by the State Board of Education that became effective December 16, 2011 require the State Superintendent of Public Instruction to deliver written notice to the governing body of any charter school identified to warrant action against it pursuant to clauses (a) or (b) of the immediately preceding sentence which identifies one or more specific alleged violations by the charter school. Upon receipt of a written notice, the charter school’s governing body may submit a detailed written response to each identified violation which includes the refutation or remedial action taken by the charter school’s governing body, specific to each identified violation. After conclusion of the remedy period, the State Superintendent of Public Instruction shall evaluate the response of the charter school’s governing body, if submitted, and shall either (i) make a recommendation to the State Board of Education to take appropriate action, including but not limited to, revocation of the school’s charter, and provide timely written notice of such action within 30 calendar days to the charter school’s governing body; or (ii) discontinue action and provide written notice of such action to the charter school’s governing body within 10 calendar days.

Effective July 1, 2020, the State Board of Education may no longer act as the authorizer for a charter, whether directly or on appeal. Rather, if a county board of education denies a petition, a petitioner may appeal to the State Board of Education who, only upon a determination that there was an abuse of discretion, shall designate either the governing board of the school district or the county board of education in which the school is located to act at the chartering authority.

### **Amendments to the Charter School Law**

The Legislature has amended the Charter School Law frequently since its initial adoption in 1992, and legislative and public attitudes are still evolving. Neither Equitable School Revolving Fund, LLC (the “Revolving Fund”) nor any charter school has any control over State legislative or regulatory decision making that could affect the operations or ongoing funding sources for the Charter School Borrowers.

Assembly Bill 1505 (“AB 1505”) was signed into law by the Governor on October 3, 2019. The provisions of AB 1505 amending existing law relating to the review, approval and appeal of charter petitions became operative on July 1, 2020. AB 1505 made various changes to provisions relating to the review of charter school petitions and renewals by authorizers, including the following:

- Requiring a charter school that, concurrently with its renewal, proposes to expand operations to one or more additional sites or grade levels must request a material revision to its charter. A material revision to the provisions of a charter petition may be made only with the approval of the chartering authority. A material revision of a charter is governed by the standards and criteria described in Education Code Section 47605.
- Adding additional factors for a school district to consider when reviewing a charter school petition, including the interests of the community, the academic needs of the pupils, by which means the charter school will achieve a balance of racial and ethnic pupils, special education pupils, and English learner pupils, including redesignated fluent English proficient pupils, that is reflective of the general population residing within the territorial jurisdiction of the school district to which the charter petition is submitted, the fiscal impact on the school district, and whether the charter school would substantially undermine existing services, academic offerings or programmatic offerings of the school district. The factors may not be used to deny a renewal of an existing charter school, however, they may be used to deny a proposed expansion constituting a material revision.
- Renewals of existing charter school petitions are not subject to the authorizer’s evaluation of the fiscal impact on the school district, so long as the renewal does not request an expansion to additional sites or grade levels.
- Authorizers must deny a renewal if the charter school has received certain low performance levels on the California School Dashboard for the most recent two years prior to renewal, unless the authorizer makes certain findings, in which case the authorizer may renew for a term of two years.
- Authorizers may not deny a renewal, and may renew for a term between five and seven years, if the charter school has received certain high performance levels on the California School Dashboard for the most recent two years prior to renewal, unless the authorizer makes certain findings.
- Petitions denied by a school district and county may only be granted on appeal to the State Board of Education if the State Board of Education finds an abuse of discretion by the

school district or county. If approved on State appeal, the State Board of Education will designate either the school district or the county as the authorizer. The State Board of Education is no longer able to authorize Statewide benefit charters.

- All charter school teachers are required to be certified by June 30, 2025.
- No new nonclassroom-based charter schools may be approved from January 1, 2020 through January 1, 2022.

Assembly Bill 1507 (“AB 1507”) was signed into law by the Governor on October 3, 2019. AB 1507 amends geographic limitations for classroom-based and nonclassroom-based schools. Among other changes, and subject to certain exceptions, AB 1507 provides that a charter school that established one site outside the boundaries of the school district, but within the county in which that school district is located, before January 1, 2020, may continue to operate that site until the charter school submits a request for renewal of its charter petition. To continue operating the site thereafter, the charter school must either (i) obtain approval in writing from the school district in which the site is operating, or (ii) submit its charter renewal to the school district in which the charter school is physically located.

On June 6, 2019, State Superintendent of Public Instruction Tony Thurmond delivered to the Governor a report from the California Charter School Policy Task Force, including a list of recommendations for charter school reform (the “Task Force Report”). The Task Force Report recommendations, which were recommended unanimously by the members of the task force, include, among others:

- Hold school districts harmless for one year for any net loss in ADA due to students enrolling in a charter school; and
- Allow charter authorizers to factor in saturation (including both the number of schools and enrollment in those schools), academic outcomes and offerings, and a statement of need based on academic outcomes and offerings, when determining whether to approve or deny a charter petition.

In addition to the unanimous recommendations, including the two listed above, the Task Force Report identified several other proposals which were supported by a majority, but not all, of the task force members. These included, among others, limiting the appeal rights of charter petitioners to only the county-level, and only when there was an error made by the school district in denying the petition; allowing authorizers to consider fiscal impact to the school district as part of the charter authorization process; and prohibiting school districts from authorizing charter schools located outside of their boundaries.

The Revolving Fund does not make any representation as to whether any proposed amendments to the Charter School Law will be enacted into law, or what, if any, impact such proposed amendments would have on the Charter School Borrowers operating in California.

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## **Growth in Charter Schools in California**

California has the largest concentration of charter schools in the nation with approximately 660,000 students enrolled in charter schools for the 2018-19 school year, according to the California Charter Schools Association. The California Charter Schools Association also reported that 70 new charter school equivalents (63 new schools, and seven significant expansions of existing schools) opened in the State of California in the 2018-19 school year, bringing the total number of charter schools in California up to 1,323.

### **TOTAL CHARTER SCHOOLS IN CALIFORNIA**

#### **Fiscal Years 1998-99 Through 2018-19**

<b>Fiscal Year</b>	<b>Number of Charter Schools</b>
2018-19	1,323
2017-18	1,275
2016-17	1,254
2015-16	1,230
2014-15	1,182
2013-14	1,130
2012-13	1,063
2011-12	982
2010-11	912
2009-10	809
2008-09	746
2007-08	682
2006-07	585
2005-06	560
2004-05	502
2003-04	443
2002-03	408
2001-02	349
2000-01	299
1999-00	235
1998-99	177

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Source: California Charter School Association

### **STATE FUNDING OF EDUCATION**

#### **General**

The Charter School Law provides that the State legislature intended “each charter school be provided with operational funding that is equal to the total funding that would be available to a similar school district serving a similar pupil population...” As is true for school districts in the State, charter schools’ revenue is derived primarily from two sources: a State portion funded from the State’s general fund and a locally generated portion derived from each sponsoring school district’s share of the local ad valorem property tax. Decreases in State revenues, or in the legislative appropriations made to fund education, may significantly affect charter schools’ operations.

***Adoption of Annual State Budget.*** According to the State Constitution, the Governor of the State (the “Governor”) is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15, although this deadline has been breached in previous years. Pursuant to Proposition 25, which was approved by voters in November 2010, the vote

requirement to pass a budget bill is a simple majority (50% plus one) of each house of the State Legislature. This vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2020-21 State budget on June 29, 2020.

Failure by the State to adopt a budget may restrict the State Controller’s ability to disburse State funds. Under litigation captioned *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002 and later refined by a California Supreme Court decision in 2003, the State Controller may be able to disburse State funds after the beginning of the fiscal year prior to the adoption of the State budget bill or emergency appropriation if the expenditure, among other things, is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State governmental workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget.

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. A brief description of the adopted State budget for fiscal year 2019-20 is included below; however, no prediction can be made as to how State income or State education funding will vary over the entire term to maturity of the Bonds, and the Revolving Fund takes no responsibility for informing Beneficial Owners of the Bonds as to any such annual fluctuations. Information about the State budget and State spending for education is regularly available at various State maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, currently located at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), and the Electronic Municipal Market Access (“EMMA”) website of the Municipal Securities Rulemaking Board, currently located at <http://emma.msrb.org>. The information referred to as being available via the foregoing websites is prepared by the respective entities maintaining each website and not by the Revolving Fund, and the Revolving Fund cannot take any responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is expressly not incorporated by reference herein.

***Aggregate State Education Funding.*** Under Proposition 98, a constitutional and statutory amendment adopted by the State’s voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution), a minimum level of funding is mandated for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs, including charter schools.

The Proposition 98 guaranteed amount for education is based on prior year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State’s share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The



total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post year end revisions, as additional information regarding the various factors becomes available. Over the long run, the guaranteed amount may increase as enrollment and per capita personal income grow.

If, at year end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the mandated amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 ("QEIA"), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal years 2004-05, 2010-11, 2011-12 and 2012-13; and by proposing to amend the Constitution's definition of the guaranteed amount and settle up requirement under certain circumstances. The 2014-15 State Budget, 2015-16 State Budget, 2016-17 State Budget, the 2017-18 State Budget and the 2018-19 State Budget reversed certain of these trends by, among other things, eliminating certain deferrals, authorizing payments of certain deferred amounts owed to schools subject to State General Fund Revenues and authorizing settle-up payments with respect to deferred apportionments of the Proposition 98 minimum guarantee.

**2020-21 State Budget.** The Governor signed the fiscal year 2020-21 State budget (the "2020-21 State Budget") on June 29, 2020. According to the State, the economic impact of COVID-19 pandemic has resulted in a \$54.3 billion budget deficit, which the State is addressing through the following measures:

- **Reserves.** The 2020-21 State Budget draws down \$8.8 billion in reserves, including \$7.8 billion from the Rainy Day Fund, \$450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account.
- **Triggers.** The 2020-21 State Budget includes \$11.1 billion in reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred spending on schools, approximately \$970 million in funding for the University of California and the California State University, \$2.8

billion for state employee compensation, \$150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional \$250 million for county programs to backfill revenue losses.

- Federal Funds. The 2020-21 State Budget relies on \$10.1 billion in federal funds that provide general fund relief, including \$8.1 billion already received. This includes the enhanced Federal Medical Assistance Percentage (FMAP), a portion of the State's Coronavirus Relief Fund allocation and funds provided for childcare programs.
- Revenues. The 2020-21 State Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in fiscal year 2020-21.
- Borrowing/Transfers/Deferrals. The 2020-21 State Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 school districts. (Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.)
- Cancelled Expansions, Updated Assumptions and Other Solutions. The 2020-21 State Budget includes \$10.6 billion of other solutions for addressing the budget deficit, such as cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues, and lower health and human services caseload costs that previously estimated.

Because of such measures described above, the 2020-21 State Budget is a balanced budget for fiscal year 2020-21 that projects approximately \$137.7 billion in revenues, and \$88.8 billion in non-Proposition 98 expenditures and \$45.1 billion in Proposition 98 expenditures. The 2020-21 State Budget sets aside \$2.6 billion in the Special Fund for Economic Uncertainties, and it includes total funding of \$98.8 billion (\$48.1 billion general fund and \$50.7 billion other funds) for all K-12 education programs. The 2020-21 State Budget estimates the Proposition 98 minimum guarantee at \$78.5 billion in fiscal year 2018-19, \$77.7 billion in fiscal year 2019-20, and \$70.9 billion in fiscal year 2020-21. The reduction in Proposition 98 funding will result in per pupil spending of \$10,654 in fiscal year 2020-21, a \$1,339 reduction from fiscal year 2019-20.

The 2020-21 State Budget offsets such reduction in Proposition 98 funding in several ways, including the following:

- Local Control Funding Formula Deferrals. As a result of the COVID-19 pandemic, \$1.9 billion in LCFF apportionments in fiscal year 2019-20 were deferred until fiscal year 2020-21, and the 2020-21 State Budget provides that apportionment deferrals in fiscal year 2020-21 will grow to \$11 billion. Such deferrals allow LCFF funding to remain at fiscal year 2019-20 levels in both fiscal years. The 2020-21 State Budget suspends the statutory LCFF cost-of-living adjustment in fiscal year 2020-21. The 2020-21 State Budget provides that \$5.8 billion of deferrals will be triggered off in fiscal year 2020-21 if sufficient federal funding is provided that can be used for such purpose.
- Learning Loss Mitigation. Additionally, the 2020-21 State Budget includes a one-time investment of \$5.3 billion (comprised of \$4.4 billion from the federal Coronavirus Relief Fund, \$589.9 million in Proposition 98 general fund resources, and \$355.2 from the federal Governor's Emergency Education Relief Fund) to local education agencies to address learning loss resulting from school closures. To ensure that those local educational agencies serving students most affected by the

COVID-19 pandemic receive additional funding, the 2020-21 State Budget will allocate \$2.9 billion of such funds based on the LCFF supplemental and concentration grant allocation, \$1.5 billion of such funds based on the number of students with exceptional needs, and \$979.8 million of such funds based on the total LCFF allocation.

- Supplemental Appropriations. In fiscal years 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level, by a total of approximately \$12.4 billion. To accelerate the recovery from such funding reduction, the 2020-21 State Budget provides supplemental appropriations above the required Proposition 98 funding level, beginning in fiscal year 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5% of general fund revenues, up to a total of \$12.4 billion.
- Revised CalPERS and CalSTRS Contributions. To provide immediate and long-term relief to school districts facing rising pension costs, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019-20 State budget to California State Teachers' Retirement System ("CalSTRS") and the California Public Employees' Retirement System ("CalPERS") for long-term unfunded liabilities to instead reduce employer contribution rates in fiscal years 2020-21 and 2021-22. Such reallocation will reduce the CalSTRS employer contribution rate from 18.41% to approximately 16.15% in fiscal year 2020-21 and from 17.9% to 16.02% in fiscal year 2021-22. The CalPERS Schools Pool employer contribution rate will be reduced from 22.67% to 20.7% in fiscal year 2020-21 and from 24.6% to 22.84% in fiscal year 2021-22.
- Federal Funds. In addition to the Coronavirus Relief Fund and Governor's Emergency Education Relief Fund allocations described above, the 2020-21 State Budget includes \$1.6 billion in federal Secondary School Emergency Relief funds. Of this amount, \$1.5 billion will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive, and may be used for costs relating to the COVID-19 pandemic. Of the remaining \$164.7 million, \$112.2 million will be used to provide up to \$0.75 per meal for local educational agencies participating in certain school meal programs and serving meals between March 2020 and August 2020 due to school closures, \$45 million will be used for grants to local educational agencies to increase access to health, mental health, and social service supports for high-need students, \$6 million will be used to provide educator professional development for providing high quality distance learning, and \$1.5 million will be used for State Department of Education costs associated with the COVID-19 pandemic.
- Temporary Revenue Increases. As described above, the 2020-21 State Budget includes a temporary three-year suspension of net operating losses, and a limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. These temporary changes, along with other tax changes, will generate additional general fund revenues, approximately \$1.6 billion of which will benefit the Proposition 98 guarantee.
- Special Education. The 2020-21 State Budget provides for increased special education base rates of \$625 per pupil pursuant to a new funding formula. The 2020-21 State Budget also includes \$100 million to increase funding for students with low-incidence disabilities, \$15 million in federal Individuals with Disabilities Education Act ("IDEA") funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, \$8.6 million in IDEA funds to assist local educational agencies to develop regional alternative dispute resolution services and statewide mediation services, and \$1.1 million in IDEA funds to study the current special education governance and accountability structure.

- Average Daily Attendance and Distance Learning. The 2020-21 State Budget assumes that local educational agencies will provide in-classroom instruction during the 2020-21 school year, but recognizes that public health officials may require school closures. To ensure funding stability regardless of instructional model, the 2020-21 State Budget includes a hold-harmless for the purpose of calculating apportionments in fiscal year 2020-21, and it provides that average daily attendance will be based on the 2019-20 school year. The 2020-21 State Budget also includes requirements for distance learning services in the event of school closures.
- Employee Protections. The 2020-21 State Budget suspends layoffs of non-management certificated staff during fiscal year 2020-21 and classified staff who hold positions in nutrition, transportation, or custodial services during fiscal year 2020-21. The 2020-21 State Budget includes \$60 million Proposition 98 general fund resources to provide a match of State funds for participating classified employees to be paid during the summer recess period. The 2020-21 State Budget also state that it is the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in fiscal year 2020-21.

The complete 2020-21 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The Revolving Fund can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***Future Budgets and Budgetary Actions.*** The Revolving Fund cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the Revolving Fund's ability to predict or control, including but not limited to the course of the COVID-19 pandemic. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal years 2020-21 and 2021-22 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on Charter School Borrowers operating in California.

***Prohibitions on Diverting Local Revenues for State Purposes.*** Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment is to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 4, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years-such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

### **Allocation of State Funding to Charter Schools**

**General Purpose Entitlement.** Under the Charter School Law, each charter school is calculated to have a "general purpose entitlement," which has in the past been based on the statewide average amount of State aid, local property taxes and other revenue received by school districts of similar type and serving similar pupil populations. The general purpose entitlement is calculated on a per student basis at each of four grade level ranges (grades K-3, grades 4-5, grades 6-8, and grades 9-12) and is multiplied by the charter school's Average Daily Attendance ("ADA") in each grade level range.

Each charter school's general purpose entitlement is funded from local funding in lieu of property taxes and, to the extent such funding is insufficient to fulfill the entire entitlement, from money appropriated by the State from the State's general fund for education. The local share, which must be transferred in monthly installments to the charter school by the sponsoring local educational agency in lieu of property taxes, is the average amount of property taxes per ADA received by the district, including charter school students, multiplied by the charter school's ADA.

**Local Control Funding Formula.** State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), which was enacted in connection with the State Budget Act for Fiscal Year 2013-14, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

(a) **Funding.** The primary component of AB 97, as modified by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. Under the LCFF, State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans (identical to the grade spans previously used for charter school funding). Each Base Grant is subject to certain adjustments and add-ons, as discussed below. LCFF was fully implemented by fiscal year 2018-19, two years ahead of schedule. Beginning in fiscal year 2013-14, an annual transition adjustment is calculated for each charter school, equal to such charter school's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, charter schools will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of the charter school's respective funding gaps.

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2019-20, the LCFF is expected to provide: (a) a Base Grant adjusted for grades for each LEA equivalent to \$8,503 per ADA for kindergarten through grade 3; (b) a Base Grant adjusted for grades for each LEA equivalent to \$7,818 per ADA for grades 4 through 6; (c) a Base Grant

adjusted for grades for each LEA equivalent to \$8,050 per ADA for grades 7 and 8; (d) a Base Grant adjusted for grades for each LEA equivalent to \$9,572 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. Following full implementation of the LCFF, the provision of Cost of Living Adjustments (“COLA”) will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

Pursuant to the LCFF, each local education agency (“LEA”) is required to, among other things show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school. Accordingly, the LCFF includes an adjustment to the Base Grant for kindergarten through grade 3 of approximately 10.4% in order to cover the costs associated with class size reduction. In addition, the LCFF includes an adjustment to the Base Grant for grades 9 through 12 of approximately 2.6% in order to cover the costs of, among other things, providing career technical education.

Charter schools that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. Based on the ADA of the given demographic classification, charter schools and school districts are eligible to receive a 20% supplemental grant (the “Supplemental Grant”) for students classified as EL students, LI students and students classified as foster youth. The State expects the Supplemental Grants to reflect the additional costs associated with the education of EL and LI. In addition, charter schools and school districts are eligible to receive a concentration grant (the “Concentration Grant”) if such charter school or school district has a significant concentration of students classified as EL and LI (collectively, “Targeted Disadvantaged Students”). The LCFF uses an unduplicated student count to determine the amount of the Supplemental Grant and Concentration Grant authorized for a charter school or school district. A charter school or school district may only count a student one time if such student is classified in more than one of the categories EL or LI. In the event the percentage of EL and LI students exceeds 55% of the total enrollment of such charter school or school district, as applicable, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district’s adjusted Base Grant for each EL or LI student above the 55% threshold; provided that a charter school may not receive a Concentration Grant for a greater proportion of EL and LI than the highest percentage of any school district in which the charter school has a physical location.

For certain charter schools that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the general purpose funding such charter schools would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such charter schools in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF.

The sum of a charter school's adjusted Base Grants, Supplemental Grants and Concentration Grants will be multiplied by the charter school's total current year ADA. This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a charter school's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district or charter school will amount to the difference between such total LCFF allocation and such entity's share of applicable local property taxes. Most school districts and charter schools receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts and charter schools.

(b) *Accountability.* The SBE adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts and charter schools increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts and charter schools on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts and charter schools can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts and charter schools are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. Charter school LCAPs are required to be included in charter petitions and updated annually. School district and charter school LCAPs must be annually updated and posted on the district or charter school's website using a State-mandated standard reporting format.

***Lottery Funding.*** Charter schools receive funding from the State Lottery Fund, which receives all proceeds from, among other sources, the sale of lottery tickets. Lottery funding is allocated to charter schools per unit of ADA. Lottery funds are distributed quarterly by the State Controller's Office. Funding is based on annual average ADA. Lottery funds are identified as either "Proposition 20" funds or "non-Proposition 20" funds. Proposition 20 lottery funds may only be used to purchase instructional materials. Non-Proposition 20 lottery funds are unrestricted, except that they may not be used for acquisition of property, construction of facilities, financing of research, or for other non-instructional purposes. Lottery funding is not included in the charter school categorical block grant. Lottery funding is approximately 2% of public school revenues and is estimated at \$207 per unit of ADA for the 2019-20 fiscal year, of which approximately \$153 is "non-Proposition 20" and \$54 is "Proposition 20" funding.

***Categorical Funding.*** Charter schools may apply for and receive categorical funds for many programs that are not included in general purpose entitlement funding, if otherwise eligible, but may not receive aid for programs exclusively or almost exclusively provided by a county office of education.

***SB 740 Facilities Grant Program Funding.*** In the 2019-20 fiscal year, charter schools that meet certain criteria are eligible to receive up to \$1,184 per unit of ADA to reimburse an amount up to 75% of their annual facilities rent and lease costs from amounts appropriated under the annual Budget Act (as defined below). This per-ADA amount may increase in future years based on COLA. To be eligible for SB 740 benefits: (i) 55% or more of the charter school's students must be eligible for free or reduced priced meals, or (ii) the charter school must be located in the attendance area of a public elementary school in which 55% or more of students are eligible for free or reduced priced meals and the charter school must give a preference in admissions to students who are currently enrolled in that public elementary school and to students who reside in the elementary school attendance area where the charter school is located.

SB 740 facilities funding may be used for costs associated with facilities rents and leases (consistent with the definitions used in the California School Accounting Manual) (“Facility Rents”), and for costs associated with remodeling buildings, deferred maintenance, installing or extending service systems and other built-in equipment, and improving sites (collectively, “Other Costs”).

SB 740 facilities funding is not included in the charter school categorical block grant. SB 740 funding is subject to the annual Budget Act. In the event insufficient funds are appropriated, the available funds are first used to reimburse for Facility Rents (on a pro rata basis if funds are insufficient), and any remaining funds are apportioned to reimburse for Other Costs, the available funds are apportioned on a pro rata basis. In addition to the risk of underfunding, should there be any changes to the free and reduced-price meal eligibility data, the amount of grant funds, which is awarded in three disbursements, may be adjusted (or a reimbursement notice provided).

Effective beginning the 2017-18 fiscal year, reimbursable costs under the SB 740 program are limited to either of the following conditions: (i) reimbursable facility rent or lease costs do not exceed the prior year’s costs on file with the Authority as of the 2016–17 fiscal year, subject to a cost-of-living adjustment; or (ii) the rent or lease costs of new facility agreements are at or below market rate based on an independent appraisal paid for by the charter school.

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The following tables describe ADA-based state funding of California charter school education for Fiscal Year 2014-15 through 2019-20:

**State Funding of Charter School Education  
Fiscal Year 2014-15  
(Dollars per unit of ADA)**

	<b>Grades</b>			
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Target LCFF Base Grant	\$7,011	\$7,116	\$7,328	\$8,490
CTE/CSR Add-ons	729	--	--	221
Lottery	<u>162</u>	<u>162</u>	<u>162</u>	<u>162</u>
Total <sup>1</sup>	\$7,902	\$7,278	\$7,490	\$8,873

<sup>1</sup> Excludes Special Education, Nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind, Class Size Reduction, Supplemental Instruction, Economic Impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

Sources: California Charter Schools Association; California Department of Education

**State Funding of Charter School Education  
Fiscal Year 2015-16  
(Dollars per unit of ADA)**

	<b>Grades</b>			
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Target LCFF Base Grant	\$7,083	\$7,189	\$7,403	\$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery <sup>2</sup>	<u>162</u>	<u>162</u>	<u>162</u>	<u>162</u>
Total <sup>1</sup>	\$7,982	\$7,351	\$7,565	\$8,962

<sup>1</sup> Excludes Special Education, Nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind, Class Size Reduction, Supplemental Instruction, Economic Impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

Sources: California Charter Schools Association; California Department of Education

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**State Funding of Charter School Education  
Fiscal Year 2016-17  
(Dollars per unit of ADA)**

	<b>Grades</b>			
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Target LCFF Base Grant	\$7,083	\$7,189	\$7,403	\$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery <sup>2</sup>	189	189	189	189
Total <sup>1</sup>	\$8,009	\$7,378	\$7,592	\$8,989

<sup>1</sup> Excludes Special Education, Nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind, Class Size Reduction, Supplemental Instruction, Economic Impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

Sources: California Charter Schools Association; California Department of Education

**State Funding of Charter School Education  
Fiscal Year 2017-18  
(Dollars per unit of ADA)**

	<b>Grades</b>			
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Target LCFF Base Grant	\$7,193	\$7,301	\$7,518	\$8,712
CTE/CSR Add-ons	748	--	--	227
Lottery <sup>2</sup>	194	194	194	194
Total <sup>1</sup>	\$8,135	\$7,495	\$7,712	\$9,133

<sup>1</sup> Excludes Special Education, Nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind, Class Size Reduction, Supplemental Instruction, Economic Impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

<sup>2</sup> Estimated.

Sources: California Charter Schools Association; California Department of Education

**State Funding of Charter School Education  
Fiscal Year 2018-19  
(Dollars per unit of ADA)**

	<b>Grades</b>			
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Target LCFF Base Grant	\$7,459	\$7,571	\$7,796	\$9,034
CTE/CSR Add-ons	776	--	--	235
Lottery <sup>2</sup>	204	204	204	204
Total <sup>1</sup>	\$8,439	\$7,775	\$8,000	\$9,473

<sup>1</sup> Excludes Special Education, Nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind, Class Size Reduction, Supplemental Instruction, Economic Impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

<sup>2</sup> Estimated.

Sources: California Charter Schools Association; California Department of Education

**State Funding of Charter School Education**  
**Fiscal Year 2019-20<sup>3</sup>**  
**(Dollars per unit of ADA)**

	<b>Grades</b>			
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Target LCFF Base Grant	\$7,702	7,818	8,050	9,329
CTE/CSR Add-ons	801	--	--	243
Lottery <sup>(2)</sup>	<u>207</u>	<u>207</u>	<u>207</u>	<u>207</u>
Total <sup>(1)</sup>	\$8,710	\$8,025	\$8,257	\$9,779

<sup>1</sup> Excludes Special Education, Nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind, Class Size Reduction, Supplemental Instruction, Economic Impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

<sup>2</sup> Estimated.

<sup>3</sup> The Fiscal Year 2019-20 funding amounts are preliminary, used for initial budgeting purposes in general.

Sources: California Charter Schools Association; California Department of Education

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## **APPENDIX C**

### **FORMS OF MASTER AND SUPPLEMENTAL TRUST INDENTURES**

*The following document displays the changes between the Amended and Restated Master Trust Indenture, dated as of August 1, 2019, among Equitable Facilities Fund, Inc., as Obligated Group Representative (the “Obligated Group Representative”), Equitable School Revolving Fund, LLC, as Initial Member of the Obligated Group (the “Member”), U.S. Bank National Association, as Master Trustee (the “Master Trustee”), and U.S. Bank National Association, as Securities Intermediary (the “Securities Intermediary”), and the Second Amended and Restated Master Trust Indenture, to be dated as of August 1, 2020 and executed on the date of issuance of the Bonds (as defined in this Official Statement), among the Obligated Group Representative, the Member, the Master Trustee, and the Securities Intermediary. Text appearing in bold and underlined format is new language in the Second Amended and Restated Master Trust Indenture that was not present in the Amended and Restated Master Trust Indenture, and text appearing in strikethrough format is language that was included in the Amended and Restated Master Trust Indenture but that is not included in the Second Amended and Restated Master Trust Indenture.*

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**SECOND AMENDED AND RESTATED**  
**MASTER TRUST INDENTURE**

among

**EQUITABLE FACILITIES FUND, INC.,**  
as Obligated Group Representative

and

**EQUITABLE SCHOOL REVOLVING FUND, LLC,**  
as Initial Member of the Obligated Group

and

**U.S. BANK NATIONAL ASSOCIATION,**  
as Master Trustee

and

**U.S. BANK NATIONAL ASSOCIATION,**  
as Securities Intermediary

Dated as of August 1, ~~2019~~**2020**

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**SECOND AMENDED AND RESTATED**  
**MASTER TRUST INDENTURE**

THIS **SECOND** AMENDED AND RESTATED MASTER TRUST INDENTURE (this “Master Indenture”), dated as of August 1, 2019~~2020~~, among EQUITABLE FACILITIES FUND, INC., a Delaware nonstock nonprofit corporation (the “Corporation” and the initial Obligated Group Representative, as more specifically defined herein), the entities listed on APPENDIX A hereto, including EQUITABLE SCHOOL REVOLVING FUND, LLC, a Delaware limited liability company (the “Initial Member”), as the same may be amended from time to time (as more particularly set forth herein, the “Members”), U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created as master trustee (the “Master Trustee”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America (the “Securities Intermediary”).

**W I T N E S S E T H:**

WHEREAS, the Corporation, the Initial Member, the Master Trustee and the Securities Intermediary have entered into that certain **Amended and Restated** Master Trust Indenture, **dated as of August 1, 2019 (the “Amended and Restated Master Indenture”), amending and restating in its entirety that certain Master Trust Indenture,** dated as of September 1, 2018 (the “Original Master Indenture”), for the purpose of providing for the issuance from time to time of obligations thereunder to provide for the financing or reimbursing for the prior financing of the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities, or for other lawful and proper corporate purposes; and

WHEREAS, on November 6, 2018, the Initial Member issued an obligation (“Obligation No. 1”) pursuant to the Original Master Indenture and a Supplemental Master Indenture with respect to Obligation No. 1 (the “2018 Supplemental Indenture”); and

**WHEREAS, on August , 2019, the Initial Member issued an obligation (“Obligation No. 2”) pursuant to the Amended and Restated Master Indenture and a Supplemental Master Indenture with respect to Obligation No. 2 (the “2019A Supplemental Indenture”); and**

**WHEREAS, on August , 2019, the Initial Member issued an obligation (“Obligation No. 3”) pursuant to the Amended and Restated Master Indenture and a Supplemental Master Indenture with respect to Obligation No. 3 (the “2019B Supplemental Indenture”); and**

WHEREAS, the Corporation and the Initial Member deem it necessary and desirable to enter into this **Second** Amended and Restated Master Trust Indenture for the purpose of amending and restating the ~~Original~~ **Amended and Restated** Master Indenture in its entirety; and

WHEREAS, ~~Obligation No. 1~~ **all Obligations previously issued by the Master Trustee** will remain outstanding, and ~~the 2018 Supplemental Indenture~~ **all Supplements thereto** will

remain in full force and effect and will constitute a ~~Related Supplement~~ Supplements hereunder, following the execution and delivery of this Master Indenture; and

WHEREAS, all acts and things necessary to constitute this Master Indenture a valid indenture and agreement according to its terms, including receipt by the Master Trustee of the consent hereto by the holder of Obligation No. 1, have been done and performed and the Corporation and the Initial Member have duly authorized the execution and delivery of this Master Indenture; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby in accordance with the terms and conditions hereof;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the obligations issued hereunder by the holders thereof, and for the purposes of fixing and declaring the terms and conditions upon which such obligations are to be issued, authenticated, delivered and accepted by all persons who shall from time to time be or become holders thereof, the Members and the Corporation covenant and agree with the Master Trustee for the equal and proportionate benefit of the respective holders from time to time of obligations issued hereunder, and the Original Master Indenture is amended and restated in its entirety, as follows:

## ARTICLE I

### DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Master Indenture and of any supplemental indenture issued hereafter and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, equally applicable to both singular and plural forms of any of the terms herein defined.

“Accountant” means any firm of independent certified public accountants selected by the Obligated Group Representative.

“Additional Indebtedness” means any Indebtedness (including all Obligations) incurred subsequent to the execution and delivery of this Master Indenture.

“Administrative Fees” means the items of expense to be paid or reimbursed by any Member related to this Master Indenture and any Related Bonds Indenture, which items of expense shall include, but not be limited to, fees and charges for the authorization, issuance, execution, delivery, transportation and safekeeping of Obligations and Related Bonds, fees and charges of the Master Trustee and any Related Bonds Trustee, legal fees and charges, professional consultant fees, costs of credit ratings, loan origination and loan servicing fees, debt obligation underwriting and debt obligation issuance fees, and other costs, charges and fees in connection with the foregoing or as otherwise identified in a written direction of the Obligated Group Representative delivered to the Master Trustee pursuant to Section 4.02 hereof; provided however, that Administrative Fees shall not include the payment of any amount arising under indemnification

provisions of any contract with any Person pursuant to which such costs, charges or fees are payable.

“Affiliate” means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof, directly controlled by or under common control with a Member or any other Affiliate. For purposes of this definition, “control” means the power to direct the management and policies of a Person through the ownership of at least a majority of its voting securities, or the right to designate or elect at least a majority of the members of its board of directors by contract or otherwise.

“Authorized Representative” means with respect to each Member and the Obligated Group Representative, the chair (or president) of its Governing Body, its chief executive officer or its chief financial officer or any other person designated as an Authorized Representative of such Member or the Obligated Group Representative by a Certificate of such Member or the Obligated Group Representative, signed by the chair (or president) of its Governing Body or its chief executive officer or chief financial officer and filed with the Master Trustee.

“Balloon Indebtedness” means Long-Term Indebtedness 25% or more of the principal of which becomes due (either by maturity or mandatory redemption) during any period of twelve (12) consecutive months, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date.

“Bond Counsel” means counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Obligated Group Representative.

“Bond Proceeds” means the proceeds of the sale of Related Bonds.

“Business Day” means any day other than a Saturday, a Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to be closed.

“Certificate,” “Statement,” “Request,” “Consent” or “Order” of any Member or of the Master Trustee means, respectively, a written certificate, statement, request, consent or order signed in the name of such Member by its respective Authorized Representative or in the name of the Master Trustee by its Responsible Officer. Any such instrument and supporting opinions or certificates, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or certificate and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.04 hereof, each such instrument shall include the statements provided for in Section 1.04.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contribution Account” means the account by that name established pursuant to Section 3.01 hereof.

“Contributions” means gifts, grants, bequests, donations and contributions made to or for the benefit of the Obligated Group Representative or any Member and specifically restricted by the

donor for the purposes for which amounts on deposit in the Loan Program Fund may be applied, which amounts shall be designated as such in an Officer's Certificate upon the delivery thereof to the Master Trustee.

**"Controlling Party" means (a) so long as any Senior Obligations are Outstanding, the Holders of at least a majority of the aggregate Principal Amount of the Senior Obligations then Outstanding; (b) while any Subordinate Obligations are Outstanding and no Senior Obligations are Outstanding, the Holders of at least a majority of the aggregate Principal Amount of the Subordinate Obligations, and (c) while any Second Subordinate Obligations are Outstanding and no Senior Obligations or Subordinate Obligations are Outstanding, the Holders of at least a majority of the aggregate Principal Amount of Second Subordinate Obligations then Outstanding.**

"Corporation" means Equitable Facilities Fund, Inc., a Delaware nonstock nonprofit corporation, and its successors and assigns.

"Costs of Issuance" means the items of expense related to the execution and delivery of any Related Loan Agreement, the authorization, sale and issuance of any Related Bonds and the investment of the proceeds of such Related Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of any bond trustee, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Related Bonds, costs and expenses of refunding Related Bonds, and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established pursuant to Section ~~4.07~~**4.08** hereof.

"Credit Rating Report" means an internal credit rating assigned by the Obligated Group Representative, ranging from one (1) to five (5) stars, based on the Obligated Group Representative's credit rating methodology and the underlying report prepared by the Obligated Group Representative describing the credit analysis performed to render such rating.

"Custodial Account" means the account by that name established pursuant to Section ~~4.08~~**4.09** hereof.

"Debt Service Coverage Ratio" means:

**(a) for purposes of Section 5.02(a) and for purposes of any Sufficiency Certificate delivered while any Senior Obligations remain Outstanding, the fraction calculated by dividing (i) the total amount of Pledged Revenues received during the most recent Fiscal Year, as shown on the audited financial statements of the Members for such Fiscal Year, by (ii) the total amount of Required Payments with respect to all Senior Obligations payable during such Fiscal Year;**

**(b) for purposes of Section 5.02(b) and for purposes of any Sufficiency Certificate delivered while any Subordinate Obligations are Outstanding and all Senior Obligations are no longer Outstanding, the fraction calculated by dividing (i) the total amount of Pledged**

**Revenues received during the most recent Fiscal Year, as shown on the audited financial statements of the Members for such Fiscal Year, by (ii) the total amount of Required Payments with respect to all Senior Obligations and all Subordinate Obligations payable during such Fiscal Year; and**

**(c) for purposes of Section 5.02(c) and for purposes of any Sufficiency Certificate delivered while any Second Subordinate Obligations are Outstanding and all Senior Obligations and Subordinate Obligations are no longer Outstanding,** the fraction calculated by dividing (i) the total amount of Pledged Revenues received during the most recent Fiscal Year, as shown on the audited financial statements of the Members for such Fiscal Year, by (ii) the total amount of Required Payments **with respect to all Obligations** payable during such Fiscal Year.

“Debt Service Requirement” means, for any Fiscal Year for which such determination is made, the aggregate of the scheduled payments to be made with respect to principal (or mandatory sinking fund or installment purchase price or lease rental or similar payments) and interest on Outstanding Long-Term Indebtedness of the Members during such period, taking into account, at the option of the Obligated Group Representative, the following:

(a) With respect to Indebtedness represented by a Guaranty of obligations of a Person, as long as any such Guaranty is a contingent liability under generally accepted accounting principles, the principal and interest deemed payable with respect to such Guaranty shall be deemed to be the lowest percentage of debt service requirements set forth immediately following this paragraph (determined after giving effect to any other paragraph of this definition at the election of the Obligated Group Representative), if the debt service coverage ratio (determined in a manner as nearly as practicable to the determination of the Debt Service Requirement hereunder) of the Person primarily obligated on the obligations effectively guaranteed by such Guaranty for the immediately preceding Fiscal Year, or any other 12-month period ending within 180 days prior to the date of calculation, shall be greater than the amount specified opposite such percentage below:

<u>Debt Service Coverage Ratio of Accommodated Person</u>	<u>Percentage of Debt Service Requirements</u>
1.35	25%
1.1	50%
Less than 1.1	100%

If any such Guaranty becomes a noncontingent liability but thereafter becomes a contingent liability, during the period such Guaranty is a noncontingent liability and for two years after such Guaranty becomes a contingent liability, 100% of the annual debt service on the indebtedness being guaranteed shall be added to the computation of the Debt Service Requirement.

(b) With respect to Balloon Indebtedness, the amount of principal and interest deemed payable during such period shall be determined as if such Balloon Indebtedness were being repaid in substantially equal annual installments of principal and interest over a term over which the Members could reasonably be expected to borrow, not to exceed thirty-five (35) years from the date of incurrence of such Balloon Indebtedness, and bearing interest at an interest rate (determined as of the date of calculation of the Debt Service Requirement) equal to the rate at which the Members could reasonably be expected to borrow for such term, by issuing Indebtedness, all as set forth in an Officer's Certificate accompanied by a letter of a banking or investment banking institution knowledgeable in matters of ~~charter school facility~~ **municipal** finance, confirming that the borrowing term and interest rate assumptions set forth in such statement comply with the requirements of this subsection.

(c) With respect to Variable Rate Indebtedness, if the actual interest rate on such Variable Rate Indebtedness cannot be determined for the period for which the Debt Service Requirement is being calculated, the amount of interest deemed payable during such period on such Variable Rate Indebtedness shall be assumed to be equal to the average interest rate per annum which was in effect for any twelve (12) consecutive calendar months specified in an Officer's Certificate during the eighteen (18) calendar months immediately preceding the date of calculation of the Debt Service Requirement (or, if such Variable Rate Indebtedness was not Outstanding during such eighteen-month period, the average interest rate per annum which would have been in effect).

(d) With respect to Indebtedness payable from an Irrevocable Deposit, the amount of principal or interest taken into account during such period shall be assumed to equal only the principal or interest not payable from such Irrevocable Deposit and the investment income from such funds.

(e) With respect to Long-Term Indebtedness incurred to finance or refinance the ~~construction~~ **origination or acquisition** of ~~capital improvements~~ **School Loans**, principal and interest with respect to such Long-Term Indebtedness shall be excluded from the determination of the Debt Service Requirement but only in proportion to the amount of principal and interest on such Long-Term Indebtedness which is payable in the then current Fiscal Year from the proceeds of such Long-Term Indebtedness.

(f) With respect to Long-Term Indebtedness with respect to which a Financial Products Agreement has been entered into by a Member, interest on such Long-Term Indebtedness shall be included in the determination of the Debt Service Requirement by including for each Fiscal Year an amount equal to the amount of interest payable on such Long-Term Indebtedness in such Fiscal Year at the rate or rates stated in such Long-Term Indebtedness plus any Financial Product Payments payable in such Fiscal Year minus any Financial Products Receipts receivable in such Fiscal Year; provided that in no event shall any calculation made pursuant to this subsection result in an amount less than zero being included in the determination of the Debt Service Requirement; and provided, further, that if the actual interest rate on such Long-Term Indebtedness or the actual amount of Financial Product Payments or Financial Products Receipts cannot be determined for the period for which the Debt Service Requirement is being calculated, then the amount of



interest deemed payable during such period on such Long-Term Indebtedness shall be determined by applying the average interest rate per annum which was in effect or the average Financial Product Payments which would have been paid, or the average Financial Products Receipts which would have been received, as the case may be, for any twelve (12) consecutive calendar months specified in an Officer's Certificate during the eighteen (18) calendar months immediately preceding the date of calculation of the Debt Service Requirement (or, if such Long-Term Indebtedness was not Outstanding during such eighteen month period, the average rate which would have been in effect).

"Debt Service Reserve Fund" means the fund by that name established pursuant to Section 4.06 hereof.

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

"Event of Default" means any of the events specified in Section 6.01 hereof.

"Excess Revenue Fund" means the fund by that name established pursuant to Section 4.03 hereof.

"Excess Revenue Requirement" means, initially, zero dollars (\$0), as such amount may be increased or decreased, each as set forth in a Related Supplement; provided, however, that any decrease thereto shall be accompanied by a Sufficiency Certificate delivered to the Master Trustee.

"Financial Products Agreement" means an interest rate swap, cap, collar, option, floor, forward or other hedging agreement or arrangement identified to the Master Trustee in a Related Supplement or otherwise in an Officer's Certificate as having been entered into by or assigned to a Member with a Qualified Provider not for speculative or investment purposes but for the purpose of (1) reducing or otherwise managing the Member's risk of interest rate changes or (2) effectively converting the Member's interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

"Financial Products Payments" means payments required to be paid to a counterparty by a Member pursuant to a Financial Products Agreement, as the same may be further identified in a Related Supplement.

"Financial Products Receipts" means amounts required to be paid to a Member by a counterparty pursuant to a Financial Products Agreement, as the same may be further identified in a Related Supplement.

"Fiscal Year" means that period adopted by the Obligated Group Representative as the annual accounting period for the Members. The Fiscal Year is initially the twelve month period commencing on July 1 and ending on June 30 in each year.

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any

other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Governing Body” means, when used with respect to any Member or the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals in which all of the powers of such Person are vested except for those powers reserved to the corporate membership thereof by the articles of incorporation, bylaws or other organizational documents of such Person.

“Government Obligations” means direct obligations of the United States of America or obligations which as to full and timely payment of principal and interest constitute full faith and credit obligations of the United States of America (excluding therefrom unit investment trusts and money market funds comprised of such securities).

“Governmental Issuer” means any municipal corporation, political subdivision, state, territory or possession of the United States, or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, which obligations constitute Related Bonds.

“Guaranty” means all loan commitments and all obligations of any Member guaranteeing in any manner whatever, whether directly or indirectly, any obligation of any other Person that would, if such other Person were a Member, constitute Indebtedness.

“Holder” means the registered owner of any Obligation in registered form or the bearer of any Obligation in coupon form that is not registered or is registered to bearer.

“Indebtedness” means all obligations for borrowed money, installment sales and capitalized lease obligations, incurred or assumed by a Member (other than Indebtedness of one Member to another Member or the Guaranty by any Member of Indebtedness of any other Member), including Guaranties, Long-Term Indebtedness, Short-Term Indebtedness or any other obligation for payments of principal and interest with respect to money borrowed; provided, however, that if more than one Member shall have incurred or assumed a Guaranty of a Person other than a Member, or if more than one Member shall be obligated to pay any obligation, for purposes of any computations or calculations hereunder such Guaranty or obligation shall be included only one time.

“Independent Consultant” means a Person that (1) does not have any direct financial interest or any material indirect financial interest in any Member or any Affiliate and (2) is not connected with any Member or any Affiliate as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Obligated Group Representative, qualified to pass upon questions relating to the financial affairs of the Members and having a favorable reputation for skill and experience.

“Initial Member” means Equitable School Revolving Fund, LLC, a Delaware limited liability company.

“Irrevocable Deposit” means the irrevocable deposit in trust with any trustee or escrow agent authorized to act in such capacity of cash in an amount or Government Obligations the

principal of and interest on which will be an amount, and under the terms sufficient to pay all or a portion of the principal of and/or premium, if any, and interest on, as the same shall become due, any Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit may be the Master Trustee or any other trustee authorized to act in such capacity.

“Loan Origination Fund” means the fund by that name established pursuant to Section 4.05 hereof.

“Loan Pool Leverage Ratio” means, as of any date, the fraction calculated by dividing (i) the total amount of all Pledged Assets (taking into account for purposes of such calculation the principal amount of all School Loans owned by the Members and the balances of all funds and accounts pledged under this Master Indenture and any Related Bond Indenture) by (ii) the principal amount of all Related Bonds Outstanding.

“Loan Program Fund Disbursement Conditions” means approval of a loan or a purchase of debt obligations by a Member based upon and consistent with the recommendation of a Credit Rating Report, or such other conditions as may be set forth in a Related Supplement.

“Loan Program Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Long-Term Indebtedness” means Indebtedness having an original maturity greater than one year or renewable at the option of a Member for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least twenty (20) consecutive days during each calendar year.

“Master Mortgage Loan Sale Agreement” means the Master Mortgage Loan Sale Agreement, dated as of September 1, 2018, by and between the Initial Member, as purchaser thereunder, and the Obligated Group Representative, as seller thereunder, as the same may from time to time be supplemented, modified or amended in accordance with the terms thereof

“Master Indenture” means this instrument as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms hereof.

“Master Trustee” means U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America and, subject to the limitations contained in Section 7.07, any other corporation or association which may be co-trustee with U.S. Bank National Association and any successor or successors to said trustee or co-trustee in the trusts created hereunder.

“Member” means each signatory to this Master Indenture (excluding the Master Trustee and the Obligated Group Representative) listed on APPENDIX A hereto, as the same may be amended from time to time, and, together with each other Person which is obligated hereunder to the extent and in accordance with the provisions of Section 5.05 or 5.06 hereof, from and after the date upon which such Person joins the Obligated Group, but excluding any Member which withdraws from the Obligated Group to the extent and in accordance with the provisions of Section

5.07 hereof, from and after the date of such withdrawal. The Obligated Group Representative is not a Member.

“Member Document” means any loan agreement that any Member is a party to, including any Related Loan Agreement, and each School Loan Agreement, and the Mortgages.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Mortgages” means any mortgage, including leasehold deed of trust, deed of trust, security agreement, assignment of rents and leases, and/or financing statement encumbering Property, Plant and Equipment granted by a School in connection with any School Loan Agreement.

“Obligated Group” means all Members, which does not include the Obligated Group Representative.

“Obligated Group Representative” means the Corporation or such other Person as may be designated to act as Obligated Group Representative hereunder pursuant to written notice to the Master Trustee executed by all of the Members. The Obligated Group Representative is not a Member.

“Obligation” means any obligation of the Obligated Group issued hereunder, which shall be in the form set forth in a Related Supplement, including, but not limited to, bonds, obligations, debentures, reimbursement agreements, Financial Products Agreements, loan agreements or leases. Reference to a Series of Obligations or to Obligations of a Series means Obligations or Series of Obligations issued pursuant to a single Related Supplement, unless otherwise specified in the Related Supplement.

“Officer’s Certificate” means a Certificate signed by the Authorized Representative of the Obligated Group Representative or a Member, as applicable.

“Opinion of Bond Counsel” means a written opinion signed by an attorney or firm of attorneys experienced in the field of public finance whose opinions are generally accepted by purchasers of bonds issued by or on behalf of a Governmental Issuer.

“Opinion of Counsel” means a written opinion signed by an attorney or firm of attorneys who may be counsel for the Obligated Group Representative.

“Outstanding,” when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness or Obligations theretofore issued or incurred and not paid and discharged other than (a) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (b) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of a Related Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a protected purchaser, (c) any

Obligation held by any Member, and (d) Indebtedness deemed paid and no longer outstanding pursuant to the terms thereof; provided, however, that if two or more obligations which constitute Indebtedness represent the same underlying obligation (as when an Obligation secures an issue of Related Bonds and another Obligation secures repayment obligations to a bank under a letter of credit which secures such Related Bonds) for purposes of the various financial covenants contained herein, but only for such purposes, only one of such Obligations shall be deemed Outstanding and the Obligation so deemed to be Outstanding shall be that Obligation which produces the greater amount of Pledged Loan Payments to be included in the calculation of such covenants.

“Permitted Investments” shall mean, unless otherwise provided in a Related Supplement, any of the following: (a) negotiable instruments or securities represented by instruments in bearer or registered or in book-entry form which evidence (i) obligations fully guaranteed by the United States of America; (ii) obligations of any agency of the United States of America; (iii) time deposits in, or bankers acceptances issued by, any depository institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by Federal or state banking or depository institution authorities; provided, however, that at the time of investment or contractual commitment to invest therein, the certificates of deposit or short-term deposits, if any, or long-term unsecured debt obligations (other than such obligation whose rating is based on collateral or on the credit of a Person other than such institution or trust company) of such depository institution or trust company shall have a credit rating from Moody’s and S&P of at least “P-1” and “A-1,” respectively, in the case of the certificates of deposit or short-term deposits, or a rating not lower than one of the two highest investment categories granted by Moody’s and by S&P; (iv) certificates of deposit having, at the time of investment or contractual commitment to invest therein, a rating from Moody’s and S&P of at least “P-1” and “A-1,” respectively; or (v) investments in money market funds (including those owned or managed by the Master Trustee) rated in the highest investment category or otherwise approved in writing by Moody’s and S&P; (b) demand deposits and cash escrows in any depository institution or trust company (including those owned or managed by the Master Trustee) referred to in (a)(iii) above; (c) commercial paper (having original or remaining maturities of no more than 30 days) having, at the time of investment or contractual commitment to invest therein, a credit rating from Moody’s and S&P of at least “P-1” and “A-1,” respectively; (d) Eurodollar time deposits having a credit rating from Moody’s and S&P of at least “P-1” and “A-1,” respectively; (e) repurchase agreements involving any of the Permitted Investments described in clauses (a)(i), (a)(iv) and (d) of this definition so long as the other party to the repurchase agreement has at the time of investment therein, a rating from Moody’s and S&P of at least “P-1” and “A-1,” respectively; and (f) any other investment permitted by such Related Supplement and which satisfies any Rating Agency conditions.

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledged Assets” means all School Loan Agreements (including, without limitation, all rights to payment thereunder), all Pledged Revenues, the Mortgages securing the School Loans originated by the Program Administrator, purchased by the Revolving Fund and assigned to the Master Trustee, each fund or account (other than the Loan Program Fund and any account within

said fund and any other fund or account created and excluded pursuant to a Related Supplement executed after the date hereof) established under this Master Indenture, all financial assets, instruments, money and other property credited to or on deposit in any such fund or account, and the proceeds thereof.

“Pledged Loan Payments” means the payments required to be made by each School or any guarantor therefor pursuant to each School Loan Agreement, including the payment of the principal of and interest on loans or other debt obligations thereunder.

“Pledged Revenues” means all revenues, income, receipts and money received by or on behalf of the Members from all lawfully available sources, including (a) Pledged Loan Payments; (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor thereof to a particular purpose inconsistent with their use for the payment of Required Payments; (c) proceeds derived from (i) accounts receivable, (ii) securities and other investments, (iii) inventory and other tangible and intangible property, and (iv) contract rights and other rights and assets now or hereafter owned by each Member; (d) rentals received from the lease of space; and (e) investment earnings on and other income from amounts held in the Revenue Fund; provided, however, that Pledged Revenues shall not include (1) income derived from Defeasance Obligations that are irrevocably deposited in escrow to pay the principal of or interest on any defeased Obligations; (2) any gains or losses resulting from 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; (3) net unrealized gain (losses) on investments and Financial Products Agreements; (4) proceeds of borrowing (5) net amounts received in connection with the termination or unwinding of Financial Products Agreements; and (6) income derived from, or accounts receivable for, repayment to any Member of loans made by any other Member or Members.

“Projected Debt Service Coverage Ratio” means, for any future period, the projected Debt Service Coverage Ratio; provided, however, that for purposes of the issuance of Indebtedness, the Obligated Group Representative may consider all expected Pledged Revenues from the issuance of such Indebtedness including at the time of issuance and any and all moneys held in the funds or accounts of this Master Indenture, except moneys held in the Loan Program Fund or any other account excluded from the pledge of this Master Indenture pursuant to a Related Supplement.

“Principal Amount” means, with respect to an Obligation, the principal amount of such Obligation; provided that, for any Obligation issued in connection with a Financial Products Agreement, the net amount payable (if any) following the designation of an early termination date thereunder and the determination of the early termination or unwind amount in accordance with such Financial Products Agreement.

“Principal Corporate Trust Office” means for the Master Trustee originally appointed hereunder, 100 Wall Street, 6th Floor, New York, New York 10005.

“Property” means any and all right, title and interest in and to any and all property subject to any Mortgage whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” means all Property of a School that is considered property, plant and equipment of such School under generally accepted accounting principles other than such School’s interests in the real property, fixtures and equipment identified in the Related Supplement.

“Qualified Provider” means any major financial institution or insurance company domiciled in the United States or having a branch or office in the United States and which is a counterparty 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 three highest Rating Categories of a national rating agency at the time of the execution and delivery of the Financial Products Agreement.

“Rating Agency” means, as at any time, any nationally recognized rating agency including Fitch, Moody’s, or S&P, then rating Related Bonds at the request of the Obligated Group Representative.

“Rating Confirmation” shall mean, with respect to a proposed action, a written confirmation from each Rating Agency then rating this Master Indenture and any Related Bonds of the Obligated Group to the effect that such action will not, in and of itself, cause such Rating Agency to lower, suspend or withdraw the rating then assigned by such Rating Agency to this Master Indenture and any Related Bonds of the Obligated Group; provided, however, that for so long as no rating has been assigned to this Master Indenture, and unless otherwise provided in a Related Supplement, “Rating Confirmation” shall mean a written instrument from the Obligated Group Representative with respect to such proposed action.

“Reimbursement Account” means the account by that name established pursuant to Section 3.01 hereof.

“Related Bond Indenture” means any indenture, trust agreement, bond resolution or other comparable instrument pursuant to which a series of Related Bonds are issued.

“Related Bonds” means the revenue bonds or other obligations issued by any Governmental Issuer or financial institution, pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to a Member or Members in consideration of the execution, authentication and delivery of an Obligation or Obligations to or for the order of such Governmental Issuer.

**“Related Second Subordinate Bonds” means any Related Bonds designated under the applicable Related Bond Indenture as “Second Subordinate Bonds”, being payable on a basis subordinate to any Senior Bonds and Subordinate Bonds pursuant to such Related Bond Indenture.**

“Related Loan Agreement” means any loan agreement, financing agreement or other comparable instrument pursuant to which a Member incurs Indebtedness.

“Related Reserve Account Requirement” means, with respect to any Outstanding Obligation, the amount set forth in a Related Supplement.

**“Related Senior Bonds” means any Related Bonds designated under the applicable Related Bond Indenture as “Senior Bonds”, being payable on a first priority basis pursuant to such Related Bond Indenture.**

**“Related Subordinate Bonds” means any Related Bonds designated under the applicable Related Bond Indenture as “Subordinate Bonds”, being payable on a basis subordinate to any Senior Bonds pursuant to such Related Bond Indenture.**

“Related Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

“Required Payment” means any payment required to be made by any Member under this Master Indenture, any Related Supplement or any Obligation, including (i) any payment of principal or interest, whether regularly scheduled or due at maturity, by acceleration, upon proceeding for redemption or otherwise, (ii) net scheduled and partial or full early termination or unwind payments due under any Financial Products Agreement and (iii) the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture.

“Reserve Account Requirement” means, as of any date of calculation, the aggregate of all Related Reserve Account Requirements; provided, however, that any decrease thereto shall be accompanied by a Sufficiency Certificate and a Rating Confirmation delivered to the Master Trustee.

“Responsible Officer” means, with respect to the Master Trustee, any person who at the time and from time to time may be designated, by written certificate, as a person authorized to act on behalf of the Master Trustee. Such certificate shall contain the specimen signature of such person(s) and shall be signed on behalf of the Master Trustee by any officer of the Master Trustee and may designate an alternate or alternates.

“Revenue Fund” means the fund by that name established pursuant to Section 4.02 hereof.

“S&P” means S&P Global Ratings, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

**“Second Subordinate Obligations” means any Obligations securing Related Second Subordinate Bonds and so designated pursuant to a Related Supplement.**

“School” means individually, and “Schools” means collectively, each public charter school or affiliated entity that is a party to a School Loan Agreement.



“School Loan” means each loan, bond or other direct or indirect obligation of a School owned by the Members and originated or acquired from disbursements from the Loan Program Fund or the Loan Origination Fund, or disbursements of Bond Proceeds.

“School Loan Agreement” means any loan agreement, financing agreement, debt obligation or other comparable instrument (and related collateral and security agreements) entered into, or acquired, by a Member to provide a School Loan.

**“Senior Obligations” means any Obligations securing Related Senior Bonds and so designated pursuant to a Related Supplement.**

“Securities Intermediary” has the meaning set forth in Section 4.104.11 hereof.

“Short-Term Indebtedness” means all Indebtedness having an original maturity less than or equal to one year and not renewable at the option of a Member for a term greater than one year from the date of original incurrence or issuance unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least twenty (20) consecutive days during each Fiscal Year.

“Subordinated Indebtedness” means any Indebtedness that is subordinate in priority of payment, and secured on a junior basis, to any Senior Obligation, and the provisions with respect to which are set forth in a Related Supplement, **including Subordinate Obligations and Second Subordinate Obligations.**

**“Subordinate Obligations” means any Obligations securing Related Subordinate Bonds and so designated pursuant to a Related Supplement.**

**“Subordinate Obligations Fund” means the fund by that name established pursuant to Section 4.07 hereof.**

“Sufficiency Certificate” means, with respect to a proposed action requiring the delivery of the same to the Master Trustee, a Certificate of an Authorized Representative of the Obligated Group Representative stating that, after giving effect to such action, (i) the Projected Debt Service Coverage Ratio will not be less than 1.15:1.00, and (ii) the Loan Pool Leverage Ratio will not be less than 1.20:1:00.

“Surplus Fund” means the fund by that name established pursuant to Section 4.04 hereof.

“Tax-Exempt Bonds” means any Related Bonds interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code.

“Variable Rate Indebtedness” means Indebtedness the interest on which is payable pursuant to a variable interest rate formula or other determination method rather than at a fixed rate of interest per annum to maturity.

Section 1.02. Interpretation.

(a) Any reference herein to any officer of a Member shall include those succeeding to his or her functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing his or her functions.

(b) Unless the context otherwise indicates, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The singular shall include the plural and vice versa.

(c) All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied, except as otherwise stated herein. If any change in accounting principles from those used in the preparation of the financial statements of the Members results from the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, or other authoritative bodies that determine generally accepted accounting principles (or successors thereto or agencies with similar functions) and such change results in a change in the accounting terms used in this Master Indenture, the accounting terms used herein shall be modified to reflect such change in accounting principles so that the criteria for evaluating the Member's financial condition shall be the same after such change as if such change had not been made. Any such modification shall be described in an Officer's Certificate filed with the Master Trustee, which shall contain a certification to the effect that (i) such modifications are occasioned by such a change in accounting principles and (ii) such modifications will not have a materially adverse effect on the Obligation Holders or result in materially different criteria for evaluating the Members' financial condition.

(d) Headings of Articles and Sections herein and the table of contents hereto are solely for convenience of reference, and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

Section 1.03. References to Master Indenture. The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, used in this Master Indenture refer to this Master Indenture.

Section 1.04. Contents of Certificates and Opinions. Every Certificate or opinion provided for herein by a Member or the Obligated Group Representative with respect to compliance with any provision hereof shall include: (i) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (ii) a brief statement as to the nature and the scope of the examination or investigation upon which the certificate or opinion is based; (iii) a statement that, in the opinion of such Person, he or she has made, or caused to be made, such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; and (iv) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such Certificate or opinion made or given by an officer of a Member or the Master Trustee may be based, insofar as it relates to legal, accounting or school management matters, upon a Certificate or opinion or representation of counsel, an Accountant or Independent Consultant unless such officer knows, or in the exercise of reasonable care should have known,

that the Certificate, opinion or representation with respect to the matters upon which such Certificate or opinion may be based, as aforesaid, is erroneous. Any such Certificate, opinion or representation made or given by counsel, an Accountant, or an Independent Consultant, may be based, insofar as it relates to factual matters (with respect to which information is in the possession of any Member), upon the Certificate or opinion of, or representation by an officer of any Member unless such counsel, Accountant or Independent Consultant knows, or in the exercise or reasonable care should have known, that the Certificate, opinion of or representation by such officer, with respect to the factual matters upon which such Person's Certificate or opinion may be based, as aforesaid, is erroneous. The same officer of any Member or the same counsel or Accountant or Independent Consultant, as the case may be, need not certify as to all the matters required to be certified under any provision hereof, but different officers, counsel, Accountants or Independent Consultants may certify as to different matters, respectively.

## ARTICLE II

### AUTHORIZATION, ISSUANCE AND FORM OF OBLIGATIONS

Section 2.01. Authorization of Obligations. Each Member hereby authorizes to be issued from time to time Obligations or Series of Obligations, without limitation as to amount, except as provided herein or as may be limited by law, and subject to the terms, conditions and limitations established herein and in any Related Supplement.

Section 2.02. Authorization for Issuance of Obligations in Series. From time to time when authorized by this Master Indenture and subject to the terms, conditions and limitations established in this Master Indenture, a Member may authorize the issuance of an Obligation or a Series of Obligations by entering into a Related Supplement. The Obligation or the Obligations of any such Series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions hereof and of any Related Supplement.

Each Related Supplement authorizing the issuance of an Obligation or a Series of Obligations shall specify and determine the Principal Amount of such Obligation or Series of Obligations, the purposes for which such Obligation or Series of Obligations are being issued, **the lien priority of the Obligation as a Senior Obligation, Subordinate Obligation or Second Subordinate Obligation,** the form, title, designation, and the manner of numbering or denominations, if applicable, of such Obligations, the date or dates of maturity or other final expiration of the term of such Obligations, the date of issuance of such Obligations, and any other provisions deemed advisable or necessary by the applicable Member.

Section 2.03. Execution and Authentication of Obligations. (a) All Obligations shall be executed by the Authorized Representative of the applicable Member as provided in the Related Supplement authorizing such Obligation. The signature of such officer may be mechanically or photographically reproduced on the Obligations. If any officer whose signature appears on any Obligation ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Each Obligation shall be manually authenticated by a Responsible Officer of the Master Trustee, without which authentication no Obligation shall be entitled to the benefits hereof.

(b) The form of Certificate of Authentication to be printed on each Obligation and manually executed by a Responsible Officer of the Master Trustee shall be as follows:

[FORM OF MASTER TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

The undersigned Master Trustee hereby certifies that this Obligation No. \_\_\_\_\_ is one of the Obligations described in the within-mentioned Master Indenture.

Dated: \_\_\_\_\_ U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee

By \_\_\_\_\_  
Responsible Officer

Section 2.04. Conditions to the Issuance of Obligations. The issuance, authentication and delivery of any Obligation or Series of Obligations shall be subject to the following specific conditions:

(a) The applicable Member and the Master Trustee shall have entered into a Related Supplement providing for the terms and conditions of such Obligation and the repayment thereof, **including the designation of such Obligation as a Senior Obligation, Subordinate Obligation or Second Subordinate Obligation.**

(b) The Master Trustee shall have received an Officer's Certificate to the effect that each Member shall be in full compliance with all warranties, covenants and agreements set forth in this Master Indenture and in any Related Supplement.

(c) The Master Trustee shall have received an Officer's Certificate to the effect that neither an Event of Default nor any event which with the passage of time or the giving of notice or both would become an Event of Default has occurred and is then outstanding or would occur upon issuance of such Obligation or is continuing under this Master Indenture or any Related Supplement.

(d) The Master Trustee shall have received an Officer's Certificate to the effect that all requirements and conditions to the issuance of such Obligation set forth herein and in the Related Supplement shall have been complied with and satisfied.

(e) The Master Trustee shall have received an Opinion of Counsel to the effect that: (1) such Obligation and Related Supplement have been duly authorized, executed and delivered by the applicable Member on behalf of the Obligated Group and constitute valid and binding obligations of the Obligated Group, enforceable in accordance with their terms; and (2) such Obligation is not subject to registration under the Securities Act of 1933, as amended, and such Related Supplement is not subject to registration under the Trust Indenture Act of 1939, as amended (or that such registration, if required has occurred).

(f) The Master Trustee shall have received ~~a Sufficiency Certificate~~ **evidence that the requirements of Section 5.02 have been satisfied.**

## ARTICLE III

### LOAN PROGRAM FUND

#### Section 3.01. Loan Program Fund.

(a) The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the “Loan Program Fund,” and within said fund separate accounts designated as the “Contribution Account” and the “Reimbursement Account,” and any other separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and accounts as set forth in this Section 3.01.

(b) All amounts at any time deposited in the Loan Program Fund or any account therein shall be held by the Master Trustee in trust solely for the benefit of the applicable Member. None of the Corporation, any other Member or any Holder shall have any rights in or claim to such amounts.

(c) The Master Trustee shall deposit into the Contribution Account of the Loan Program Fund, as and when such amounts are received, (i) all Contributions, (ii) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (iii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.

(d) The Master Trustee shall deposit into the Reimbursement Account of the Loan Program Fund, as and when such amounts are received, (i) all Bond Proceeds delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein and (ii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.

(e) Investment earnings on amounts on deposit in any account within the Loan Program Fund shall be retained in such account.

(f) At the written direction of the Obligated Group Representative, the Master Trustee shall transfer from the account within the Loan Program Fund set forth in such written direction the amount set forth in such written direction (i) to the Debt Service Reserve Fund, (ii) provided that such written direction includes confirmation that the applicable Loan Program Fund Disbursement Conditions have been satisfied, to the Person or Persons set forth in such written direction for the purpose of purchasing or originating all or a portion of a loan or purchasing debt obligations pursuant to a School Loan Agreement, (iii) to the Obligated Group Representative to pay the purchase price for any School Loan Agreement pursuant to the Master Mortgage Loan Sale Agreement, (iv) with respect to amounts allocable to a Contribution, to the Person or Persons set forth in such written direction for any other purpose permitted under the agreement governing such Contribution and set forth in such written direction, or (v) from the Reimbursement Account only, to the Revenue Fund, to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference.

## ARTICLE IV

### PLEDGE; PLEDGED FUNDS; INVESTMENTS; SECURITIES INTERMEDIARY; CUSTODIAL ACCOUNT

#### Section 4.01. Pledge.

(a) To secure the payment of Required Payments and the performance by the Members of their other obligations under this Master Indenture, and 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, each Member hereby pledges and grants a security interest to the Master Trustee in, all of its right, title and interest, whether now owned or hereafter acquired, in, to and under the Pledged Assets.

(b) The applicable Member shall authorize, and the Obligated Group Representative shall cause to be filed, Uniform Commercial Code financing statements and shall execute and cause to be sent to the Master Trustee a notice of the security interest granted hereunder. The applicable Member shall execute and deliver such other documents (including, but not limited to, control agreements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof. The Obligated Group Representative shall file all necessary continuation statements with respect to Uniform Commercial Code financing statements. Notwithstanding anything to the contrary contained herein, neither the Master Trustee nor any other Person (other than the Obligated Group Representative) shall be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection or priority of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications, amendments or continuations to the initial filings required by Article 9 of the Uniform Commercial Code.

(c) Notwithstanding anything to the contrary contained herein, upon receipt by the Master Trustee of an Officer's Certificate directing the same and a Sufficiency Certificate with respect thereto, any loan originated pursuant to a School Loan Agreement, and the Pledged Loan Payments due thereunder, (i) shall be exempted from the pledge hereof and any security interest created hereunder, and (ii) shall be released from the pledge hereof and any security interest created hereunder; provided that, for any School Loan Agreement exempted and released under this paragraph (c) the principal payments Outstanding for which constitute greater than five percent (5%) of all Pledged Assets (as reasonably determined by the Obligated Group Representative and evidenced by an Officer's Certificate), the Master Trustee shall also receive a Rating Confirmation.

#### Section 4.02. Revenue Fund.

(a) The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the "Revenue Fund," and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and any such accounts as set forth in this Section 4.02.

(b) The Master Trustee shall deposit into the Revenue Fund, as and when such amounts are received, (i) all Pledged Revenues, including all Pledged Loan Payments, (ii) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (iii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.

(c) The Master Trustee shall use and withdraw amounts in the Revenue Fund from time to time and apply such amounts ~~(1)~~;

(1) first, to the payment of the Master Trustees' unpaid fees and expenses, ~~(2)~~;

(2) second, at the written direction of the Obligated Group Representative, to the Person or Persons (other than the Obligated Group Representative) set forth in such written direction for the purpose of paying any Administrative Fees set forth in such written direction, ~~(3)~~;

(3) third, to make Required Payments with respect to Senior Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Senior Obligations ratably without any discrimination or preference, ~~(4)~~;

(4) fourth, for transfer to the Debt Service Reserve Fund, (a) the greater of (i) the amount designated for deposit thereto in a written direction of the Obligated Group Representative, and (ii) the aggregate amount of each prior withdrawal from the Debt Service Reserve Fund for the purpose of making up a deficiency in the Revenue Fund (until deposits on account of such withdrawals are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Debt Service Reserve Fund if the balance in said fund is at least equal to the Reserve Account Requirement, and (b) in the event the balance in the Debt Service Reserve Fund shall be less than the Reserve Account Requirement due to the valuation of the Permitted Investments deposited therein in accordance with Section 4.06, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said fund to said amount), ~~and (5)~~;

(5) fifth, to the Subordinate Obligations Account of the Subordinate Obligations Fund, the amount set forth in each Related Supplement with respect to Subordinate Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Subordinate Obligations ratably without any discrimination or preference;

(6) sixth, to the Second Subordinate Obligations Account of the Subordinate Obligations Fund, the amount set forth in each Related Supplement with respect to Second Subordinate Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be

**sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Second Subordinate Obligations ratably without any discrimination or preference;**

**(7) seventh,** to the payment of any amount arising under indemnification provisions of any contract with any Person (excluding the Obligated Group Representative) pursuant to which Administrative Fees are payable.

(d) On or before the last Business Day of each calendar month, the Master Trustee shall transfer from the Revenue Fund to the Excess Revenue Fund the amount of any excess on deposit in the Revenue Fund, after taking into account amounts necessary to remain on deposit in the Revenue Fund in order to make any of the payments describe in subsection (c) of this Section 4.02 coming due during both the balance of such calendar month and the immediately succeeding calendar month; provided that, the Master Trustee shall retain such additional amounts in the Revenue Fund as indicated pursuant to the written direction of the Obligated Group Representative.

#### Section 4.03. Excess Revenue Fund.

(a) The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the “Excess Revenue Fund,” and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and any such accounts as set forth in this Section 4.03.

(b) The Master Trustee shall deposit into the Excess Revenue Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.

(c) Investment earnings on amounts on deposit in the Excess Revenue Fund shall be retained therein.

(d) On the second Business Day immediately preceding the first day of each calendar month, **to the extent there are insufficient funds on deposit in the Surplus Fund to make any transfer required pursuant to Section 4.04(d) hereof,** the Master Trustee shall withdraw from the Excess Revenue Fund and transfer to the Revenue Fund an amount equal to the difference between the amount ~~on deposit in~~ **required to be transferred to** the Revenue Fund **pursuant to Section 4.04(d)** and the amount ~~of all payments to be made therefrom described in Section 4.02 coming due during such calendar month,~~ **if any, actually transferred to the Revenue Fund pursuant to Section 4.04(d) hereof;** provided that, the Master Trustee shall transfer such additional amounts to the Revenue Fund as indicated pursuant to the written direction of the Obligated Group Representative.

(e) On each January 1 and July 1, provided that the applicable transfer required pursuant to subsection (d) of this Section 4.03 has been made, the Master Trustee shall transfer all amounts on deposit in the Excess Revenue Fund in excess of the Excess Revenue Requirement to the Surplus Fund; provided that, the Master Trustee shall retain such additional amounts in the



Excess Revenue Fund as indicated pursuant to the written direction of the Obligated Group Representative.

Section 4.04. Surplus Fund.

(a) The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the “Surplus Fund,” and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and such accounts as set forth in this Section 4.04.

(b) The Master Trustee shall deposit into the Surplus Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.

(c) Investment earnings on amounts on deposit in the Surplus Fund shall be retained therein.

(d) On the second Business Day immediately preceding the first day of each calendar month, ~~to the extent there are insufficient funds on deposit in the Excess Revenue Fund to make any transfer required pursuant to Section 4.03(d) hereof,~~ the Master Trustee shall withdraw from the Surplus Fund and transfer to the Revenue Fund an amount equal to the difference between the amount ~~required to be transferred to~~ **on deposit in** the Revenue Fund ~~pursuant to~~ **and the amount of all payments to be made therefrom described in** Section 4.03**4.02(d)** ~~hereof and~~ **coming due during such calendar month.**

~~(e) After the amount transfers, if any, actually transferred to the Revenue Fund pursuant to~~ **provided in** Section 4.03**4.04**(d).

~~(e) At~~ **hereof, and after any transfers as may be required by a Related Supplement, at** the written direction of the Obligated Group Representative, the Master Trustee shall transfer from the Surplus Fund the amount set forth in such written direction (i) to the fund or account hereunder, including the Loan Origination Fund, set forth in such written direction, and/or (ii) to the Initial Member free and clear of the lien of this Master Indenture to be used for any lawful and proper corporate purposes of the Initial Member.

Section 4.05. Loan Origination Fund.

(a) The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the “Loan Origination Fund,” and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and such accounts as set forth in this Section 4.05.

(b) The Master Trustee shall deposit into the Loan Origination Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.

(c) Investment earnings on amounts on deposit in the Loan Origination Fund shall be retained therein.

(d) At the written direction of the Obligated Group Representative, the Master Trustee shall transfer from the Loan Origination Fund the amount set forth in such written direction (i) provided that such written direction includes confirmation that the applicable Loan Program Fund Disbursement Conditions have been satisfied, to the Person or Persons set forth in such written direction for the purpose of originating all or a portion of a School Loan Agreement or purchasing a School Loan Agreement, (ii) to the Obligated Group Representative to pay the purchase price for any School Loan Agreement pursuant to the Master Mortgage Loan Sale Agreement, or (iii) to the Revenue Fund to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference.

#### Section 4.06. Debt Service Reserve Fund.

(a) The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the “Debt Service Reserve Fund,” and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and any such accounts as set forth in this Section 4.06.

(b) The Master Trustee shall deposit into the Debt Service Reserve Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.

(c) Investment earnings on amounts on deposit in the Debt Service Reserve Fund shall be retained therein.

(d) Amounts on deposit in the Debt Service Reserve Fund shall be valued by the Master Trustee at their fair market value on each July 1, and the Master Trustee shall notify the Obligated Group Representative of the results of such valuation. If the amount on deposit in the Debt Service Reserve Fund on the first Business Day following such valuation is less than 100% of the Reserve Account Requirement, then the Master Trustee shall make the transfer to the Debt Service Reserve Fund required by Section 4.02(c). If the amount on deposit in the Debt Service Reserve Fund on the first Business Day following such valuation is greater than the Reserve Account Requirement, any such excess may be transferred to the Revenue Fund.

(e) All amounts in the Debt Service Reserve Fund shall be used and withdrawn by the Master Trustee solely for the purposes of making up any deficiency in the Revenue Fund **solely with respect to Senior Obligations** or (together with other moneys available therefor) for the payment or redemption of all Related **Senior** Bonds then Outstanding. On the Business Day immediately preceding the first day of each calendar month, the Master Trustee shall withdraw from the Debt Service Reserve Fund and transfer to the Revenue Fund an amount equal to the difference between the amount on deposit in the Revenue Fund (taking into account **any amounts**

transferred from the Subordinate Obligations Fund to the Revenue Fund pursuant to Section 4.07(d), any amounts transferred from the Excess Revenue Fund to the Revenue Fund pursuant to Section 4.03(d), any amounts transferred from the Surplus Fund to the Revenue Fund pursuant to Section 4.04(d), any amounts transferred from the Loan Origination Fund to the Revenue Fund pursuant to Section 4.05(d) and any amounts transferred from the Reimbursement Account of the Loan Program Fund to the Revenue Fund pursuant to Section 3.01(f)) and the amount of all payments to be made therefrom described in Section 4.02 coming due during such calendar month. Notwithstanding the foregoing, amounts in the Debt Service Reserve Fund shall be used and withdrawn by the Master Trustee, at the written direction of the Obligated Group Representative, for the payment or redemption of Related **Senior** Bonds identified in such written direction as necessary to maintain the tax-exempt status of Related **Senior** Bonds in connection with any prepayment received by a Member on any School Loan Agreement or the refunding of Related **Senior** Bonds; provided however that any such use or withdrawal by the Master Trustee shall not, unless otherwise permitted by this Master Indenture, cause a reduction in the Reserve Account Requirement.

(f) The Master Trustee shall notify the Obligated Group Representative immediately of (i) any withdrawal from the Debt Service Reserve Fund for the purpose of making up a deficiency in the Revenue Fund, which notice shall specify the amount of such withdrawal, and (ii) the final maturity, earlier redemption in full of the Related **Senior** Bonds or the date on which no **Senior** Obligations are Outstanding.

**Section 4.07. Subordinate Obligations Fund. The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the “Subordinate Obligations Fund,” and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, including a Subordinate Obligations Account and a Second Subordinate Obligations Account, and administer said fund and any such accounts as set forth in this Section 4.07.**

**(b) The Master Trustee shall deposit into the Subordinate Obligations Account of the Subordinate Obligations Fund, as and when such amounts are received, (i) each month and to the extent provided hereunder, the amounts required to be deposited from the Revenue Fund into the Subordinate Obligations Account pursuant to Section 4.02(c)(5) hereof, (ii) to the extent provided hereunder, any amounts from the Surplus Fund required to be deposited into the Subordinate Obligations Account pursuant to Section 4.04(e) hereof, (iii) all amounts delivered by or at the direction of the Obligated Group Representative to the Master Trustee for deposit therein, and (iv) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement. The Master Trustee shall deposit into the Second Subordinate Obligations Account of the Subordinate Obligations Fund, as and when such amounts are received, (i) each month and to the extent provided hereunder, the amounts required to be deposited from the Revenue Fund pursuant to Section 4.02(c)(6) hereof, (ii) all amounts delivered by or at the direction of the Obligated Group Representative to the Master Trustee for deposit therein, and (iii) any other amounts required to be deposited therein pursuant to this Master Indenture and any Related Supplement.**

(c) Investment earnings on amounts on deposit in the Subordinate Obligations Fund shall be retained therein.

(d) On the second Business Day immediately preceding the first day of each calendar month, to the extent there are insufficient funds on deposit in the Surplus Fund to make any transfer required pursuant to Section 4.04(d) hereof and insufficient funds on deposit in the Excess Revenue Fund to make any transfer required pursuant to Section 4.03(d) hereof, the Master Trustee shall withdraw from the Subordinate Obligations Fund (first, from the Second Subordinate Obligations Account until such account balance is zero (\$0), then from the Subordinate Obligations Account) and transfer to the Revenue Fund an amount equal to the difference between the amount required to be transferred to the Revenue Fund pursuant to Sections 4.04(d) and 4.03(d) hereof, respectively, and the amount, if any, actually transferred to the Revenue Fund pursuant to Sections 4.04(d) and 4.03(d) hereof, respectively.

(e) On each January 1 and July 1, provided that the applicable transfer required pursuant to subsection (d) of this Section 4.07 has been made, and that no Event of Default shall have occurred or be continuing, the Master Trustee shall transfer: (i) from the Subordinate Obligations Account of the Subordinate Obligations Fund to the Related Bond Trustee to make Required Payments with respect to Subordinate Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Subordinate Obligations ratably without any discrimination or preference, and (ii) from the Second Subordinate Obligations Account of the Subordinate Obligations Fund to the Related Bond Trustee to make Required Payments with respect to Second Subordinate Obligations as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments with respect to Second Subordinate Obligations ratably without any discrimination or preference. If no Subordinate Obligations remain Outstanding, the balance in the Subordinate Obligations Fund shall be transferred to the Revenue Fund.

**Section 4.08.** ~~Section 4.07.~~ Costs of Issuance Fund.

(a) The Master Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund,” and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and any such accounts as set forth in this Section ~~4.07~~**4.08**.

(b) All amounts at any time deposited in the Costs of Issuance Fund or any account therein shall be held by the Master Trustee in trust solely for the benefit of the applicable Member. None of the Corporation, any other Member or any Holder shall have any rights in or claim to such amounts.

(c) The Master Trustee shall deposit into the Costs of Issuance Fund, as and when such amounts are received, (i) all amounts delivered by or at the direction of the Obligated Group

Representative or any Member to the Master Trustee for deposit therein, and (ii) any other amounts required to be deposited therein pursuant to a Supplemental Indenture.

(d) Amounts on deposit in the Costs of Issuance Fund or any subaccount therein may be invested as permitted under Section ~~4.09~~4.10. Investment earnings on amounts on deposit in the Costs of Issuance Fund or any subaccount therein shall be retained therein.

(e) At the written direction of the Obligated Group Representative, the Master Trustee shall transfer from the Costs of Issuance Fund the amount set forth in such written direction to the Person or Persons set forth in such written direction.

**Section 4.09.** ~~Section 4.08.~~ Custodial Account.

(a) The Master Trustee shall establish, maintain and hold in trust a separate account designated as the “Custodial Account,” and within said fund one or more separate accounts as directed by the Obligated Group Representative from time to time, and administer said fund and any such accounts as set forth in this Section ~~4.08~~4.09.

(b) The Master Trustee shall, at the written direction of the Obligated Group Representative, cause to be credited to the Custodial Account any School Loan Agreement that is a debt obligation or other security (unless such School Loan Agreement is a certificated security).

(c) Principal, premium, if any, and interest received on debt obligations and other securities credited to the Custodial Account shall be transferred upon receipt thereof by the Master Trustee into the Revenue Fund.

**Section 4.10.** ~~Section 4.09.~~ Investment of Moneys.

(a) Except as otherwise provided in a Related Supplemental, all moneys in any of the funds and accounts established pursuant to this Master Indenture and held by the Master Trustee shall be invested by the Master Trustee at the written direction of the Obligated Group Representative solely in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Master Indenture. Permitted Investments purchased under any investment agreement may be deemed to mature on the date or dates on which the Master Trustee may redeem such Permitted Investments under such agreement.

(b) The Master Trustee may sell at the best price obtainable, or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of this Master Indenture, the Master Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with provisions of this Master Indenture.

(c) Any Permitted Investments that are registrable securities shall be registered in the name of the Master Trustee.

(d) If the Master Trustee has not received written investment directions from the Obligated Group Representative with respect to any moneys, such moneys shall be deposited in the Master Trustee's Money Market Deposit Account, provided that such qualifies as a Permitted Investment. All income earned on investments of moneys in the funds and accounts shall be treated as income of the Obligated Group Representative for federal income tax purposes.

**Section 4.11.** ~~Section 4.10.~~ Securities Intermediary.

(a) There shall at all times be a securities intermediary appointed for purposes of this Master Indenture (the "Securities Intermediary"). U.S. Bank National Association is hereby appointed as the initial Securities Intermediary hereunder and accepts such appointment.

(b) The Securities Intermediary represents, warrants, and covenants, and the parties hereto agree, that at all times prior to the termination of this Master Indenture:

(i) The Securities Intermediary shall satisfy the qualifications of a successor Master Trustee under the second paragraph of Section 7.04.

(ii) Each fund or account (other than the Loan Program Fund and any account within said fund) (each, an "Account") established under this Master Indenture shall be an account maintained with the Securities Intermediary to which financial assets may be credited and the Securities Intermediary shall treat the Master Trustee as entitled to exercise the rights that comprise such financial assets.

(iii) The Securities Intermediary shall not change the name or the account number of any Account without the prior written consent of the Master Trustee.

(iv) Each item of property credited to each Account shall be treated as a financial asset.

(v) The Securities Intermediary shall comply with entitlement orders originated by the Master Trustee without further consent by any Member, the Obligated Group Representative or any other person or entity.

(vi) The Securities Intermediary shall not agree with any person or entity other than the Master Trustee that it will comply with entitlement orders originated by any person or entity other than the Master Trustee.

(vii) The Securities Intermediary shall not be a party to any agreement that is inconsistent with this Master Indenture, or that limits or conditions any of its obligations under this Master Indenture. The Securities Intermediary shall not take any action inconsistent with the provisions of this Master Indenture applicable to it.

(viii) Each item of property credited to each Account shall not be subject to, and the Securities Intermediary hereby waives, any security interest, lien, claim, encumbrance or right of setoff in favor of the Securities Intermediary or anyone claiming through the Securities Intermediary (other than the Master Trustee).

(ix) For purposes of Article 8 of the New York Uniform Commercial Code, the securities intermediary's jurisdiction of the Securities Intermediary with respect to the Accounts shall be the State of New York.

(c) It is the intent of the Master Trustee, each Member and the Obligated Group Representative that each Account shall be a securities account of the Master Trustee and not an account of any Member or the Obligated Group Representative.

(d) Nothing herein shall impose upon the Securities Intermediary any duties or obligations other than those expressly set forth herein and those applicable to a securities intermediary under the New York Uniform Commercial Code. The Securities Intermediary shall be entitled to all of the protections available to a securities intermediary under the New York Uniform Commercial Code. Except as otherwise required by law, the Securities Intermediary shall only be liable for its gross negligence and willful misconduct. The Securities Intermediary shall have the same rights and benefits as are afforded to the Master Trustee under Sections 7.01(c)(ii), (iii) and (iv), 7.02, 7.03, 7.05 and 7.06, provided that the Securities Intermediary shall comply with Section 4.104.11(b).

(e) The Securities Intermediary may at any time resign by written notice to the Master Trustee and the Obligated Group Representative. The Securities Intermediary may be removed at any time by written notice from the Master Trustee (with a copy of such written notice provided to the Obligated Group Representative) or from the Obligated Group Representative (with a copy of such written notice provided to the Master Trustee). If the Securities Intermediary is the same Person as, or an Affiliate of, the Master Trustee, then the Securities Intermediary shall resign (or, if it does not do so, shall be deemed to have resigned) upon the resignation or removal of the Master Trustee. The Master Trustee (or, if the Master Trustee has concurrently been removed or resigned, the Obligated Group Representative) shall appoint a successor Securities Intermediary that satisfies the provisions of Section 4.104.11(b)(i). The Master Trustee (or, if the Master Trustee has concurrently been removed or resigned, successor Master Trustee) shall cause (i) each Account to be established and maintained with such successor Securities Intermediary in accordance with the terms hereof, and (ii) the successor Securities Intermediary to execute and deliver to the parties hereto a written agreement in which it agrees to be the Securities Intermediary hereunder and to be bound by the provisions of this Master Indenture applicable to the Securities Intermediary. The duties and obligations of the retiring or resigning Securities Intermediary hereunder shall remain in effect until each Account and all of the property credited thereto have been transferred to the successor Securities Intermediary. In the event a successor Securities Intermediary has not been appointed and qualified within 45 days of the date notice of resignation is given, the Securities Intermediary, any Member or the Obligated Group Representative may apply to any court of competent jurisdiction for the appointment of an interim successor Securities Intermediary to act until such time as a permanent successor is appointed as above provided.

**Section 4.12. Shortfalls. For the avoidance of doubt, this Section 4.12 summarizes the order of priority of funds to be utilized by the Master Trustee in the event of a shortfall in the Revenue Fund as set forth in this Article IV. In the event of a shortfall in the Revenue Fund to make the deposits or transfers pursuant to Section 4.02(c) hereof, the Master Trustee shall take the following actions in the following order, as necessary: (1) transfer funds from the Surplus Fund pursuant to Section 4.04(d) hereof, (2) transfer funds from the**

**Excess Revenue Fund pursuant to Section 4.03(d) hereof, and (3) transfer funds from the Subordinate Obligations Fund pursuant to Section 4.07(d) hereof; provided that, solely to make deposits or transfers pursuant to Section 4.02(c)(3), after taking the steps described in (1) through (3) of this sentence, transfer funds from the Debt Service Reserve Fund pursuant to Section 4.06(e).**

## ARTICLE V

### PARTICULAR COVENANTS OF EACH MEMBER AND THE OBLIGATED GROUP REPRESENTATIVE

Section 5.01. Payment of Required Payments. Each Member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided herein, in any Related Supplement and in any Obligation, and (b) to faithfully observe and perform all of the conditions, covenants and requirements of this Master Indenture, any Related Supplement and any Obligation. Each Member acknowledges and agrees that the time of such payment and performance is of the essence of the obligations hereunder.

The obligation of each Member with respect to Required Payments shall not be abrogated, prejudiced or affected by:

- (i) the granting of any extension, waiver or other concession given to any Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by this Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation;
- (ii) the liability of any Member under this Master Indenture ceasing for any cause whatsoever, including the release of any Member pursuant to the provisions of this Master Indenture or any Related Supplement from membership in the Obligated Group; or
- (iii) any Member becoming incompetent or otherwise failing to become liable as, or losing eligibility to become, a Member with respect to an Obligation.

Subject to the provisions of Section 5.07 hereof permitting withdrawal from the Obligated Group, the obligation of each Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with Article XI hereof. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that in the event of any such Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee shall be entitled to



prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Member has become fixed.

Each such Obligation shall be a primary obligation and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the covenants and agreements of each Member hereunder shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement, as hereinbefore provided, and to enforce the making of Required Payments. Each Member hereby authorizes the Obligated Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant and agreement of the Members hereunder and to make any arrangement or compromise with any particular Member or Members as the Obligated Group Representative or the Master Trustee may deem appropriate, consistent with this Master Indenture and any Related Supplement. Each Member hereby waives in favor of the Obligated Group Representative and the Master Trustee all rights against the Obligated Group Representative, the Master Trustee and any other Member, insofar as is necessary to give effect to any of the provisions of this Section.

The Master Trustee shall have no recourse against the Corporation, the Obligated Group Representative or any of the Members with respect to the failure by the Corporation, the Obligated Group Representative or any of the Members to make any Required Payment under this Master Indenture and any Related Supplement except recourse to the Pledged Revenues and the amounts held in the funds and accounts created hereunder (other than the Loan Program Fund and any account within said fund) and under the Related Bond Indenture (except the Rebate Fund, if any, created thereunder), or to such other security as may from time to time be given for the payment of obligations arising out of this Master Indenture, any Related Supplement or any other agreement securing the obligations of any of the Members with respect to the Related Bonds.

Section 5.02. Limitations on Additional Indebtedness. Each Member covenants and agrees that it will not incur any Additional Indebtedness after the date hereof except as follows:

(a) Indebtedness ~~(other than Subordinated Indebtedness)~~ in the form of Senior Obligations may be incurred if, prior to the issuance of such Additional Indebtedness, the Master Trustee receives a Sufficiency Certificate.

(b) Subordinated Indebtedness in the form of Subordinate Obligations may be incurred if, prior to the incurrence thereof, the Master Trustee receives a Certificate of an Authorized Representative of the Obligated Group Representative stating that, after giving effect to such incurrence, the Projected Debt Service Coverage Ratio will not be less than 1.05:1.00.

(c) Subordinated Indebtedness in the form of Second Subordinate Obligations may be incurred if, prior to the incurrence thereof, the Master Trustee receives a Certificate of an Authorized Representative of the Obligated Group Representative stating that, after giving effect to such incurrence, the Projected Debt Service Coverage Ratio will not be less than 1.00:1.00.

Section 5.03. Rates and Charges; Pledged Loan Payments. Each Member covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges due from the Schools under the School Loan Agreements so that Pledged Revenues, together with other available moneys, will be sufficient to make all Required Payments when due. Each Member further covenants and agrees to deliver all Pledged Loan Payments received by any Member, or to direct the delivery of all Pledged Loan Payments received by any Person, including any loan servicer, at the direction of any Member, to the Master Trustee for deposit in the Revenue Fund.

Section 5.04. Modification and Enforcement of School Loan Agreements; Modification of Servicing Agreements.

(a) Each Member may amend, modify or consent to the amendment or modification of any School Loan Agreement to which it is a party in any manner that such Member deems appropriate provided that (1) an Officer's Certificate shall be delivered to the Master Trustee stating that the amendment or modification of the School Loan Agreement contemplated will not have a material adverse effect on the interests of the Holders or result in any material impairment of the security given for the payment of Obligations then Outstanding or (2) the Master Trustee shall provide prior written consent. The Master Trustee shall give such written consent only if:

(i) in the Opinion of Bond Counsel, such amendment is necessary to preserve the exclusion of interest on related Tax-Exempt Bonds from gross income for purposes of federal income taxation or the exemption of interest on the related Tax-Exempt Bonds from state income taxation; or

(ii) (1)(A) the Master Trustee receives a Sufficiency Certificate, or (B) in the Opinion of Counsel, such amendment or modification will not have a material adverse effect on the interests of the Holders or result in any material impairment of the security given for the payment of the Obligations then Outstanding, and (2) the Master Trustee shall receive an Opinion of Bond Counsel substantially to the effect that such amendment or modification will not, in and of itself, adversely affect any exclusion of interest on the Related Bonds that are Tax-Exempt Bonds from gross income for purposes of federal income taxation.

(b) Each Member shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of each School Loan Agreement to which it is a party, including the prompt collection of Pledged Revenues.

(c) Each Member may amend, modify or terminate, or consent to the amendment, modification or termination of any agreement for servicing of School Loans to which it is a party in any manner that such Member deems appropriate provided that an Officer's Certificate shall be delivered to the Master Trustee stating that the amendment or modification of such agreement contemplated shall not have a material adverse effect on the Holders of Obligations then Outstanding.

Section 5.05. Consolidation, Merger, Sale or Conveyance; No Division. Each Member covenants and agrees that it will not merge or consolidate with any other Person not a Member or sell or convey all or substantially all of its assets to any Person not a Member unless:

(a) after giving effect to the merger, consolidation, sale or conveyance, the successor or surviving entity (hereinafter, the “Surviving Entity”) will be the Member, or, if not, the Surviving Entity shall be a limited liability company organized and existing under the laws of the United States of America or a State thereof whose sole member shall be the Obligated Group Representative and such Surviving Entity shall become a Member pursuant to Section 5.06 and shall expressly assume in writing the due and punctual payment of all Required Payments of the disappearing Member hereunder, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Master Indenture and all Obligations issued hereunder by the execution of a Related Supplement, delivered to the Master Trustee by such Surviving Entity; and

(b) the requirements of Section 5.06 are satisfied.

Each Member further covenants and agrees that it will not enter into a plan of division under the Delaware Limited Liability Company Act.

Section 5.06. Membership in Obligated Group. Additional Members may be added to the Obligated Group from time to time, provided that any such Additional Member shall be a limited liability company organized and existing under the laws of the State of Delaware whose sole member shall be the Obligated Group Representative and prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of this Master Indenture;

(b) a Related Supplement executed by the Obligated Group Representative, the new Member and the Master Trustee pursuant to which the proposed new Member (1) agrees to become a Member and (2) agrees to be bound by the terms and restrictions imposed by this Master Indenture and the Obligations;

(c) an Opinion of Counsel addressed to the Master Trustee to the effect that (i) the proposed new Member has taken all necessary action to become a Member, and upon execution of the Related Supplement, such proposed new Member will be bound by the terms of this Master Indenture and (ii) the addition of such Member will not cause this Master Indenture or any Obligations to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred);

(d) an Opinion of Bond Counsel to the effect that the addition of such Member will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause this Master Indenture nor the Obligations issued under this Master Indenture to be subject to registration under the Securities Act of 1933, as amended or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred);

(e) an Officer's Certificate to the effect that no Member, immediately after the addition of such new Member, would be in default in the performance or observance of any covenant or condition of this Master Indenture;

(f) an amended APPENDIX A reflecting the addition of such Additional Members; and

(g) any other Opinions of Counsel as the Obligated Group Representative may reasonably require.

Any certification or calculation made in accordance with this Section 5.06 may take into account the effect of the withdrawal of another Member or Members from the Obligated Group in connection with the addition of a Member to the Obligated Group contemplated herein.

**Section 5.07. Withdrawal from Obligated Group.** Any Member other than the Initial Member may withdraw from the Obligated Group, and be released from further liability or obligation under the provisions of this Master Indenture, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that, immediately following withdrawal of such Member, no Member would be in default in the performance or observance of any covenant or condition of this Master Indenture; and

(b) an Opinion of Counsel to the effect that the withdrawal of such Member is in compliance with the conditions contained in this Section 5.07, and such withdrawal will not cause this Master Indenture nor the Obligations issued under this Master Indenture to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred).

Any certification or calculation made in accordance with this Section 5.07 may take into account the effect of the addition of another Member or Members to the Obligated Group in connection with the withdrawal of a Member from the Obligated Group contemplated herein.

Upon compliance with the conditions contained in this Section 5.07, the Master Trustee shall, at the expense of the withdrawing Member, execute any documents reasonably requested by the withdrawing Member to evidence the termination of such Member's obligations hereunder under any Related Supplements and under all Obligations.

The Initial Member may not withdraw from the Obligated Group.

**Section 5.08. Inspection of Books.** The Master Trustee shall have the right, but not obligation, upon reasonable notice, during business hours, to examine and audit any and all of the Member's records or accounts pertaining to the Obligations, the Required Payments, the Pledged Revenues, the Related Bond Indentures, the Related Supplements and this Master Indenture.

**Section 5.09. Reports and Information.** At the request of the Master Trustee, the Members shall furnish to the Master Trustee such information as may be reasonably requested in

writing from time to time relative to compliance by the Members with the provisions of this Master Indenture, including, without limitation, financial statements.

Section 5.10. Notice. Upon obtaining knowledge of an event of default under any Member Document, the Obligated Group Representative hereby agrees promptly to provide to the Master Trustee notice of such event of default (such notice to include a description of the nature of such event and what steps are being taken to remedy such event of default).

## ARTICLE VI

### DEFAULTS

Section 6.01. Events of Default. Event of Default, as used herein, means any of the following events:

(a) Failure on the part of the Obligated Group to make due and punctual payment of any Required Payment on an Obligation.

(b) Failure on the part of the Obligated Group to observe and perform any covenant or agreement under this Master Indenture including covenants or agreements contained in any Related Supplement or Obligation (other than failure by the Obligated Group to pay Required Payments on an Obligation, as referred to in Section 6.01(a) above) for a period of 60 days after the date on which written notice of such failure specifying such default and requiring the same to be remedied, shall have been given to the Obligated Group Representative by the Master Trustee or to the Obligated Group Representative and the Master Trustee by the ~~Holders of at least half in aggregate Principal Amount of Outstanding Obligations~~ **Controlling Party** except that, in each case, if such failure can be remedied but not within such 60-day period, such failure shall not become an Event of Default for so long as the Obligated Group Representative shall commence such cure within such 60-day period and diligently proceeds to remedy the same within 180 days of the commencement of such cure.

(c) A court having jurisdiction shall enter a decree or order for relief in respect of any Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee or similar official of any Member or for any substantial part of the property of any Member, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days.

(d) Any Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or similar official of any Member or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing.

(e) A Member shall have defaulted on its obligations under any Related Loan Agreement and, as a result, an Event of Default (as defined in any Related Bond Indenture) shall

exist under any Related Bond Indenture and any applicable notice and/or cure period shall have expired.

Section 6.02. Acceleration; Annulment of Acceleration.

(a) Upon the occurrence and during the continuation of an Event of Default hereunder, the Master Trustee may and, upon (i) the written request of the ~~Holders of at least half in aggregate Principal Amount of Outstanding Obligations~~ **Controlling Party** or of any Holder if an Event of Default under Section 6.01(a) hereof has occurred or (ii) the acceleration of any Obligation pursuant to the terms of the Related Supplement under which such Obligation was issued, shall, by notice to the Members, declare all Outstanding Obligations immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or herein to the contrary notwithstanding; provided, however, that if the terms of any Related Supplement give a person the right to consent to acceleration of the Obligations issued pursuant to such Related Supplement, the Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In such event, there shall be due and payable on the Obligations an amount equal to the aggregate Principal Amount of all such Obligations, plus all interest accrued thereon.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices and other payments then due (other than the principal or other payments then due only because of such declaration) on all Outstanding Obligations, (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Master Trustee and any paying agents, (iii) all other amounts then payable by the Obligated Group hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee, and (iv) every Event of Default (other than a default in the payment of the principal or other payments of such Obligations then due only because of such declaration) shall have been remedied, then the ~~Holders of a majority in aggregate Principal Amount of Outstanding Obligations~~ **Controlling Party** may annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 6.03. Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the request of (i) the ~~Holders of at least half in aggregate Principal Amount of the Obligations Outstanding~~ **Controlling Party**, (ii) any Holder which, pursuant to a Related Supplement, is given the right to require the Master Trustee to institute actions pursuant to this Section 6.03(a), or (iii) any Holder if an Event of Default under Section 6.01(a) hereof has occurred, shall upon the indemnification of the Master Trustee to its satisfaction therefor, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits,

actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (ii) Suit upon all or any part of the Obligations;
- (iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders of Obligations;
- (iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Obligations;
- (v) Exercise any and all remedies under the Mortgages; and
- (vi) Enforcement of any other right or remedy of the Holders conferred by law or hereby.

(b) Regardless of the occurrence of an Event of Default, the Master Trustee, if requested in writing by the ~~Holders of at least half in aggregate Principal Amount of the Obligations then Outstanding~~ **Controlling Party**, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, not unduly prejudicial to the interest of the Holders of Obligations not making such request, it being understood that (subject to Section 7.01) the Master Trustee shall have no duty or obligation to determine whether or not such action or forbearance may be unduly prejudicial to such Holders.

Section 6.04. Application of Pledged Revenues and Other Moneys after Default. During the continuance of an Event of Default all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Master Trustee with respect thereto, including fees, expenses and advances of its attorneys, agents and advisors and after payment of all other amounts owed to the Master Trustee hereunder, and after payment of Administrative Fees associated with loan servicing submitted to the Master Trustee for payment to any Person (excluding any Administrative Fees payable to the Obligated Group Representative), shall be applied as follows:

- (a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

~~First:~~ **First:** To the payment to the Persons entitled thereto of all installments of interest or the interest portion related to payments then due on the **Senior** Obligations in the order of the maturity of such installments, and, if the amount available shall not be

sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

**Second:**~~Second:~~ To the payment to the Persons entitled thereto of the unpaid Principal Amounts or portions thereof of any **Senior** Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the **Senior** Obligations due on any date, then to the payment thereof ratably, according to the Principal Amounts or portions thereof due on such date, to the Persons entitled thereto, without any discrimination or preference;~~and~~

**Third:**~~Third:~~ ~~To the payment of any amount arising under indemnification provisions of any contract with any Person (excluding the Obligated Group Representative) pursuant to which Administrative Fees are payable.~~

**Fourth:** To the payment to the Persons entitled thereto of all installments of interest or the interest portion related to payments then due on the Subordinate Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

**Fifth:** To the payment to the Persons entitled thereto of the unpaid Principal Amounts or portions thereof of any Subordinate Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Subordinate Obligations due on any date, then to the payment thereof ratably, according to the Principal Amounts or portions thereof due on such date, to the Persons entitled thereto, without any discrimination or preference;

**Sixth:** To the payment to the Persons entitled thereto of all installments of interest or the interest portion related to payments then due on the Second Subordinate Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

**Seventh:** To the payment to the Persons entitled thereto of the unpaid Principal Amounts or portions thereof of any Second Subordinate Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Second Subordinate Obligations due on any date, then to the payment thereof ratably, according to the Principal Amounts or portions thereof due on such date, to the Persons entitled thereto, without any discrimination or preference.



(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, ~~to~~:

**First: To the payment of the principal and interest and other payments then due and unpaid upon the Senior Obligations without preference or priority, or of any installment over any other installment, or of any Senior Obligation over any other Senior Obligation, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference;**

**Second: To the payment of the principal and interest and other payments then due and unpaid upon the Subordinate Obligations without preference or priority, or of any installment over any other installment, or of any Subordinate Obligation over any other Subordinate Obligation, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference; and**

**Third: To the payment of the principal and interest and other payments then due and unpaid upon the Second Subordinate Obligations without preference or priority, or of any installment over any other installment, or of any Second Subordinate Obligation over any other Second Subordinate** Obligation, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter be rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notices as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation and all unmatured coupons, if any, appertaining to such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members, their successors, or as a court of competent jurisdiction may direct.

Section 6.05. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 6.06. Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Obligations. Subject to the provisions of Section 6.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Obligations.

Section 6.07. Master Trustee to Represent Holders. The Master Trustee is hereby irrevocably appointed (and the successive respective Holders of the Obligations, by taking and holding the same, shall be conclusively deemed to have so appointed the Master Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Obligations for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Obligations, this Master Indenture, and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Master Trustee to represent the Holders, the Master Trustee in its discretion may, and upon the written direction of the ~~Holders of at least half in aggregate Principal Amount of the Obligations then Outstanding~~ **Controlling Party**, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Master Trustee or in such Holders under this Master Indenture, or any other law; and upon instituting such proceeding, the Master Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the assets pledged under this Master Indenture, pending such proceedings. All rights of action under this Master Indenture or the Obligations or otherwise may be prosecuted and enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Master Trustee shall be brought in the name of the Master Trustee for the benefit and protection of all the Holders of such Obligations, subject to the provisions of this Master Indenture.

Section 6.08. Holders' Control of Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the ~~Holders of at least a majority in aggregate Principal Amount of Obligations then Outstanding~~ **Controlling Party** shall have the right, at any time, by any instrument in writing executed and delivered to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is not in conflict with any applicable law or the provisions hereof (including indemnity to the Master Trustee as provided herein) and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of Holders not joining

in such direction (it being understood that (subject to Section 7.01) the Master Trustee shall have no duty or obligation to determine whether or not such action or forbearance may be unduly prejudicial to such Holders) and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Holders.

Section 6.09. Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 6.10. Waiver of Event of Default.

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders of the Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the ~~Holders of at least a majority of the aggregate Principal Amount of Obligations then Outstanding~~ Controlling Party, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 6.02 hereof, a default in the payment of the principal of, premium, if any, or interest on or other payment with respect to any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 6.11. Appointment of Receiver. Upon the occurrence of any Event of Default unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect, (a) forthwith and without declaring the Obligations to be due and payable, (b) after declaring the same to be due and payable, or (c) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the

appointment of a receiver or receivers of any or all of the Property of the Members with such powers as the court making such appointment shall confer. Each Member, respectively, hereby consents and agrees, and will if requested by the Master Trustee, consent and agree at the time of application by the Master Trustee for appointment of a receiver, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 6.12. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of a law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 6.13. Notice of Default. The Master Trustee shall, within 10 days after a Responsible Officer of the Master Trustee has actual knowledge or has received written notice of the occurrence of an Event of Default, mail to all Holders (as the names and addresses of such Holders appear upon the books of the Master Trustee), notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice (the term “Event of Default” for the purposes of this Section being hereby defined to be the events specified in subsections (a)-(e) of Section 6.01, not including any periods of grace provided for in subsections (b) and (c) respectively, and irrespective of the giving of written notice specified in subsection (b) of Section 6.01); and provided that, except in the case of default in the payment of the principal of or premium, if any, or interest or other payments on any of the Obligations and the Events of Default specified in subsections (c) and (d) of Section 6.01, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trustee committee of directors or Responsible Officers of the Master Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Obligations.

## ARTICLE VII

### THE MASTER TRUSTEE

#### Section 7.01. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenant or obligation shall be read into this Master Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Certificates or opinions furnished to the Master Trustee and conforming to the

requirements of this Master Indenture; but in the case of any such Certificates or opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Master Indenture as to form.

(b) In case an Event of Default has occurred and is continuing, 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 prudent person would exercise or use under similar circumstances.

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

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chair or vice-chair of the board of directors, the chair or vice-chair of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, or any other officer to whom such matter is referred because of his knowledge or any familiarity with the particular subject, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) 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 the direction of the ~~Holders of a majority (or other percentage provided for herein) in Principal Amount of the Outstanding Obligations~~ **Controlling Party** relating to, or in exercising, the timing, 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

(iv) 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, unless the Master Trustee shall have received security and indemnity satisfactory to it against loss, liability or expense.

(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.

Section 7.02. Certain Rights of Master Trustee. Subject to Section 7.01:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, obligation or other paper or documents believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of any Member mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Member 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.

(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, request and conclusively rely upon an Officers' Certificate.

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

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders pursuant to this Master Indenture, unless such Holders shall have offered to the Master Trustee security or indemnity acceptable to the Master Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(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, bond, obligation 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 Obligated Group Representative or any Member, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) The Master Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized within the discretion or rights or powers conferred upon it by this Master Indenture.

(i) Anything to the contrary notwithstanding, the Master Trustee shall not be required to exercise any remedies with respect to the Mortgages unless the Master Trustee is satisfied that the Master Trustee will not be subject to any liability under any local, state or federal

environmental laws or regulations of any kind whatsoever or from any circumstances present at the Property related to such Mortgages, relating to the presence, use, management, disposal of, or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

(j) The immunities extended to the Master Trustee also extend to its directors, officers, employees and agents.

(k) The permissive right of the Master Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(l) The Master Trustee shall be entitled to assume that any Person designated by a Member or the Obligated Group Representative as an Independent Consultant satisfies the requirements thereof, without any duty of independent investigation.

Section 7.03. Right to Deal in Obligations and Related Bonds. The Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with like effect as if the Master Trustee were not the Master Trustee.

Section 7.04. Removal and Resignation of the Master Trustee. The Master Trustee may be removed at any time by an instrument or instruments in writing signed by the ~~Holders of not less than a majority of the Principal Amount of Obligations then Outstanding~~ **Controlling Party** or, provided an Event of Default has not occurred and is then continuing, the Obligated Group Representative. The Master Trustee may at any time resign by giving written notice of such resignation to the Obligated Group Representative and by giving the Holders of all Obligations then Outstanding notice of such resignation by mail at the addresses shown on the registration books maintained by the Master Trustee. No such resignation or removal shall become effective unless and until a successor Master Trustee has been appointed and has assumed the trusts created hereby. Written notice of removal shall be given to the Members and to each Holder of an Obligation then Outstanding at the address then reflected on the books of the Master Trustee and such resignation or removal shall then take effect upon the appointment and qualification of a successor Master Trustee. If the Master Trustee is the same Person as, or an Affiliate of, the Securities Intermediary, then the Master Trustee shall resign (or, if it does not do so, shall be deemed to have resigned) upon the resignation or removal of the Securities Intermediary. A successor Master Trustee may be appointed at the direction of the ~~Holders of not less than a majority in aggregate Principal Amount of Obligations Outstanding~~ **Controlling Party**, or, if the Master Trustee has resigned or has been removed by the Obligated Group Representative, by the Obligated Group Representative. In the event a successor Master Trustee has not been appointed and qualified within 45 days of the date notice of resignation is given, the Master Trustee, any Member or any Holder may apply to any court of competent jurisdiction for the appointment of an interim successor Master Trustee to act until such time as a permanent successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts or authorized to exercise trust powers, qualified to do and

doing trust business in one or more states of the United States of America and having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) an officially reported combined capital, surplus, undivided profits and reserves aggregating at least ~~\$50,000,000~~100,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than 10 days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of an Obligation.

Section 7.05. Compensation and Reimbursement. Each Member, respectively, agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) 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 counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith.

(c) To indemnify the Master Trustee for, and to hold it harmless from and against, any loss, liability or expense incurred without successful allegations of gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

To secure the Members' payment obligations in this Section, the Master Trustee shall have a lien prior to the Holders on all money and property collected by the Master Trustee, except for Defeasance Obligations and except for amounts on deposit in the Contribution Account of the Loan Program Fund that are restricted for other purposes.

When the Master Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 6.01(c) or (d) hereof, the expenses (including reasonable fees and



expenses of its counsel) and the compensation for the services in connection therewith are intended to constitute expense of administration under any applicable bankruptcy law.

(d) Notwithstanding the cancellation or payment of all Obligations and the satisfaction and discharge of this Master Indenture, all provisions in this Master Indenture concerning the indemnity of the Master Trustee and the payment of its fees and expenses shall survive and remain in full force and effect.

Section 7.06. Recitals and Representations. The recitals, statements and representations contained herein, or in any Obligation (excluding the Master Trustee's authentication on the Obligations) shall be taken and construed as made by and on the part of the members of the Obligated Group, and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof or of the Obligations or the validity or sufficiency of insurance to be provided. The Master Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the legality, validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys that shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by a Responsible Officer of the Master Trustee of written notice of a default or an Event of Default from a member of the Obligated Group or any Holder.

The Master Trustee shall not be obligated to verify any calculations made by third parties, including without limitation, the calculations to be made by the Independent Consultant hereunder.

Section 7.07. Separate or Co-Master Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee shall have power to appoint, and, upon the request of the ~~Holders of at least half in aggregate Principal Amount of Outstanding Obligations~~ **Controlling Party**, shall appoint, one or more persons approved by the Master Trustee either to act as co-trustee or co-trustees, jointly with the Master Trustee, or to act as separate trustee or separate trustees, and to vest in such persons or persons, in such capacity, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Master Trustee, or by the Master Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any

particular act or acts are to be performed the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Master Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section. Upon the request of the Master Trustee, the members of the Obligated Group shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee or any paying agent hereunder shall be personally liable by reason of any act or omission of any other trustee or paying agent hereunder, nor will the act or omission of any trustee or paying agent hereunder be imputed to any other trustee or paying agent.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Master Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Master Trustee its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 7.08. Merger or Consolidation. Any company into which the Master Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Master Trustee may sell or transfer all or substantially all of its corporate trust business, provided

such company shall be eligible under Section 7.04, shall be the successor to such Master Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

## ARTICLE VIII

### SUPPLEMENTS AND AMENDMENTS

Section 8.01. Supplements Not Requiring Consent of Holders. The Obligated Group Representative, the Members and the Master Trustee may, without the consent of any of the Holders, enter into one or more Related Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission herein;
- (b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders;
- (c) To grant or confer ratably upon all the Holders any additional rights, remedies, powers or authority, or to add to the covenants of and restrictions on the Members;
- (d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;
- (e) To create and provide for the issuance of an Obligation or Series of Obligations as permitted hereunder;
- (f) To obligate a successor to any Member as provided in Section 5.05 (and amend APPENDIX A); or
- (g) To add a new Member as provided in Section 5.06 (and amend APPENDIX A accordingly);
- (h) To remove a Member as provided in Section 5.07 (and amend APPENDIX A accordingly);
- (i) To subject any collateral to the pledge hereunder and the security interest created hereby without the concurrent issuance of any Obligations;
- (j) To create any additional funds or accounts hereunder; and
- (k) Subject to the receipt by the Master Trustee of an Opinion of Counsel that such amendment or modification will not have a material adverse effect on the interests of the Holders or result in any material impairment of the security given for the payment of the Obligations then Outstanding, to make any other modification, alteration, amendment or supplement to this Master Indenture as the Obligated Group Representative shall deem necessary and desirable.

Section 8.02. Supplements Requiring Consent of Holders.

(a) Other than Related Supplements referred to in Section 8.01 hereof, the Obligated Group Representative, the Members and the Master Trustee may, with the consent of the ~~Holders of not less than a majority in aggregate Principal Amount of the Obligations then Outstanding~~ **Controlling Party** and anything contained herein to the contrary notwithstanding, enter into one or more Related Supplements as the Obligated Group Representative shall deem necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, that nothing in this Section shall permit or be construed as permitting a Related Supplement which would:

(i) Extend the stated maturity of or time for paying interest on any Obligation or reduce the Principal Amount of or the redemption premium or rate of interest or method of calculating interest payable on any Obligation without the consent of the Holder of such Obligation;

(ii) Modify, alter, amend, add to or rescind any of the terms or provisions contained in Article V hereof so as to affect the right of the Holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate Principal Amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time the Obligated Group Representative shall request the Master Trustee to enter into a Related Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary (or, if it has no secretary, its comparable officer) together with a copy of the proposed Related Supplement, and if the Master Trustee shall receive (i) an instrument or instruments purporting to be executed by the Holders of not less than the aggregate Principal Amount or number of Obligations specified in subsection (a) for the Related Supplement in question, which instrument or instruments shall refer to the proposed Related Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, and (ii) the consent of the Members, thereupon, but not otherwise, the Master Trustee may execute such Related Supplement in substantially such form, without liability or responsibility to any Holder of any Obligation, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder of the Obligation giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Related Supplement, such revocation and, if such Obligation or Obligations are transferable by delivery, proof that such Obligations are held by the signer of such revocation. At any time after the Holders of the required Principal Amount or number of Obligations shall have

filed their consents to the Related Supplement, the Master Trustee shall make and file with the Obligated Group Representative a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required Principal Amount or number of the Outstanding Obligations shall have consented to and approved the execution of such Related Supplement as herein provided, no Holder of any Obligation shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Obligated Group Representative from executing the same or from taking any action pursuant to the provisions thereof.

#### Section 8.03. Execution and Effect of Supplements.

(a) In executing any Related Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Related Supplement is authorized or permitted hereby. The Master Trustee may but shall not be obligated to enter into any such Related Supplement which materially and adversely affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Related Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Related Supplement in accordance with this Article may, and, if required by the Obligated Group Representative or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Related Supplement. If the Obligated Group Representative or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of the Obligated Group Representative to any such Related Supplement may be prepared and executed by the applicable Member and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

(d) The Master Trustee shall give notice, by first class mail, to the Holders of all Obligations then Outstanding of the execution and delivery of any Related Supplement (other than a Related Supplement entered into for the purposes described in clause (e) of Section 8.01 hereof), setting forth the effective date of such Related Supplement and a summary of the terms thereof (or, in lieu of such a summary, by attaching the form of such Related Supplement to such notice).

Section 8.04. Amendment of Related Supplements. Any Related Supplement may provide that the provisions thereof may be amended without the consent of or notice to any of the Holders or pursuant to such terms and conditions as may be specified in such Related Supplement. If a Related Supplement does not contain provisions relating to the amendment thereof, amendment of such Related Supplement shall be governed by the provisions of Section 8.01 and Section 8.02 hereof.

## ARTICLE IX

### SATISFACTION AND DISCHARGE OF INDENTURE

Section 9.01. Satisfaction and Discharge of Indenture. If (i) the Members shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in any Related Supplement) and not theretofore cancelled, or (ii) upon payment of all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation, or (iii) (unless otherwise provided for an Obligation in the Related Supplement pursuant to which such Obligation was issued) the Members or any thereof shall deposit with the Master Trustee as trust funds cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation, including without limitation principal and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in any case the Members or any thereof shall also pay or cause to be paid all other sums payable hereunder by the Members or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members or any thereof and at the cost and expense of the Members or any thereof, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. The Obligated Group Representative shall cause a report to be prepared by a firm nationally recognized for providing verification services regarding the sufficiency of funds for such discharge and satisfaction, upon which report the Master Trustee may rely. Each Member, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations.

Section 9.02. Payment of Obligations after Discharge of Lien. Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided in any Related Supplement. Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any or interest on any Obligation remaining unclaimed for two years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall, subject to applicable law, then be paid to the Members and the Holders of any Obligations or coupons not theretofore presented for payment shall thereafter be entitled to look only to the members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee or any paying agent with respect to such moneys shall thereupon cease.

## ARTICLE X

### MISCELLANEOUS PROVISIONS

Section 10.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations issued hereunder is intended or shall be construed to give to any person other than the

Obligated Group Representative, each Member, the Master Trustee, and the Holders of the Obligations, any legal or equitable right, remedy or claim under or in respect to this Master Indenture or any covenants, conditions and provisions herein contained; this Master Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section.

Section 10.02.Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Obligations issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 10.03.Holidays. Except to the extent a Related Supplement or an Obligation provides otherwise:

(a) Subject to subsection (b), when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day that is not a Business Day, the action may be done on the next ensuing Business Day with effect as though done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a day that is not a Business Day, payment may be made on the next ensuing Business Day with effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 10.04.Governing Law. This Master Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to contracts made and performed in the State of New York, without giving effect to any choice of law rules other than Section 5-1401 of the New York General Obligation Law.

Section 10.05.Counterparts. This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 10.06.Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, director, member, employee or agent of any Member, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Obligations hereunder.

Section 10.07. Nonpetition. By its acceptance of an Obligation or Related Bond, each owner and beneficial owner of an Obligation or Related Bond agrees, and the Master Trustee agrees, that it shall at no time commence a bankruptcy case or similar insolvency proceeding against the Obligated Group Representative or any Member.

Section 10.08.Binding Effect. This instrument shall inure to the benefit of and shall be binding upon each Member, the Master Trustee, the Obligated Group Representative and their respective successors and assigns subject to the limitations contained herein.

Section 10.09.Notices; Notice to Rating Agencies. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to the Corporation and the initial Obligated Group Representative, addressed to it at Equitable Facilities Fund, Inc., 21 West 46th Street, New York, New York 10036, Attention: Chief Executive Officer;

(ii) If to any other Member, addressed to such Member at the address set forth in APPENDIX A hereto;

(iii) If to the Master Trustee, addressed to it at the Principal Corporate Trust Office; or

(iv) If to the registered Holder of an Obligation, addressed to such Holder at the address shown on the books of the Master Trustee kept pursuant hereto.

(b) Any Member, the Obligated Group Representative or the Master Trustee may from time to time by notice in writing to the others and to the Holders of the Obligations designate a different address or addresses for notice hereunder.

(c) So long as Obligations are required to be rated hereunder, at such time as there is a change in the Master Trustee, any amendment to this Master Indenture is made, or upon the occurrence of an Event of Default hereunder, or upon any acceleration or defeasance of the Obligations, written notice of same shall be given by the Obligated Group Representative to the Rating Agencies then rating the Obligations.



IN WITNESS WHEREOF, each of the Corporation, as the initial Obligated Group Representative, and the Initial Member has caused these presents to be signed in its name and to evidence its acceptance of the trusts and agreements hereby created, and the Master Trustee has caused these presents to be signed in its name and on its behalf by one of its duly authorized officers, all as of the day and year first above written.

**EQUITABLE FACILITIES FUND, INC.,**  
a Delaware nonstock nonprofit corporation,  
as Obligated Group Representative

By: \_\_\_\_\_  
Name: Mike McGregor  
Title: Fiscal Officer

**EQUITABLE SCHOOL REVOLVING FUND,  
LLC,**  
a Delaware limited liability company,  
as Initial Member

By: \_\_\_\_\_  
Name: Anand Kesavan  
Title: Chief Executive Officer

**U.S. BANK NATIONAL ASSOCIATION,**  
as Master Trustee

By: \_\_\_\_\_  
Name:  
Title:

**U.S. BANK NATIONAL ASSOCIATION,**  
as Securities Intermediary

By: \_\_\_\_\_  
Name:  
Title:

*(Signature page to Amended and Restated Master Trust Indenture)*

## **APPENDIX A**

### **MEMBERS**

#### Initial Member:

Equitable School Revolving Fund, LLC, a Delaware limited liability company  
21 West 46th Street  
New York, New York 10036  
Attn: President

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**SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 4**

among

**EQUITABLE SCHOOL REVOLVING FUND, LLC,**  
as Initial Member of the Obligated Group

**EQUITABLE FACILITIES FUND, INC.,**  
as Obligated Group Representative

and

**U.S. BANK NATIONAL ASSOCIATION,**  
as Master Trustee

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Dated as of August 1, 2020

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Supplementing the Second Amended and Restated Master Trust Indenture  
Dated as of August 1, 2020

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SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 4

THIS SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 4, dated as of August 1, 2020 (“Supplement”), among EQUITABLE SCHOOL REVOLVING FUND, LLC, a Delaware limited liability company (the “Member”), EQUITABLE FACILITIES FUND, INC., a Delaware nonstock nonprofit corporation (the “Obligated Group Representative”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as master trustee (the “Master Trustee”), under and pursuant to that certain Second Amended and Restated Master Trust Indenture, dated as of August 1, 2020 (the “Master Indenture”), among the Obligated Group Representative, the Initial Members thereunder, including the Member, and the Master Trustee;

W I T N E S S E T H

WHEREAS, the Obligated Group Representative, the Initial Members and the Master Trustee have entered into the Master Indenture which provides for the issuance from time to time of obligations thereunder to provide for the financing or refinancing of the acquisition, construction, rehabilitation, equipping or improvement of certain educational facilities, or for other lawful and proper corporate purposes;

WHEREAS, the Member has all requisite limited liability company power and is authorized under the terms of the Master Indenture to authorize the issuance of Obligations, which constitute the joint and several Obligations of the Members;

WHEREAS, the Member is the sole Member of the Obligated Group as of the date hereof;

WHEREAS, the Member desires to authorize the issuance of an Obligation hereunder to secure the obligations arising under and pursuant to a loan agreement, dated as of August 1, 2020, between the Arizona Industrial Development Authority and the Member; and

WHEREAS, all acts and things necessary to constitute this Supplement a valid supplemental indenture and agreement, according to its terms and the terms of the Master Indenture, have been done and performed, and the Member and the Obligated Group Representative have duly authorized the execution and delivery hereof and of the Obligation issued hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Obligation issued hereunder by the Holder thereof, the Member and the Obligated Group Representative covenant and agree with the Master Trustee for the benefit of the Holder from time to time of the Obligation issued hereby, as follows:

**Section 1. Definitions.** Unless otherwise required by the context, all terms used herein which are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

“Issuer” means the Arizona Industrial Development Authority, a nonprofit corporation designated a political subdivision of the State of Arizona in accordance with the provisions of the Constitution of the State and under Title 35, Chapter 5, Arizona Revised Statutes, as amended, and its successors or assigns.

“Obligated Group” means all Members of the Obligated Group under the Master Indenture. The Obligated Group Representative is not a Member.

“Obligation No. 4” means the Obligation issued pursuant hereto.

“Series 2020A Bond Indenture” means that certain bond indenture, dated as of August 1, 2020, between the Issuer and the Series 2020A Bond Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

“Series 2020A Bond Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, in its capacity as trustee under the Series 2020A Bond Indenture, and any successor to its duties or co-trustee under the Series 2020A Bond Indenture.

“Series 2020A Bonds” means the Arizona Industrial Development Authority National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A.

“Series 2020A Loan Agreement” means that certain loan agreement, dated as of August 1, 2020, between the Issuer and the Member, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Series 2020A Bond Indenture.

“Series 2020A Loan Payments” means all of the payments so designated and required to be made by the Member pursuant to Section 3.1 of the Series 2020A Loan Agreement.

“Series 2020A Reserve Requirement” means \$\_\_\_\_\_.

“Supplement” means this Supplemental Master Indenture for Obligation No. 4.

**Section 2. Issuance of Obligation No. 4.** There is hereby created and authorized to be issued an Obligation in an aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_). The Obligation shall be dated \_\_\_\_\_, shall be designated “Obligation No. 4” and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 4 as provided in Section 11 hereof.

The aggregate principal amount of Obligation No. 4 is limited to \_\_\_\_\_ (\$\_\_\_\_\_), except for any Obligation No. 4 authenticated and delivered in lieu of another Obligation No. 4 (as provided in Section 7 hereof), with respect to any Obligation No. 4 mutilated, destroyed, lost or stolen or, subject to the provisions of Section 6 of this Supplement, upon transfer of registration of Obligation No. 4.

The Obligated Group Representative shall have no liability of any type with respect to Obligation No. 4.

**Section 3. Purpose for Which Obligation No. 4 Is Being Issued.** Obligation No. 4 is being issued to evidence the Obligated Group's obligation to ensure performance of the obligations of the Member arising under the Series 2020A Loan Agreement.

**Section 4. Payments on Obligation No. 4; Credits.**

(a) Principal of and interest and any applicable redemption premium on Obligation No. 4 are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. Except as provided in subsection (b) of this Section with respect to credits, and Section 5 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Obligation No. 4 shall be made at the times and in the amounts specified in Obligation No. 4 by the Obligated Group (i) depositing the same with or to the account of the Series 2020A Bond Trustee at or prior to 11:00 a.m. New York City time on the day such payments shall become due or payable (or the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal corporate trust office of the Series 2020A Bond Trustee is located), and (ii) giving notice to the Master Trustee and the Series 2020A Bond Trustee of each payment of principal, interest or premium on Obligation No. 4, specifying the amount paid and identifying such payment as a payment on Obligation No. 4.

(b) The Obligated Group shall receive credit for payment on Obligation No. 4, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 4 in an amount equal to moneys deposited in the Interest Account created under the Series 2020A Bond Indenture which amounts are available to pay interest on the Series 2020A Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 4;

(ii) On installments of principal of Obligation No. 4 in an amount equal to moneys deposited in the Principal Account created under the Series 2020A Bond Indenture which amounts are available to pay principal of the Series 2020A Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 4;

(iii) On installments of principal and interest, respectively, on Obligation No. 4 in an amount equal to moneys deposited in the Redemption Fund created under the Series 2020A Bond Indenture which amounts are available to pay the redemption price of Series 2020A Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 4;

(iv) On installments of principal and interest, respectively, on Obligation No. 4 in an amount equal to the principal amount of Series 2020A Bonds for the redemption or payment of which sufficient amounts (as determined by Section 10.03 of the Series 2020A Bond Indenture) in cash or securities are on deposit as provided in said Section

10.03 of the Series 2020A Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 4, and the interest on such Series 2020A Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 4 which would have been used, but for such call for payment or redemption, to pay principal of and interest on such Series 2020A Bonds when due;

(v) On installments of principal and interest, respectively, on Obligation No. 4 in an amount equal to the principal amount of Series 2020A Bonds acquired by any member of the Obligated Group and surrendered to the Series 2020A Bond Trustee for cancellation or purchased by the Series 2020A Bond Trustee and canceled, and the interest on such Series 2020A Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 4 which would have been used, but for such cancellation, to pay principal of and interest on such Series 2020A Bonds when due; and

(vi) On amounts deposited with the Series 2020A Bond Trustee to satisfy any other payment obligations under the Series 2020A Loan Agreement but not transferred by the Series 2020A Bond Trustee to the Member pursuant to Section 5.02 of the Series 2020A Bond Indenture.

#### **Section 5. Prepayment of Obligation No. 4.**

(a) So long as all amounts which have become due under Obligation No. 4 have been paid or credits for such payments have occurred, the Obligated Group shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 4. Prepayments may be made by payments of cash or surrender of the Series 2020A Bonds, as contemplated by subsections 4(b)(iv) and (v) hereof. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of the Series 2020A Bonds) shall be deposited and applied in the manner and subject to the terms and conditions set forth in the Series 2020A Bond Indenture. Notwithstanding any such redemption or surrender of the Series 2020A Bonds, as long as any Series 2020A Bonds remain Outstanding (as defined in the Series 2020A Bond Indenture) or any additional payments required to be made hereunder remain unpaid, the Obligated Group shall not be relieved of its obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Obligation No. 4 as provided in Section 4 hereof.

(c) The Obligated Group may also prepay all of its indebtedness under Obligation No. 4 by providing for the payment of Series 2020A Bonds in accordance with Article X of the Series 2020A Bond Indenture.

#### **Section 6. Registration, Number, Negotiability and Transfer of Obligation No. 4.**

(a) Except as provided in subsection (b) of this Section, so long as any Series 2020A Bonds remain Outstanding, Obligation No. 4 shall consist of a single Obligation without



coupons, registered as to principal and interest in the name of the Series 2020A Bond Trustee, and no transfer of Obligation No. 4 shall be permitted or shall be registered under the Master Indenture except for transfers to a successor Series 2020A Bond Trustee.

(b) Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 4 may be transferred, if and to the extent the Master Trustee requests that the restrictions of subsection (a) of this Section 6 on transfers be terminated.

(c) Obligation No. 4 shall be registered on the register to be maintained by the Master Trustee as registrar for that purpose at the Corporate Trust Office of the Master Trustee and Obligation No. 4 shall be transferable only upon presentation of Obligation No. 4 at said Corporate Trust Office by the Holder or by the Holder's duly authorized attorney. Such transfer shall be without charge to the Holder thereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Member shall execute and the Master Trustee shall authenticate and deliver in exchange for Obligation No. 4 a new registered Obligation without coupons, registered in the name of the transferee.

(d) Prior to due presentment of Obligation No. 4 for registration of transfer, the Obligated Group, the Obligated Group Representative, the Master Trustee, any paying agent and any registrar with respect to Obligation No. 4 may deem and treat the person in whose name Obligation No. 4 is registered as the absolute owner thereof for all purposes; and neither the Obligated Group, the Obligated Group Representative, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner thereof shall be valid, and, to the extent of the sum or sums so paid, sufficient to satisfy and discharge the liability for moneys payable on Obligation No. 4.

#### **Section 7. Mutilation, Destruction, Loss and Theft of Obligation No. 4.**

If (a) Obligation No. 4 is surrendered to the Master Trustee in a mutilated condition, or the Master Trustee receive evidence to its satisfaction of the destruction, loss or theft of Obligation No. 4, and (b) there is delivered to the Members of the Obligated Group and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to the Member and the Master Trustee that Obligation No. 4 has been acquired by a protected purchaser and upon the Holder paying the reasonable expenses of the Member and the Master Trustee, the Member shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation No. 4 or in lieu of such destroyed, lost or stolen Obligation No. 4, a new Obligation No. 4 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Obligation No. 4 has become or is about to become due and payable, Obligation No. 4 may be paid when due instead of delivering a new Obligation No. 4.

#### **Section 8. Execution and Authentication of Obligation No. 4.**

Obligation No. 4 shall be executed for and on behalf of the Member by an officer thereof that is an Authorized Representative and attested by its secretary, an assistant secretary or another officer thereof that is an Authorized Representative. The signatures of either or both of such officers may be mechanically or photographically reproduced on Obligation No. 4. If any officer whose

signature appears on Obligation No. 4 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 4 shall be manually authenticated by an authorized signatory of the Master Trustee, without which authentication Obligation No. 4 shall not be entitled to the benefits hereof.

**Section 9. Partial Prepayment of Obligation No. 4.** Upon the selection and call for prepayment and the surrender of Obligation No. 4 for prepayment in part only, the Member shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Obligated Group, a new Obligation No. 4 in principal amount equal to the unredeemed portion of Obligation No. 4, which new Obligation No. 4 shall be a fully registered Obligation without coupons.

The Member may agree with the Holder of Obligation No. 4 that such Holder may, in lieu of surrendering the Obligation for a new fully registered Obligation without coupons, endorse on the Obligation a notice of such partial prepayment, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial prepayment shall be valid upon payment of the amount thereof to the registered owner of Obligation No. 4 and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Obligation No. 4 by the Holder thereof and irrespective of any error or omission in such endorsement.

**Section 10. Effect of Prepayment.** On the date cash or securities (as and to the extent permitted by the Series 2020A Bond Indenture), or both, are deposited with the Series 2020A Bond Trustee (for a corresponding amount of Series 2020A Bonds with respect to the Series 2020A Bonds to be redeemed on the date fixed for redemption all as provided in the Series 2020A Bond Indenture), Obligation No. 4 shall be deemed paid (in an amount corresponding to the Series 2020A Bonds to be redeemed on the date fixed for redemption) and such corresponding amount of Obligation No. 4 shall be deemed not to be outstanding, as defined in the Master Indenture, and shall no longer be entitled to the benefits of the Master Indenture.

**Section 11. Form of Obligation No. 4.** Obligation No. 4 shall be in substantially the form attached hereto as Exhibit A, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Master Indenture and are approved by those officers executing such Obligation on behalf of the Member and execution thereof by such officers shall constitute conclusive evidence of such approval.

**Section 12. Ratification of Master Indenture.** As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

**Section 13. Severability.** If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

#### **Section 14. Interpretation.**

(a) Unless the context otherwise indicates, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The singular shall include the plural and vice versa.

(b) Headings of Sections herein and the table of contents hereto are solely for convenience of reference, and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

#### **Section 15. Miscellaneous.**

(a) No covenant or agreement contained herein or in Obligation No. 4 or the Master Indenture shall be deemed to be a covenant or agreement of any past, present or future officer, director, member, employee or agent of any Member or of the Master Trustee in an individual capacity, and no incorporator, member, officer or member of the governing board of any Member shall be liable personally on Obligation No. 4 or be subject to any personal liability or accountability by reason of the issuance of Obligation No. 4.

(b) The Master Trustee hereby acknowledges and agrees that the School Loan Agreements provide for payment of rental directly to the Series 2020A Bond Trustee for deposit in the Revenue Fund established in the Series 2020A Bond Indenture and that such deposits constitute credits for purposes of Section 4 hereof.

(c) The Master Trustee hereby further acknowledges that the Member may approve amendments to the School Loan Agreements subject to the limitations of Section 5.04 of the Master Indenture.

**Section 16. Counterparts.** This Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

**Section 17. Governing Law.** This Supplement shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to any choice of law rules other than Section 5-1401 of the New York General Obligation Law.

IN WITNESS WHEREOF, each of the Obligated Group Representative and the Member has caused these presents to be signed in its name and to evidence its acceptance of the trusts and agreements hereby created, and the Master Trustee has caused these presents to be signed in its name and on its behalf by one of its duly authorized officers, all as of the day and year first above written.

**EQUITABLE SCHOOL REVOLVING FUND, LLC,**  
a Delaware limited liability company, as Member

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Name: Anand Kesavan  
Title: Chief Executive Officer

**EQUITABLE FACILITIES FUND, INC.,**  
a Delaware nonstock nonprofit corporation,  
as Obligated Group Representative

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Name: Mike McGregor  
Title: Fiscal Officer

**U.S. BANK NATIONAL ASSOCIATION,**  
as Master Trustee

By: \_\_\_\_\_  
Responsible Officer

## EXHIBIT A

### FORM OF OBLIGATION NO. 4

EQUITABLE SCHOOL REVOLVING FUND, LLC  
and  
THE ENTITIES  
LISTED ON APPENDIX A OF THE HEREINAFTER  
DEFINED MASTER INDENTURE,  
as Initial Members of the Obligated Group

Obligation No. 4

\$ \_\_\_\_\_

KNOW ALL BY THESE PRESENTS that EQUITABLE SCHOOL REVOLVING FUND, LLC (the “Member”), a Delaware limited liability company, for value received hereby acknowledges itself and each Member of the Obligated Group (as such terms are defined in the Master Indenture) obligated to, and promises to pay to U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Series 2020A Bond Trustee”) under the Series 2020A Bond Indenture dated as of August 1, 2020 (the “Series 2020A Bond Indenture”), between the Series 2020A Bond Trustee and the Arizona Industrial Development Authority (the “Issuer”), and any successor trustee under the Series 2020A Bond Indenture, or registered assigns, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_), and to pay interest on the unpaid balance of said sum from the date hereof on the dates and in the manner hereinafter described.

This Obligation No. 4 is a single Obligation limited to \_\_\_\_\_ (\$ \_\_\_\_\_) in principal amount (except as provided in the Master Indenture), designated as “Obligation No. 4” (“Obligation No. 4” and, together with all other obligations issued under the Master Indenture hereinafter identified, “Obligations”), issued under and pursuant to the Supplemental Master Indenture for Obligation No. 4, dated as of August 1, 2020 (the “Supplemental Indenture”), supplementing and amending the Second Amended and Restated Master Trust Indenture, dated as of August 1, 2020 and as may be further restated, supplemented or amended, among the Member, Equitable Facilities Fund, Inc. and U.S. Bank National Association, as trustee (the “Master Trustee”). The Second Amended and Restated Master Trust Indenture, as supplemented and amended in accordance with its terms, is hereinafter called the “Master Indenture.”

Principal hereof, interest hereon and any applicable redemption premium, are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts on the dates and in the amounts necessary for the Series 2020A Bond Trustee to make the transfers and deposits required pursuant to Section 5.02 of the Series 2020A Bond Indenture.

The Obligated Group shall receive credit for payment on Obligation No. 4, in addition to any credits resulting from payment or prepayment from other sources, as follows: (i) on installments of interest of Obligation No. 4 in an amount equal to moneys deposited in the Interest Account created under the Series 2020A Bond Indenture which amounts are available to pay interest on the Series 2020A Bonds and to the extent such amounts have not previously been

credited against payments on Obligation No. 4; (ii) on installments of principal of Obligation No. 4 in an amount equal to moneys deposited in the Principal Account created under the Series 2020A Bond Indenture which amounts are available to pay principal on the Series 2020A Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 4; (iii) on installments of principal and interest, respectively, on Obligation No. 4 in an amount equal to moneys deposited in the Redemption Fund created under the Series 2020A Bond Indenture which amounts are available to pay the redemption price of Series 2020A Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 4; (iv) on installments of principal and interest, respectively, on Obligation No. 4 in an amount equal to the principal amount of Series 2020A Bonds for the redemption or payment of which sufficient amounts (as determined by Section 10.03 of the Series 2020A Bond Indenture) in cash or securities are on deposit as provided in Section 10.03 of the Series 2020A Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 4, and the interest on such Series 2020A Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 4 which would have been used, but for such call for payment or redemption, to pay principal of and interest on such Series 2020A Bonds when due; (v) on installments of principal and interest, respectively, on Obligation No. 4 in an amount equal to the principal amount of Series 2020A Bonds acquired by any Member and surrendered to the Series 2020A Bond Trustee for cancellation or purchased by the Series 2020A Bond Trustee and canceled, and the interest on such Series 2020A Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 4 which would have been used, but for such cancellation, to pay principal of and interest on such Series 2020A Bonds when due; and (vi) on amounts deposited with the Series 2020A Bond Trustee to satisfy any other payment obligations under the Series 2020A Loan Agreement.

The Member further acknowledges itself and the other members of the Obligated Group to, and promises to pay to the Issuer, all amounts required to be paid by the Member to the Series 2020A Bond Trustee for deposit in the Revenue Fund established under the Series 2020A Bond Indenture. The Obligated Group shall receive credit for payment pursuant to this paragraph in an amount equal to moneys deposited with the Series 2020A Bond Trustee pursuant to the Series 2020A Bond Indenture.

Upon payment by the Obligated Group of a sum, in cash or securities (as specified in Article X of the Series 2020A Bond Indenture), or both, sufficient, together with any other cash and securities permitted by the Series 2020A Bond Indenture to be held by the Series 2020A Bond Trustee and available for such purpose, to cause all outstanding Bonds to be deemed to have been paid within the meaning of Article X of the Series 2020A Bond Indenture and to pay all other amounts referred to in Article X of the Series 2020A Bond Indenture, accrued and to be accrued to the date of discharge of the Series 2020A Bond Indenture, Obligation No. 4 shall be deemed to have been paid and to be no longer outstanding under the Master Indenture.

Copies of the Master Indenture and the Supplemental Indenture are on file at the corporate trust office of the Master Trustee, in New York, New York and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holders of Obligations issued under the Master Indenture, the terms and conditions

on which, and the purposes for which Obligations are to be issued and the rights, duties and obligations of the Obligated Group and the Master Trustee under the Master Indenture, to all of which the holder hereof, by acceptance of this Obligation No. 4, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the provisions of the Master Indenture, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligations issued under the Master Indenture over any other such Obligations except as expressly provided or permitted in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications or changes to the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group and of the holders of Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes that would affect the rights of the holder of this Obligation No. 4 may be made only with the consent of the holders of not less than a majority in aggregate principal amount of Obligations then outstanding under the Master Indenture. No modification or change shall be made which will (i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest or method of calculating interest payable on any Obligation without the consent of the holder of such Obligation; (ii) modify, alter, amend, add to or rescind any of the terms or provisions contained in Article V of the Master Indenture in any manner which would affect the interests of holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the holders of all Obligations then outstanding; or (iii) reduce the aggregate principal amount of Obligations then outstanding the consent of the holders of which is required to authorize such modifications or changes without the consent of the holders of all Obligations then outstanding. Any such consent by the holder of this Obligation No. 4 shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 4, unless such consent is revoked as provided in the Master Indenture.

Upon the occurrence of certain “Events of Default” (as defined in the Master Indenture), the principal of all Obligations then outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

The Holder of this Obligation No. 4 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 4 is issuable only as a registered Obligation without coupons.

Unless the principal of all Obligations then outstanding has been declared immediately due and payable, no transfer of this Obligation No. 4 shall be permitted except for

transfers to a successor trustee under the Series 2020A Bond Indenture. This Obligation No. 4 shall be registered on the register to be maintained by the Master Trustee as registrar for the Obligated Group for that purpose at the principal corporate trust office of the Master Trustee and this Obligation No. 4 shall be transferable only upon presentation of this Obligation No. 4 at said office by the Holder or by the Holder's duly authorized attorney and subject to the limitations, if any, set forth in the Supplemental Indenture. Such transfer shall be without charge to the Holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Member shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 4 a new registered Obligation without coupons, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Obligated Group, the Obligated Group Representative, the Master Trustee, any paying agent and any registrar with respect to this Obligation No. 4 may deem and treat the Person in whose name this Obligation No. 4 is registered as the absolute owner hereof for all purposes; and neither the Obligated Group, the Obligated Group Representative, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 4.

No covenant or agreement contained in this Obligation No. 4 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member or of the Master Trustee in his individual capacity, and no incorporator, member, officer or member of the Governing Body of any Member shall be liable personally on this Obligation No. 4 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 4.

This Obligation No. 4 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 4 shall have been manually authenticated by the execution by an authorized officer of the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.



IN WITNESS WHEREOF, the Member has caused this Obligation No. 4 to be executed in its name and on its behalf by the signature of an officer that is an Authorized Representative all as of \_\_\_\_\_.

EQUITABLE SCHOOL REVOLVING FUND,  
LLC,  
a Delaware limited liability company

By \_\_\_\_\_  
Name:  
Title:

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. 4 is one of the Obligations described in the within-mentioned Master Indenture.

Dated: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee

By \_\_\_\_\_  
Responsible Officer

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**SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 5**

among

**EQUITABLE SCHOOL REVOLVING FUND, LLC,**  
as Initial Member of the Obligated Group

**EQUITABLE FACILITIES FUND, INC.,**  
as Obligated Group Representative

and

**U.S. BANK NATIONAL ASSOCIATION,**  
as Master Trustee

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Dated as of August 1, 2020

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Supplementing the Second Amended and Restated Master Trust Indenture  
Dated as of August 1, 2020

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SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 5

THIS SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 5, dated as of August 1, 2020 (“Supplement”), among EQUITABLE SCHOOL REVOLVING FUND, LLC, a Delaware limited liability company (the “Member”), EQUITABLE FACILITIES FUND, INC., a Delaware nonstock nonprofit corporation (the “Obligated Group Representative”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as master trustee (the “Master Trustee”), under and pursuant to that certain Second Amended and Restated Master Trust Indenture, dated as of August 1, 2020 (the “Master Indenture”), among the Obligated Group Representative, the Initial Members thereunder, including the Member, and the Master Trustee;

W I T N E S S E T H

WHEREAS, the Obligated Group Representative, the Initial Members and the Master Trustee have entered into the Master Indenture which provides for the issuance from time to time of obligations thereunder to provide for the financing or refinancing of the acquisition, construction, rehabilitation, equipping or improvement of certain educational facilities, or for other lawful and proper corporate purposes;

WHEREAS, the Member has all requisite limited liability company power and is authorized under the terms of the Master Indenture to authorize the issuance of Obligations, which constitute the joint and several Obligations of the Members;

WHEREAS, the Member is the sole Member of the Obligated Group as of the date hereof;

WHEREAS, the Member desires to authorize the issuance of an Obligation hereunder to secure the obligations arising under and pursuant to a loan agreement, dated as of August 1, 2020, between the California Infrastructure and Economic Development Bank and the Member; and

WHEREAS, all acts and things necessary to constitute this Supplement a valid supplemental indenture and agreement, according to its terms and the terms of the Master Indenture, have been done and performed, and the Member and the Obligated Group Representative have duly authorized the execution and delivery hereof and of the Obligation issued hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Obligation issued hereunder by the Holder thereof, the Member and the Obligated Group Representative covenant and agree with the Master Trustee for the benefit of the Holder from time to time of the Obligation issued hereby, as follows:

**Section 1. Definitions.** Unless otherwise required by the context, all terms used herein which are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

“Issuer” means the California Infrastructure and Economic Development Bank, a public instrumentality of the State of California, and its successors or assigns.

“Obligated Group” means all Members of the Obligated Group under the Master Indenture. The Obligated Group Representative is not a Member.

“Obligation No. 5” means the Obligation issued pursuant hereto.

“Series 2020B Bond Indenture” means that certain bond indenture, dated as of August 1, 2020, between the Issuer and the Series 2020B Bond Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

“Series 2020B Bond Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, in its capacity as trustee under the Series 2020B Bond Indenture, and any successor to its duties or co-trustee under the Series 2020B Bond Indenture.

“Series 2020B Bonds” means the California Infrastructure and Economic Development Bank National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B.

“Series 2020B Loan Agreement” means that certain loan agreement, dated as of August 1, 2020, between the Issuer and the Member, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Series 2020B Bond Indenture.

“Series 2020B Loan Payments” means all of the payments so designated and required to be made by the Member pursuant to Section 3.1 of the Series 2020B Loan Agreement.

“Series 2020B Reserve Requirement” means \$\_\_\_\_\_.

“Supplement” means this Supplemental Master Indenture for Obligation No. 5.

**Section 2. Issuance of Obligation No. 5.** There is hereby created and authorized to be issued an Obligation in an aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_). The Obligation shall be dated \_\_\_\_\_, shall be designated “Obligation No. 5” and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 5 as provided in Section 11 hereof.

The aggregate principal amount of Obligation No. 5 is limited to \_\_\_\_\_ (\$\_\_\_\_\_), except for any Obligation No. 5 authenticated and delivered in lieu of another Obligation No. 5 (as provided in Section 7 hereof), with respect to any Obligation No. 5 mutilated, destroyed, lost or stolen or, subject to the provisions of Section 6 of this Supplement, upon transfer of registration of Obligation No. 5.

The Obligated Group Representative shall have no liability of any type with respect to Obligation No. 5.

**Section 3. Purpose for Which Obligation No. 5 Is Being Issued.** Obligation No. 5 is being issued to evidence the Obligated Group's obligation to ensure performance of the obligations of the Member arising under the Series 2020B Loan Agreement.

**Section 4. Payments on Obligation No. 5; Credits.**

(a) Principal of and interest and any applicable redemption premium on Obligation No. 5 are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. Except as provided in subsection (b) of this Section with respect to credits, and Section 5 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Obligation No. 5 shall be made at the times and in the amounts specified in Obligation No. 5 by the Obligated Group (i) depositing the same with or to the account of the Series 2020B Bond Trustee at or prior to 11:00 a.m. New York City time on the day such payments shall become due or payable (or the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal corporate trust office of the Series 2020B Bond Trustee is located), and (ii) giving notice to the Master Trustee and the Series 2020B Bond Trustee of each payment of principal, interest or premium on Obligation No. 5, specifying the amount paid and identifying such payment as a payment on Obligation No. 5.

(b) The Obligated Group shall receive credit for payment on Obligation No. 5, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 5 in an amount equal to moneys deposited in the Interest Account created under the Series 2020B Bond Indenture which amounts are available to pay interest on the Series 2020B Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5;

(ii) On installments of principal of Obligation No. 5 in an amount equal to moneys deposited in the Principal Account created under the Series 2020B Bond Indenture which amounts are available to pay principal of the Series 2020B Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5;

(iii) On installments of principal and interest, respectively, on Obligation No. 5 in an amount equal to moneys deposited in the Redemption Fund created under the Series 2020B Bond Indenture which amounts are available to pay the redemption price of Series 2020B Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 5;

(iv) On installments of principal and interest, respectively, on Obligation No. 5 in an amount equal to the principal amount of Series 2020B Bonds for the redemption or payment of which sufficient amounts (as determined by Section 10.03 of the Series 2020B Bond Indenture) in cash or securities are on deposit as provided in said Section 10.03 of the Series 2020B Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 5, and the interest on such Series 2020B Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 5

which would have been used, but for such call for payment or redemption, to pay principal of and interest on such Series 2020B Bonds when due;

(v) On installments of principal and interest, respectively, on Obligation No. 5 in an amount equal to the principal amount of Series 2020B Bonds acquired by any member of the Obligated Group and surrendered to the Series 2020B Bond Trustee for cancellation or purchased by the Series 2020B Bond Trustee and canceled, and the interest on such Series 2020B Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 5 which would have been used, but for such cancellation, to pay principal of and interest on such Series 2020B Bonds when due; and

(vi) On amounts deposited with the Series 2020B Bond Trustee to satisfy any other payment obligations under the Series 2020B Loan Agreement but not transferred by the Series 2020B Bond Trustee to the Member pursuant to Section 5.02 of the Series 2020B Bond Indenture.

#### **Section 5. Prepayment of Obligation No. 5.**

(a) So long as all amounts which have become due under Obligation No. 5 have been paid or credits for such payments have occurred, the Obligated Group shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 5. Prepayments may be made by payments of cash or surrender of the Series 2020B Bonds, as contemplated by subsections 4(b)(iv) and (v) hereof. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of the Series 2020B Bonds) shall be deposited and applied in the manner and subject to the terms and conditions set forth in the Series 2020B Bond Indenture. Notwithstanding any such redemption or surrender of the Series 2020B Bonds, as long as any Series 2020B Bonds remain Outstanding (as defined in the Series 2020B Bond Indenture) or any additional payments required to be made hereunder remain unpaid, the Obligated Group shall not be relieved of its obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Obligation No. 5 as provided in Section 4 hereof.

(c) The Obligated Group may also prepay all of its indebtedness under Obligation No. 5 by providing for the payment of Series 2020B Bonds in accordance with Article X of the Series 2020B Bond Indenture.

#### **Section 6. Registration, Number, Negotiability and Transfer of Obligation No. 5.**

(a) Except as provided in subsection (b) of this Section, so long as any Series 2020B Bonds remain Outstanding, Obligation No. 5 shall consist of a single Obligation without coupons, registered as to principal and interest in the name of the Series 2020B Bond Trustee, and no transfer of Obligation No. 5 shall be permitted or shall be registered under the Master Indenture except for transfers to a successor Series 2020B Bond Trustee.



(b) Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 5 may be transferred, if and to the extent the Master Trustee requests that the restrictions of subsection (a) of this Section 6 on transfers be terminated.

(c) Obligation No. 5 shall be registered on the register to be maintained by the Master Trustee as registrar for that purpose at the Corporate Trust Office of the Master Trustee and Obligation No. 5 shall be transferable only upon presentation of Obligation No. 5 at said Corporate Trust Office by the Holder or by the Holder's duly authorized attorney. Such transfer shall be without charge to the Holder thereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Member shall execute and the Master Trustee shall authenticate and deliver in exchange for Obligation No. 5 a new registered Obligation without coupons, registered in the name of the transferee.

(d) Prior to due presentment of Obligation No. 5 for registration of transfer, the Obligated Group, the Obligated Group Representative, the Master Trustee, any paying agent and any registrar with respect to Obligation No. 5 may deem and treat the person in whose name Obligation No. 5 is registered as the absolute owner thereof for all purposes; and neither the Obligated Group, the Obligated Group Representative, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner thereof shall be valid, and, to the extent of the sum or sums so paid, sufficient to satisfy and discharge the liability for moneys payable on Obligation No. 5.

**Section 7. Mutilation, Destruction, Loss and Theft of Obligation No. 5.** If (a) Obligation No. 5 is surrendered to the Master Trustee in a mutilated condition, or the Master Trustee receive evidence to its satisfaction of the destruction, loss or theft of Obligation No. 5, and (b) there is delivered to the Members of the Obligated Group and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to the Member and the Master Trustee that Obligation No. 5 has been acquired by a protected purchaser and upon the Holder paying the reasonable expenses of the Member and the Master Trustee, the Member shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation No. 5 or in lieu of such destroyed, lost or stolen Obligation No. 5, a new Obligation No. 5 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Obligation No. 5 has become or is about to become due and payable, Obligation No. 5 may be paid when due instead of delivering a new Obligation No. 5.

**Section 8. Execution and Authentication of Obligation No. 5.** Obligation No. 5 shall be executed for and on behalf of the Member by an officer thereof that is an Authorized Representative and attested by its secretary, an assistant secretary or another officer thereof that is an Authorized Representative. The signatures of either or both of such officers may be mechanically or photographically reproduced on Obligation No. 5. If any officer whose signature appears on Obligation No. 5 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 5 shall be manually authenticated by an authorized signatory of the

Master Trustee, without which authentication Obligation No. 5 shall not be entitled to the benefits hereof.

**Section 9. Partial Prepayment of Obligation No. 5.** Upon the selection and call for prepayment and the surrender of Obligation No. 5 for prepayment in part only, the Member shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Obligated Group, a new Obligation No. 5 in principal amount equal to the unredeemed portion of Obligation No. 5, which new Obligation No. 5 shall be a fully registered Obligation without coupons.

The Member may agree with the Holder of Obligation No. 5 that such Holder may, in lieu of surrendering the Obligation for a new fully registered Obligation without coupons, endorse on the Obligation a notice of such partial prepayment, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial prepayment shall be valid upon payment of the amount thereof to the registered owner of Obligation No. 5 and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Obligation No. 5 by the Holder thereof and irrespective of any error or omission in such endorsement.

**Section 10. Effect of Prepayment.** On the date cash or securities (as and to the extent permitted by the Series 2020B Bond Indenture), or both, are deposited with the Series 2020B Bond Trustee (for a corresponding amount of Series 2020B Bonds with respect to the Series 2020B Bonds to be redeemed on the date fixed for redemption all as provided in the Series 2020B Bond Indenture), Obligation No. 5 shall be deemed paid (in an amount corresponding to the Series 2020B Bonds to be redeemed on the date fixed for redemption) and such corresponding amount of Obligation No. 5 shall be deemed not to be outstanding, as defined in the Master Indenture, and shall no longer be entitled to the benefits of the Master Indenture.

**Section 11. Form of Obligation No. 5.** Obligation No. 5 shall be in substantially the form attached hereto as Exhibit A, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Master Indenture and are approved by those officers executing such Obligation on behalf of the Member and execution thereof by such officers shall constitute conclusive evidence of such approval.

**Section 12. Ratification of Master Indenture.** As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

**Section 13. Severability.** If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

#### **Section 14. Interpretation.**

(a) Unless the context otherwise indicates, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The singular shall include the plural and vice versa.

(b) Headings of Sections herein and the table of contents hereto are solely for convenience of reference, and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

#### **Section 15. Miscellaneous.**

(a) No covenant or agreement contained herein or in Obligation No. 5 or the Master Indenture shall be deemed to be a covenant or agreement of any past, present or future officer, director, member, employee or agent of any Member or of the Master Trustee in an individual capacity, and no incorporator, member, officer or member of the governing board of any Member shall be liable personally on Obligation No. 5 or be subject to any personal liability or accountability by reason of the issuance of Obligation No. 5.

(b) The Master Trustee hereby acknowledges and agrees that the School Loan Agreements provide for payment of rental directly to the Series 2020B Bond Trustee for deposit in the Revenue Fund established in the Series 2020B Bond Indenture and that such deposits constitute credits for purposes of Section 4 hereof.

(c) The Master Trustee hereby further acknowledges that the Member may approve amendments to the School Loan Agreements subject to the limitations of Section 5.04 of the Master Indenture.

**Section 16. Counterparts.** This Supplement may be executed in several counterparts by electronic means, each of which shall be an original and all of which shall constitute one instrument.

**Section 17. Governing Law.** This Supplement shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to any choice of law rules other than Section 5-1401 of the New York General Obligation Law.

IN WITNESS WHEREOF, each of the Obligated Group Representative and the Member has caused these presents to be signed in its name and to evidence its acceptance of the trusts and agreements hereby created, and the Master Trustee has caused these presents to be signed in its name and on its behalf by one of its duly authorized officers, all as of the day and year first above written.

**EQUITABLE SCHOOL REVOLVING FUND, LLC,**  
a Delaware limited liability company, as Member

---

Name: Anand Kesavan  
Title: Chief Executive Officer

**EQUITABLE FACILITIES FUND, INC.,**  
a Delaware nonstock nonprofit corporation,  
as Obligated Group Representative

---

Name: Mike McGregor  
Title: Fiscal Officer

**U.S. BANK NATIONAL ASSOCIATION,**  
as Master Trustee

By: \_\_\_\_\_  
Responsible Officer

## EXHIBIT A

### FORM OF OBLIGATION NO. 5

EQUITABLE SCHOOL REVOLVING FUND, LLC  
and  
THE ENTITIES  
LISTED ON APPENDIX A OF THE HEREINAFTER  
DEFINED MASTER INDENTURE,  
as Initial Members of the Obligated Group

Obligation No. 5

\$ \_\_\_\_\_

KNOW ALL BY THESE PRESENTS that EQUITABLE SCHOOL REVOLVING FUND, LLC (the “Member”), a Delaware limited liability company, for value received hereby acknowledges itself and each Member of the Obligated Group (as such terms are defined in the Master Indenture) obligated to, and promises to pay to U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Series 2020B Bond Trustee”) under the Series 2020B Bond Indenture dated as of August 1, 2020 (the “Series 2020B Bond Indenture”), between the Series 2020B Bond Trustee and the California Infrastructure and Economic Development Bank (the “Issuer”), and any successor trustee under the Series 2020B Bond Indenture, or registered assigns, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_), and to pay interest on the unpaid balance of said sum from the date hereof on the dates and in the manner hereinafter described.

This Obligation No. 5 is a single Obligation limited to \_\_\_\_\_ (\$ \_\_\_\_\_) in principal amount (except as provided in the Master Indenture), designated as “Obligation No. 5” (“Obligation No. 5” and, together with all other obligations issued under the Master Indenture hereinafter identified, “Obligations”), issued under and pursuant to the Supplemental Master Indenture for Obligation No. 5, dated as of August 1, 2020 (the “Supplemental Indenture”), supplementing and amending the Second Amended and Restated Master Trust Indenture, dated as of August 1, 2020 and as may be further restated, supplemented or amended, among the Member, Equitable Facilities Fund, Inc. and U.S. Bank National Association, as trustee (the “Master Trustee”). The Second Amended and Restated Master Trust Indenture, as supplemented and amended in accordance with its terms, is hereinafter called the “Master Indenture.”

Principal hereof, interest hereon and any applicable redemption premium, are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts on the dates and in the amounts necessary for the Series 2020B Bond Trustee to make the transfers and deposits required pursuant to Section 5.02 of the Series 2020B Bond Indenture.

The Obligated Group shall receive credit for payment on Obligation No. 5, in addition to any credits resulting from payment or prepayment from other sources, as follows: (i) on installments of interest of Obligation No. 5 in an amount equal to moneys deposited in the Interest Account created under the Series 2020B Bond Indenture which amounts are available to pay interest on the Series 2020B Bonds and to the extent such amounts have not previously been

credited against payments on Obligation No. 5; (ii) on installments of principal of Obligation No. 5 in an amount equal to moneys deposited in the Principal Account created under the Series 2020B Bond Indenture which amounts are available to pay principal on the Series 2020B Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5; (iii) on installments of principal and interest, respectively, on Obligation No. 5 in an amount equal to moneys deposited in the Redemption Fund created under the Series 2020B Bond Indenture which amounts are available to pay the redemption price of Series 2020B Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 5; (iv) on installments of principal and interest, respectively, on Obligation No. 5 in an amount equal to the principal amount of Series 2020B Bonds for the redemption or payment of which sufficient amounts (as determined by Section 10.03 of the Series 2020B Bond Indenture) in cash or securities are on deposit as provided in Section 10.03 of the Series 2020B Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 5, and the interest on such Series 2020B Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 5 which would have been used, but for such call for payment or redemption, to pay principal of and interest on such Series 2020B Bonds when due; (v) on installments of principal and interest, respectively, on Obligation No. 5 in an amount equal to the principal amount of Series 2020B Bonds acquired by any Member and surrendered to the Series 2020B Bond Trustee for cancellation or purchased by the Series 2020B Bond Trustee and canceled, and the interest on such Series 2020B Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 5 which would have been used, but for such cancellation, to pay principal of and interest on such Series 2020B Bonds when due; and (vi) on amounts deposited with the Series 2020B Bond Trustee to satisfy any other payment obligations under the Series 2020B Loan Agreement.

The Member further acknowledges itself and the other members of the Obligated Group to, and promises to pay to the Issuer, all amounts required to be paid by the Member to the Series 2020B Bond Trustee for deposit in the Revenue Fund established under the Series 2020B Bond Indenture. The Obligated Group shall receive credit for payment pursuant to this paragraph in an amount equal to moneys deposited with the Series 2020B Bond Trustee pursuant to the Series 2020B Bond Indenture.

Upon payment by the Obligated Group of a sum, in cash or securities (as specified in Article X of the Series 2020B Bond Indenture), or both, sufficient, together with any other cash and securities permitted by the Series 2020B Bond Indenture to be held by the Series 2020B Bond Trustee and available for such purpose, to cause all outstanding Bonds to be deemed to have been paid within the meaning of Article X of the Series 2020B Bond Indenture and to pay all other amounts referred to in Article X of the Series 2020B Bond Indenture, accrued and to be accrued to the date of discharge of the Series 2020B Bond Indenture, Obligation No. 5 shall be deemed to have been paid and to be no longer outstanding under the Master Indenture.

Copies of the Master Indenture and the Supplemental Indenture are on file at the corporate trust office of the Master Trustee, in New York, New York and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holders of Obligations issued under the Master Indenture, the terms and conditions on which, and the purposes for which Obligations are to be issued and the rights, duties and

obligations of the Obligated Group and the Master Trustee under the Master Indenture, to all of which the holder hereof, by acceptance of this Obligation No. 5, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the provisions of the Master Indenture, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligations issued under the Master Indenture over any other such Obligations except as expressly provided or permitted in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications or changes to the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group and of the holders of Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes that would affect the rights of the holder of this Obligation No. 5 may be made only with the consent of the holders of not less than a majority in aggregate principal amount of Obligations then outstanding under the Master Indenture. No modification or change shall be made which will (i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest or method of calculating interest payable on any Obligation without the consent of the holder of such Obligation; (ii) modify, alter, amend, add to or rescind any of the terms or provisions contained in Article V of the Master Indenture in any manner which would affect the interests of holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the holders of all Obligations then outstanding; or (iii) reduce the aggregate principal amount of Obligations then outstanding the consent of the holders of which is required to authorize such modifications or changes without the consent of the holders of all Obligations then outstanding. Any such consent by the holder of this Obligation No. 5 shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 5, unless such consent is revoked as provided in the Master Indenture.

Upon the occurrence of certain “Events of Default” (as defined in the Master Indenture), the principal of all Obligations then outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

The Holder of this Obligation No. 5 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 5 is issuable only as a registered Obligation without coupons.

Unless the principal of all Obligations then outstanding has been declared immediately due and payable, no transfer of this Obligation No. 5 shall be permitted except for transfers to a successor trustee under the Series 2020B Bond Indenture. This Obligation No. 5

shall be registered on the register to be maintained by the Master Trustee as registrar for the Obligated Group for that purpose at the principal corporate trust office of the Master Trustee and this Obligation No. 5 shall be transferable only upon presentation of this Obligation No. 5 at said office by the Holder or by the Holder's duly authorized attorney and subject to the limitations, if any, set forth in the Supplemental Indenture. Such transfer shall be without charge to the Holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Member shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 5 a new registered Obligation without coupons, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Obligated Group, the Obligated Group Representative, the Master Trustee, any paying agent and any registrar with respect to this Obligation No. 5 may deem and treat the Person in whose name this Obligation No. 5 is registered as the absolute owner hereof for all purposes; and neither the Obligated Group, the Obligated Group Representative, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 5.

No covenant or agreement contained in this Obligation No. 5 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member or of the Master Trustee in his individual capacity, and no incorporator, member, officer or member of the Governing Body of any Member shall be liable personally on this Obligation No. 5 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 5.

This Obligation No. 5 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 5 shall have been manually authenticated by the execution by an authorized officer of the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.



IN WITNESS WHEREOF, the Member has caused this Obligation No. 5 to be executed in its name and on its behalf by the signature of an officer that is an Authorized Representative all as of \_\_\_\_\_.

EQUITABLE SCHOOL REVOLVING FUND,  
LLC,  
a Delaware limited liability company

By \_\_\_\_\_  
Name:  
Title:

## MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. 5 is one of the Obligations described in the within-mentioned Master Indenture.

Dated: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee

By \_\_\_\_\_  
Responsible Officer

## **APPENDIX D**

### **FORMS OF THE BOND INDENTURES AND LOAN AGREEMENTS**

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ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,  
as Bond Trustee

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BOND INDENTURE

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Dated as of August 1, 2020

\$ \_\_\_\_\_  
ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY  
NATIONAL CHARTER SCHOOL REVOLVING LOAN FUND REVENUE BONDS  
SERIES 2020A

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This BOND INDENTURE, is made and entered into as of August 1, 2020, by and between the ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY (the “Issuer”), a nonprofit corporation designated as a political subdivision of the State of Arizona (the “State”), incorporated with the approval of the Arizona Finance Authority (the “AFA”), pursuant to the provisions of the Constitution and laws of the State and under Title 35, Chapter 5, Arizona Revised Statutes, as amended, and U.S. BANK NATIONAL ASSOCIATION (the “Bond Trustee”), a national banking association organized and existing under and by virtue of the laws of the United States of America, being qualified to accept and administer the trusts hereby created;

W I T N E S S E T H:

WHEREAS, Arizona Revised Statutes Title 35, Chapter 5, Section 35-701 et seq. (as amended, the “Act”), authorizes the Issuer to finance and refinance “projects” (as defined in the Act), including the Project (as defined herein);

WHEREAS, the Act authorizes the Authority to issue bonds to provide financing or refinancing for projects located in whole or in part outside of the State, including projects consisting of facilities owned or operated by a nonprofit organization described in Section 501(c) of the Internal Revenue Code;

WHEREAS, Equitable School Revolving Fund, LLC, a Delaware limited liability company (the “ESRF” or the “Borrower”), has requested financial assistance from the Issuer in the financing or reimbursing of all or a portion of certain loans (the “School Loans”) originated to qualifying public charter schools located both inside and outside the State for the purpose of financing or refinancing the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities;

WHEREAS, the Issuer has authorized the issuance of its National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A (the “Bonds”), in an aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_) to (i) provide funds to ESRF for the purpose of financing or reimbursing the School Loans and (ii) pay a portion of the Costs of Issuance (collectively, the “Project”);

WHEREAS, the Issuer has duly entered into a loan agreement dated as of August 1, 2020, with ESRF, specifying the terms and conditions of a loan by the Issuer to ESRF of the proceeds of the Bonds to provide for the refinancing of the School Loans, and of the payment to the Issuer of amounts sufficient for the payment of the principal of and premium, if any, and interest on the Bonds and certain related expenses;

WHEREAS, the Bonds, and the Bond Trustee's certificate of authentication and assignment to appear thereon, shall be in substantially the forms set forth in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Bond Indenture;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest thereon, the Issuer has authorized the execution and delivery of this Bond Indenture; and

WHEREAS, the Issuer has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Issuer, authenticated and delivered by the Bond Trustee and duly issued, the legally binding limited obligations of the Issuer, and to constitute this Bond Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Bond Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS BOND INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all Bonds at any time issued and Outstanding under this Bond Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Issuer does hereby covenant and agree with the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Bond Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

#### Act

"Act" means Industrial Development Financing Act, Title 35, Chapter 5, Section 35-701 *et seq.*, Arizona Revised Statutes, as amended.

### Additional Payments

“Additional Payments” means the payments so designated and required to be made by ESRF pursuant to Section 3.2 of the Loan Agreement.

### AFA

“AFA” means the Arizona Finance Authority, an authority established in the Governor’s Office of Economic Opportunity pursuant to Title 41, Chapter 53, Article 2, Arizona Revised Statutes, as amended.

### Authorized Representative

“Authorized Representative” means, with respect to ESRF, the Chair of its Board of Directors, its Chief Executive Officer, its Chief Financial Officer or any other person designated as an Authorized Representative of ESRF by a Certificate of ESRF signed by the Chair of its Board of Directors, its Chief Executive Officer or its Chief Financial Officer, and filed with the Bond Trustee.

### Beneficial Owner

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

### Bond Indenture

“Bond Indenture” means this Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

### Bond Purchase Agreement

“Bond Purchase Agreement” means the Bond Purchase Agreement with respect to the Bonds among the Issuer, ESRF and the Underwriter.

### Bond Trustee

“Bond Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Bond Trustee hereunder as provided in Section 8.01.

### Bonds

“Bonds” means Arizona Industrial Development Authority National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

### Book-Entry Form or Book-Entry System

“Book-Entry Form” or “Book-Entry System” means a form or system, as applicable, under which 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 by and “immobilized” in the custody of the Depository and the book-entry system maintained by and the responsibility of others than the Issuer or the Bond Trustee is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Bonds.

### Borrower

“Borrower” means ESRF.

### Borrower Documents

“Borrower Documents” means this Bond Indenture, the Loan Agreement, the Master Trust Indenture, the Supplemental Master Trust Indenture for Obligation No. 4, Obligation No. 4, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Agreement and each of the other agreements, certificates, contracts or instruments to be executed by the Borrower in connection with the issuance of the Bonds or the financing of a portion of the expenses associated with the Project.

### Business Day

“Business Day” means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the State or the city in which the Designated Office of the Bond Trustee is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

### Certificate, Statement, Request or Requisition of the Issuer or ESRF

“Certificate,” “Statement,” “Request” and “Requisition” of the Issuer or ESRF mean, respectively, a written certificate, statement, request or requisition signed in the name of the Issuer by its President or by any other person specifically authorized to execute such document on its behalf, or in the name of ESRF by an Authorized Representative of ESRF. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

### Code

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto and any regulations promulgated thereunder.

### Continuing Disclosure Agreement

“Continuing Disclosure Agreement” means that certain continuing disclosure agreement relating to the Bonds, dated the Issue Date, executed by ESRF.

### Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer or ESRF and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Bond Trustee and its counsel, fees and charges of the Master Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

### Date of Issuance

“Date of Issuance” means \_\_\_\_\_.

### Designated Office

“Designated Office” means the Designated Office of the Bond Trustee, which as of the date of this Bond Indenture is located at 100 Wall Street, New York, New York 10005, and such other offices as the Bond Trustee may designate from time to time by written notice to the Holders, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Bond Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

### Electronic Means

“Electronic Means” means telecopy, telegraph, telex, electronic mail, facsimile transmission or other similar electronic means of communication providing confirmation of receipt, including a telephonic communication confirmed by writing or written transmission.

### ESRF or Borrower

“ESRF” or “Borrower” means Equitable School Revolving Fund, LLC, a Delaware limited liability company and the Initial Member of the Obligated Group under the Master Trust Indenture, or its permitted successors and assigns.

### Event of Default

“Event of Default” means any of the events specified in Section 7.01.

### Favorable Opinion of Bond Counsel

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Bond Counsel to the effect that such action is permitted under the Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds), which opinion shall in each instance be addressed and delivered, unless otherwise required by this Bond Indenture, to the Issuer, ESRF and the Bond Trustee.

### Holder(s) or Bondholder(s)

“Holder(s)” or “Bondholder(s),” whenever used herein with respect to a Bond, means, individually and collectively, as applicable, the person in whose name such Bond is registered.

### Interest Account

“Interest Account” means the account by that name in the Revenue Fund established pursuant to Section 5.02.

### Interest Payment Date

“Interest Payment Date” means May 1 and November 1 of each year, commencing \_\_\_\_\_.

### Investment Securities

“Investment Securities” means any of the following: (a) negotiable instruments or securities represented by instruments in bearer or registered or in book-entry form which evidence (i) obligations fully guaranteed by the United States of America; (ii) obligations of any agency of the United States of America; (iii) time deposits in, or bankers acceptances issued by, any depositary institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by Federal or state banking or depositary institution authorities; provided, however, that at the time of investment or contractual commitment to invest therein, the certificates of deposit or short-term deposits, if any, or long-term unsecured debt obligations (other than such obligation whose rating is based on collateral or on the credit of a Person other than such institution or trust company) of such depositary institution or trust company shall have a credit rating from Moody’s and S&P of at least “P-1” and “A-1,” respectively, in the case of the certificates of deposit or short-term deposits, or a rating not lower than one of the two highest investment categories granted by Moody’s and by S&P; (iv) certificates of deposit having, at the time of investment or contractual commitment to invest therein, a rating from Moody’s and S&P of at least “P-1” and “A-1,” respectively; or (v) investments in money market funds (including those owned or managed by the Bond Trustee) rated in the highest investment category or otherwise approved in writing by Moody’s and S&P; (b) demand deposits and cash escrows in any depositary institution or trust company (including those owned or managed by the Bond Trustee) referred to in (a)(iii) above;

(c) commercial paper (having original or remaining maturities of no more than 30 days) having, at the time of investment or contractual commitment to invest therein, a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively; (d) Eurodollar time deposits having a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively; (e) repurchase agreements involving any of the Permitted Investments described in clauses (a)(i), (a)(iv) and (d) of this definition so long as the other party to the repurchase agreement has at the time of investment therein, a rating from Moody's and S&P of at least "P-1" and "A-1," respectively; and (f) any other security or fund rated in one of the three highest long-term or short-term Rating Categories by Moody's and S&P.

#### Issuer

"Issuer" means the Arizona Industrial Development Authority, incorporated with the approval of the Arizona Finance Authority, pursuant to the provisions of the Constitution and the laws of the State, including the Act.

#### Issuer Documents

"Issuer Documents" means collectively the Loan Agreement, the Bond Indenture, the Bond Purchase Agreement, the Tax Agreement, and any other agreement, certificate, contract, or instrument to be executed by the Issuer in connection with the issuance of the Bonds or the financing of a portion of the expense associated with the Project.

#### Issuer Indemnified Party or Issuer Indemnified Parties

"Issuer Indemnified Party" or "Issuer Indemnified Parties" means the Issuer, its past, present, and future directors, members, officers, counsel, advisors, employees, agents, contractors, consultants, program managers and executive director, the AFA, its past, present, and future directors, members, officers, counsel, advisors, employees, agents, contractors and consultants, individually and collectively, and the State.

#### Loan Agreement

"Loan Agreement" means that certain loan agreement by and between the Issuer and ESRF, dated as of August 1, 2020, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Bond Indenture.

#### Loan Default Event

"Loan Default Event" means any of the events specified in Section 6.1 of the Loan Agreement.



### Loan Repayments

“Loan Repayments” means the payments so designated and required to be made by ESRF pursuant to Section 3.1 of the Loan Agreement.

### Master Trust Indenture

“Master Trust Indenture” means that certain Second Amended and Restated Master Trust Indenture, dated as of August 1, 2020, among the Obligated Group Representative, ESRF, the Master Trustee and U.S. Bank National Association, as securities intermediary thereunder, as originally executed and as the same may be amended and supplemented from time to time in accordance with its terms.

### Master Trustee

“Master Trustee” means U.S. Bank National Association, as the Master Trustee appointed pursuant to the Master Trust Indenture.

### Member of the Obligated Group

“Member of the Obligated Group” means, as applicable, each “Member” as identified in the Master Trust Indenture. The Member of the Obligated Group may be the sole Member of the Obligated Group.

### Moody’s

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by ESRF upon approval of the Issuer and notice to the Bond Trustee.

### Obligated Group

“Obligated Group” means the members of the Obligated Group under the Master Trust Indenture.

### Obligated Group Representative

“Obligated Group Representative” means Equitable Facilities Fund, Inc., a Delaware nonstock nonprofit corporation.

### Obligation No. 4

“Obligation No. 4” means the obligation issued pursuant to the Master Trust Indenture and the Supplemental MTI securing ESRF’s obligations under the Loan Agreement.

### Official Statement

“Official Statement” means the official statement with respect to the Bonds.

### Opinion of Bond Counsel

“Opinion of Bond Counsel” means a written opinion addressed to the Issuer of Orrick, Herrington & Sutcliffe LLP or such other counsel selected by the Issuer of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes.

### Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Issuer, but not an employee thereof) satisfactory to the Bond Trustee.

### Outstanding

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Bond Indenture except (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Bond Indenture.

### Person

“Person” means an individual, corporation, firm, association, partnership, trust, limited liability company or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

### Principal Account

“Principal Account” means the account by that name in the Revenue Fund established pursuant to Section 5.02.

### Principal Payment Date

“Principal Payment Date” means, with respect to a Bond, any date on which principal evidenced by such Bond becomes due and payable, whether at maturity or otherwise.

### Project

“Project” has the meaning set forth in the recitals hereto.

### Rating Agency

“Rating Agency” means Moody’s or S&P, as the context requires, if then rating the Bonds at the request of ESRF.

### Rating Category

“Rating Category” means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

### Rebate Fund

“Rebate Fund” means the fund by that name established pursuant to Section 5.07.

### Record Date

“Record Date” means, with respect to an Interest Payment Date, the fifteenth (15th) day (whether or not a Business Day) of the calendar month preceding the calendar month in which such Interest Payment Date falls.

### Redemption Fund

“Redemption Fund” means the fund by that name established pursuant to Section 5.01.

### Redemption Price

“Redemption Price” means, with respect to any Bond (or portion thereof) to be redeemed, one hundred percent (100%) of the principal amount of such Bond, plus accrued and unpaid interest to the date of redemption, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Indenture.

### Required Payments

“Required Payments” means the payments so designated and required to be made by ESRF pursuant to Section 5.01 of the Master Trust Indenture.

### Reserved Rights

“Reserved Rights” means the rights of the Issuer granted to the Issuer in this Bond Indenture or in the Loan Agreement to (a) inspect books and records, (b) give or receive notices, approvals, consents, requests, opinions and other communications, (c) receive payment or reimbursement for expenses, (d) receive Additional Payments, (e) the benefit of all provisions providing the Issuer immunity from and limitation of liability, (f) indemnification from liability by the Borrower, (g) security for the Borrower’s indemnification obligation, and (h) enforce obligations of ESRF under the Tax Agreement.

### Responsible Officer

“Responsible Officer” means any officer of the Bond Trustee assigned to administer its duties hereunder.

### Revenue Fund

“Revenue Fund” means the fund by that name established pursuant to Section 5.01.

### Revenues

“Revenues” means all amounts received by the Issuer or the Bond Trustee for the account of the Issuer pursuant to or with respect to the Loan Agreement or Obligation No. 4, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), Required Payments, prepayments and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Bond Indenture, but not including any Additional Payments or any moneys required to be deposited in the Rebate Fund.

### S&P

“S&P” means S&P Global Ratings, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by ESRF upon approval of the Issuer and notice to the Bond Trustee.

### Securities Depository

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.10, which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

### School Borrower

“School Borrower” means each qualifying public charter school to which ESRF makes a School Loan.

### School Loan

“School Loan” has the meaning given thereto in the third WHEREAS clause.

### School Loan Agreement

“School Loan Agreement” means any loan agreement, financing agreement, debt obligation or other comparable instrument (and related collateral and security agreements) entered into, or acquired, by ESRF to provide a School Loan.

### Special Record Date

“Special Record Date” means the date established by the Bond Trustee pursuant to Section 2.02 as the record date for the payment of defaulted interest on the Bonds.

### Supplemental Bond Indenture

“Supplemental Bond Indenture” means any indenture hereafter duly authorized and entered into between the Issuer and the Bond Trustee, supplementing, modifying or amending this Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized hereunder.

### Supplemental MTI

“Supplemental MTI” means that certain Supplemental Master Trust Indenture for Obligation No. 4, dated as of August 1, 2020, among the Obligated Group Representative, the Member of the Obligated Group and the Master Trustee, as originally executed and as the same may be amended and supplemented from time to time in accordance with its terms.

### Tax Agreement

“Tax Agreement” means the Tax Agreement entered into between the Issuer and ESRF with respect to the Bonds, at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

### Tax-Exempt Bonds

“Tax-Exempt Bonds” means those Bonds the interest on which, in the Opinion of Bond Counsel delivered at the time of issuance thereof, is excludable from gross income of the Beneficial Owners thereof for federal income tax purposes, including the Bonds.

### Underwriter

“Underwriter” means RBC Capital Markets, LLC.

### 3-year Requirement

“3-year Requirement” means the requirement that as of the date of issuance of an issue of bonds, the Issuer must reasonably expect that within the 3-year period beginning on the date of issuance, at least 95% of the net proceeds of the issue would be used directly or indirectly to make or finance loans to ultimate borrowers.

### SECTION 1.02. Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for

convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Bond Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Bond Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### THE BONDS

SECTION 2.01. Authorization of Bonds. The Issuer may issue, sell and deliver the Bonds for the purpose of providing for the financing and/or refinancing of the Project, upon the satisfaction of the conditions set forth in the Issuer’s authorizing resolution, and in the manner, provided for in this Bond Indenture. The Bonds are designated as “Arizona Industrial Development Authority National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A.” The aggregate principal amount of Bonds that may be issued and Outstanding under this Bond Indenture shall not exceed \_\_\_\_\_ (\$\_\_\_\_\_). This Bond Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM REVENUES OF THE BORROWER. THE BONDS DO NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, AFA, STATE, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, AFA, STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE BONDS SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, EMPLOYEE, COUNSEL, ADVISOR, CONTRACTOR, CONSULTANT, PROGRAM MANAGER OR AGENT OF THE ISSUER,

OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, 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 OFFICERS, DIRECTORS, EMPLOYEES, COUNSEL, ADVISORS, CONTRACTORS, PROGRAM MANAGERS, CONSULTANTS OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THE BONDS.

SECTION 2.02. Terms of the Bonds. The Bonds shall be delivered in the form of fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. The Bonds shall be registered initially in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one Bond for each maturity of the Bonds in the principal amount of the respective maturities of the Bonds. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.05 hereof. The Bonds shall be dated the Date of Issuance.

The Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption set forth in Article IV) and shall bear interest at the following rates per annum:

Maturity Date (_____)	Principal <u>Amount</u> \$	Interest <u>Rate</u> %
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The principal or Redemption Price of the Bonds shall be payable by check in lawful money of the United States of America at the Designated Office of the Bond Trustee upon surrender of the Bonds to the Bond Trustee for cancellation; provided that the Bond Trustee may agree with the Holder of any Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on such Bond a record of partial payment of the principal of such Bond in the form set forth below (which shall be typed or printed on such Bond):

#### PAYMENTS ON ACCOUNT OF PRINCIPAL

<u>Payment Date</u>	Principal <u>Amount Paid</u>	Balance of Principal <u>Amount Unpaid</u>	Signature <u>of Holder</u>
_____	_____	_____	_____
_____	_____	_____	_____

The Bond Trustee shall maintain a record of each such partial payment made in accordance with the foregoing agreement and such record of the Bond Trustee shall be conclusive. Such partial payment shall be valid upon payment of the amount thereof to the Holder of such Bond, and the Issuer and the Bond Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or

shall not have been made upon such Bond by the Holder thereof and irrespective of any error or omission in such endorsement.

The Bonds shall be numbered in consecutive numerical order from R-1 upwards, and each such Bond shall bear interest from the Date of Issuance. Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

Payment of the interest on any Bond shall be made on each Interest Payment Date to the Holder thereof as of the Record Date for each Interest Payment Date by check mailed by first-class mail on each Interest Payment Date to such Holder at his address as it appears on the registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least \$1,000,000 in principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date (which request includes written wire transfer instructions), by wire transfer in immediately available funds to an account within the United States of America designated by such Bondholder.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date ("Special Record Date") for the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given to the Holders by first-class mail not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

SECTION 2.03. Form of Bonds. The Bonds and the form of assignment to appear thereon shall be initially in substantially the form attached hereto as Exhibit A, with necessary or appropriate variations, omissions and insertions as permitted or required hereby.

SECTION 2.04. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President or the President's assignee/designee. The Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed shall have been authenticated or delivered by the Bond Trustee or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed the same had continued to be such officer of the Issuer, and also any Bond may be signed on behalf of the Issuer by such person as at the actual date of execution of such Bond shall be the proper officer of the Issuer although at the nominal date of such Bond any such person shall not have been such officer of the Issuer.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form attached hereto as Exhibit A, manually executed by an authorized signatory of the Bond Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the Bonds



so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Indenture.

SECTION 2.05.       Transfer of Bonds. Any Bond may, in accordance with its terms and subject to the limitations provided in Section 2.10 be transferred, upon the books required to be kept pursuant to the provisions of Section 2.07 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount in authorized denominations. The Bond Trustee may require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and the Bond Trustee may also require the Bondholder requesting such transfer to pay a reasonable sum to cover any expenses incurred by the Issuer in connection with such transfer.

SECTION 2.06.       Exchange of Bonds. Bonds may be exchanged at the Designated Office of the Bond Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Bond Trustee may require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and the Bond Trustee may also require the Bondholder requesting such exchange to pay a reasonable sum to cover any expenses incurred by the Issuer in connection with such exchange.

SECTION 2.07.       Bond Register. The Bond Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times (during regular business hours at the location where such books are kept) be open to inspection by any Bondholder or his agent duly authorized in writing, the Issuer and ESRF; and, upon presentation for such purpose, the Bond Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.08.       Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Issuer, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Issuer and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Issuer issues temporary Bonds it will issue definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Designated Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in

exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Bond Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the Holder of said Bond, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee shall be cancelled by it and delivered to, or upon the order of, the Issuer. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to the Bond Trustee shall be given, the Issuer, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Bond Trustee may pay the same without surrender thereof). The Bond Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Issuer and the Bond Trustee in complying with this Section. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Bond Indenture with all other Bonds secured by this Bond Indenture.

SECTION 2.10. Use of Securities Depository. Notwithstanding any provision of this Bond Indenture to the contrary:

(A) The Bonds shall be initially issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) (“substitute depository”); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Issuer (pursuant to a request of ESRF) upon (1) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (2) a determination by the Issuer that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (1) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository which is not objected to by the Bond Trustee can be obtained or (2) to the extent permitted by law, a determination by the Issuer that it is in the best interests of the Issuer to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A), upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Certificate of the Issuer to the Bond Trustee, a single new Bond shall be executed and delivered in the aggregate principal amount of the Bonds then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Issuer. In the case of any transfer pursuant to clause (3) of subsection (A), upon receipt of the Outstanding Bonds by the Bond Trustee together with a Certificate of the Issuer to the Bond Trustee, new Bonds shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such a Certificate of the Issuer, subject to the limitations of Section 2.02, provided the Bond Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Certificate of the Issuer.

(C) In the case of partial redemption of the Bonds evidencing all or a portion of the principal amount Outstanding, the Securities Depository or its custodian shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

(D) The Issuer, the Bond Trustee, the Obligated Group Representative and the Member of the Obligated Group shall be entitled to treat the person in whose name any Bond is registered as the Bondholder thereof for all purposes of this Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Issuer, the Bond Trustee, the Obligated Group Representative and the Member of the Obligated Group; and none of the Issuer, the Bond Trustee, the Obligated Group Representative or the Member of the Obligated Group shall have any responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds. None of the Issuer, the Bond Trustee, the Obligated Group Representative or the Member of the Obligated Group will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Holder of any Bond.

(E) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Issuer and the Bond Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns in effecting payment of the principal of and redemption premium, if any, and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, all in accordance with the letter of representations of the Issuer to the Securities Depository or as otherwise agreed by the Bond Trustee and the Securities Depository.

## ARTICLE III

### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of Bonds. At any time after the execution of this Bond Indenture, the Issuer may execute and the Bond Trustee shall, upon Request of the Issuer, authenticate and deliver the Bonds in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_).

SECTION 3.02. Application of Proceeds of Bonds. The proceeds received from the sale of the Bonds (\$\_\_\_\_\_, comprised of the aggregate principal amount of the Bonds, plus original issue premium of \$\_\_\_\_\_, less underwriter's discount of \$\_\_\_\_\_) shall be paid to the Bond Trustee for deposit in trust into the Bond Proceeds Fund, whereupon the Bond Trustee shall forthwith transfer \$\_\_\_\_\_ of such funds to the Master Trustee for application in accordance with the Master Trust Indenture and directions provided by ESRF. All Costs of Issuance shall be paid by ESRF pursuant to the provisions of the Loan Agreement.

SECTION 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Issuer or the Bond Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State of Arizona shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

SECTION 4.01. Terms of Redemption. The Bonds shall be subject to redemption prior to maturity as follows:

(A) The Bonds maturing on and after \_\_\_\_\_, are subject to redemption prior to their respective stated maturities, at the option of ESRF, in whole or in part (in such amounts and such maturities as may be specified by ESRF, or, if ESRF fails to designate such maturities, in inverse order of maturity) on and after \_\_\_\_\_, at the Redemption Price.

(B) The Bonds are subject to redemption prior to their respective stated maturities, at the option of ESRF, so long as the Bonds have not been defeased in accordance with Article X hereof, in whole or in part, out of amounts prepaid on Obligation No. 4, at the Redemption Price, in the case of a pre-payment of a School Loan due to damage or destruction to or condemnation of any charter school facilities financed or refinanced with a loan or loans made by ESRF and refinanced with the proceeds of the Bonds if the net proceeds of the insurance or condemnation award exceeds \$1,000,000 and the affected charter school determines not to use such net proceeds to repair, rebuild or replace such charter school facilities.

(C) The Bonds are subject to extraordinary mandatory redemption, in whole or in part, at a redemption price of 102% of the principal amount thereof to be so redeemed plus interest accrued to the date fixed for redemption, by ESRF as a result of a failure meet the 3-year Requirement, such redemption to be made on \_\_\_\_\_ in an amount approximating the excess of 95% of the net proceeds of the Bonds over the amount of proceeds actually used to make loans to one or more School Borrowers; provided that, if such amount is not equal to an integral multiple of \$5,000, the amount to be redeemed shall be rounded to the nearest such integral multiple. The particular Bonds to be redeemed will be selected in such amounts and from such maturities as shall be determined by ESRF, upon advice from bond counsel.

(D) The Bonds maturing on \_\_\_\_\_ are subject to redemption prior to their stated maturity in part on any \_\_\_\_\_ on or after \_\_\_\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

<b>Year</b>	<b>Amount</b>
( _____ )	_____
	\$

The remaining principal amount of \$\_\_\_\_\_ is payable at maturity on \_\_\_\_\_ (unless redeemed earlier by optional redemption).

The Bonds maturing on \_\_\_\_\_ are subject to redemption prior to their stated maturity in part on any \_\_\_\_\_ on or after \_\_\_\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

<b>Year</b>	<b>Amount</b>
( _____ )	_____
	\$

The remaining principal amount of \$\_\_\_\_\_ is payable at maturity on \_\_\_\_\_ (unless redeemed earlier by optional redemption).

Upon the purchase or redemption of any Bonds for which Sinking Fund Installments have been established, other than by application of Sinking Fund Installments, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Bond Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by ESRF at the time of such purchase or redemption.

SECTION 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Bond Indenture for the redemption of less than all of the Bonds or a given portion of the Bonds, except as provided in Section 4.01(C), the Bond Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, as directed by ESRF or, in the absence of such direction, by lot in any manner which the Bond Trustee in its sole discretion shall deem appropriate. Notwithstanding the foregoing, the amounts and maturities of the Bonds to be redeemed pursuant to Section 4.01(C) shall be selected as directed by ESRF in writing delivered to the Bond Trustee accompanied by an Opinion of Bond Counsel to the effect that redemption of such Bonds will not in and of itself cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes.

SECTION 4.03. Notice of Redemption. Written notice of a redemption shall be given by ESRF to the Bond Trustee at least thirty (30) days prior to the date of redemption (unless a shorter time shall be acceptable to the Bond Trustee for its convenience). Notice of redemption shall be mailed by the Bond Trustee by first class mail, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date, to the Issuer and the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the Bond Trustee shall also give notice of redemption by overnight mail or by other acceptable means to such securities depositories and/or securities information services as shall be designated in a Certificate of ESRF. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the method of determining the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Notice of redemption of Bonds shall be given by the Bond Trustee, at the expense of ESRF, for and on behalf of the Issuer.

Failure by the Bond Trustee to give notice pursuant to this Section to any one or more of the securities information services or depositories designated by ESRF, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption pursuant to this Section 4.03 to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

ESRF may instruct the Bond Trustee to provide conditional notice of redemption, which may be conditioned upon the receipt of moneys or any other event. Additionally, any notice of redemption given pursuant to this Section may be rescinded by written notice given to the Bond Trustee by ESRF no later than four (4) Business Days prior to the date specified for redemption.

The Bond Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same Persons, as notice of such redemption was given pursuant to this Section.

SECTION 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of ESRF, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price from funds held by the Bond Trustee for such payment.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and delivered to or upon the Order of the Issuer.

## ARTICLE V

### REVENUES

#### SECTION 5.01. Pledge and Assignment; Revenue Fund.

(A) The following funds and accounts shall be established, maintained and held in trust by the Bond Trustee pursuant to the provisions of this Bond Indenture:

- (i) Bond Proceeds Fund;
- (ii) Revenue Fund, in which there shall be the following accounts:
  - (a) Interest Account;
  - (b) Principal Account;
- (iii) Redemption Fund; and
- (iv) Rebate Fund.

(B) Subject only to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Issuer hereby pledges in order to secure the payment of the principal of and interest on the Bonds in

accordance with their terms and the provisions of this Bond Indenture, all of the Revenues and any other amounts (but excluding Additional Payments and payments made pursuant to the Reserved Rights) held in any fund or account established pursuant to this Bond Indenture (other than the Rebate Fund). 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 by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

(C) The Issuer hereby transfers in trust, grants a security interest in and assigns to the Bond Trustee in trust, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in subsection (B) of this Section and all of the right, title and interest of the Issuer in the Loan Agreement (except for Reserved Rights) and Obligation No. 4. The Issuer will cause Obligation No. 4 to be registered in the name of the Bond Trustee. The assignment hereunder is to the Bond Trustee solely in its capacity as Bond Trustee hereunder and subject to the provisions of this Bond Indenture and in taking or refraining from taking any action under the Loan Agreement pursuant to such assignment, the Bond Trustee shall be entitled to all of the rights, protections and limitations from liability afforded it as Bond Trustee under this Bond Indenture. Subject to the foregoing, the Bond Trustee shall be entitled to and shall, subject to the provisions of this Bond Indenture, take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Issuer and all of the obligations of ESRF under the Loan Agreement and Obligation No. 4, other than Reserved Rights.

(D) Except as otherwise explicitly provided in this Bond Indenture, all Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in the Revenue Fund which the Bond Trustee shall establish, maintain and hold in trust, except as otherwise provided in Sections 5.07 and 5.08 and except that all moneys received by the Bond Trustee and required by the Loan Agreement to be deposited in the Redemption Fund shall be promptly deposited in such Fund. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

SECTION 5.02. Allocation of Revenues. On or before the dates specified below, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts, the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account in the Revenue Fund (a) in each month prior to \_\_\_\_\_, commencing \_\_\_\_\_, an amount equal to \_\_\_\_\_ of all interest which will be due and payable on all Bonds then Outstanding on \_\_\_\_\_, and (b) in each month commencing \_\_\_\_\_, an amount equal to one-sixth (1/6) of all interest which will be due and payable on all Bonds then Outstanding on the next succeeding Interest Payment Date, plus the cumulative amount of any deficiencies of such transfers occurring since the preceding Interest Payment Date, provided, that in the calendar month immediately following each Interest Payment Date, the amount to be transferred shall be reduced by any amounts in the Interest Account immediately prior to such transfer; and



Second: to the Principal Account in the Revenue Fund (a) in each month prior to \_\_\_\_\_, commencing \_\_\_\_\_, an amount equal to \_\_\_\_\_ of all principal which will be due and payable on all Bonds then Outstanding on \_\_\_\_\_, and (b) in each month commencing \_\_\_\_\_, an amount equal to one-twelfth (1/12) of all principal which will be due and payable on all Bonds then Outstanding on the next succeeding Principal Payment Date (including by mandatory sinking fund installment), plus the cumulative amount of any deficiencies of such transfers occurring since the preceding Principal Payment Date, provided, that in the calendar month immediately following each Principal Payment Date, the amount to be transferred shall be reduced by any amounts in the Principal Account immediately prior to such transfer.

Any moneys remaining in the Revenue Fund on such dates after the foregoing transfers shall first be transferred to the Issuer upon its direction to the Bond Trustee to pay any accrued and unpaid expenses of the Issuer, and any moneys remaining thereafter in the Revenue Fund shall be transferred to ESRF.

SECTION 5.03. Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture).

SECTION 5.04. Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal of the Bonds when due and payable.

SECTION 5.05. Redemption Fund.

(A) The Bond Trustee shall deposit the following Revenues in the Redemption Fund when and as such Revenues are received:

- (1) the principal component of all cash prepayments of Loan Repayments made pursuant to Section 3.3 of the Loan Agreement;
- (2) all interest, profits and other income received from the investment of moneys in the Redemption Fund; and
- (3) all moneys deposited by ESRF with the Bond Trustee directed to be deposited in the Redemption Fund in accordance with the Loan Agreement.

(B) All amounts deposited in the Redemption Fund shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Section 4.01 at the next succeeding date of redemption for which notice has not been given; provided that, at any time prior to the selection of Bonds for such redemption, the Bond Trustee shall, upon direction of ESRF, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as ESRF may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Principal Account and credited against Loan Repayments in order of their due date as set forth in a Request of ESRF.

SECTION 5.06. Bond Proceeds Fund.

At the written direction of the Borrower, the Bond Trustee shall transfer from the Bond Proceeds Fund the amount set forth in such written direction to the Person or Persons set forth in such written direction for the purpose of purchasing or originating all or a portion of a loan or purchasing debt obligations pursuant to a School Loan Agreement. At the written direction of the Borrower after consultation with Bond Counsel, any amounts remaining on deposit in the Bond Proceeds Fund on or after the date that is three (3) years from the Closing Date, may be transferred to the Redemption Fund and applied to the payment of the redemption price of the Bonds pursuant to Section 4.01(C) hereof.

SECTION 5.07. Rebate Fund.

(A) The Bond Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be specified by ESRF in order to comply with the Tax Agreement. Subject to the transfer provisions provided in paragraph (E) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Agreement), for payment to the federal government of the United States of America. The Issuer, ESRF and the Holder of any Bonds shall have no rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.06 and by the Tax Agreement (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of ESRF including supplying all necessary information in the manner provided in the Tax Agreement, and shall have no liability or responsibility to enforce compliance by ESRF or the Issuer with the terms of the Tax Agreement.

(B) Upon ESRF's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by ESRF, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished by or on behalf of ESRF in accordance with the Tax Agreement.

(C) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the Rebate Fund or provided to it by ESRF. The Bond Trustee may rely conclusively upon ESRF's determinations, calculations and certifications required by this Section. The Bond Trustee shall have no responsibility to independently make any calculation or determination or to review ESRF's calculations hereunder.

(D) At the written direction of ESRF, the Bond Trustee shall invest all amounts held in the Rebate Fund in Investment Securities, subject to the restrictions set forth in the Tax Agreement. The Bond Trustee shall not be liable for any consequences arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in subsection (E) below.

(E) Upon receipt of ESRF's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed and provide notice of such payment to the Issuer. In addition, if ESRF so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by ESRF's written directions; provided that any direction to transfer money out of the Rebate Fund is accompanied by a Certificate of ESRF delivered to the Bond Trustee and the Issuer to the effect that it has calculated the current rebate liability, if any, and has determined that the amount remaining in the Rebate Fund after such transfer will be sufficient to discharge such liability. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Bond Trustee, and payment of any amounts then owed to the Issuer and the Bond Trustee, shall be withdrawn and remitted to ESRF.

(F) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the obligation to remit the Rebate Amounts to the United States of America and to comply with all other requirements of this Section, Section 6.06 and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

**SECTION 5.08. Bond Trustee Authorized to Take Actions Under the Loan Agreement.** The Issuer hereby authorizes and directs the Bond Trustee, and the Bond Trustee hereby agrees, subject to Section 7.04, Section 7.05 and Article VIII hereof, to take such actions as the Bond Trustee deems necessary to enforce the Borrower's obligation under the Loan Agreement to make payments at such times and in such amounts as are necessary in order for the Bond Trustee to make timely payment of principal of and interest on the Bonds to the extent any Bond proceeds and other moneys in the Bond Proceeds Fund are not available for such payment in accordance with the provisions of Section 5.02 hereof.

**SECTION 5.09. Investment of Moneys in Funds and Accounts.** All moneys in any of the funds and accounts established pursuant to this Bond Indenture shall be invested by the Bond Trustee, upon written direction of ESRF. Investment Securities shall be purchased at such prices as ESRF may direct. All Investment Securities shall be acquired subject to the limitations set forth in Section 6.06, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established

by Request of ESRF. No Request of ESRF shall impose any duty on the Bond Trustee inconsistent with its responsibilities hereunder. In the absence of directions from ESRF, the Bond Trustee shall invest in Investment Securities specified in clause (a)(v) of the definition thereof in Section 1.01, *provided, however*, that any such investment shall be made by the Bond Trustee only if, prior to the date on which such investment is to be made, the Bond Trustee shall have received a written direction of ESRF specifying a specific money market fund and, if no such written direction of ESRF is so received, the Bond Trustee shall hold such moneys uninvested.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Bond Indenture. Investment Securities purchased under a repurchase agreement or investment contract may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in the Redemption Fund and the Rebate Fund shall be deposited when received in each such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Bond Indenture shall be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under this Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account shall be valued by the Bond Trustee at their market value and marked to market at least once each year on or before April 1. Registrable Investment Securities shall be registered in the name of the Bond Trustee. In making any valuations of investments hereunder, the Bond Trustee may utilize and rely on computerized securities pricing services that are available to it, including those available through its regular accounting system.

The Bond Trustee may commingle any of the funds or accounts established pursuant to this Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by this Bond Indenture. The Bond Trustee or its affiliates may act as sponsor, depository, advisor, principal or agent in the making or disposing of any investment. The Bond Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Bond Trustee or for any third person or dealing as principal for its own account. The Bond Trustee may sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Bond Trustee shall not be liable or responsible for any loss resulting from any

investment made in accordance with provisions of this Section. The Bond Trustee shall not be responsible for any tax, fee or other charge in connection with any investment, reinvestment or the liquidation thereof.

The parties hereto acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant ESRF the right to receive brokerage confirmations of security transactions as they occur, ESRF specifically waives receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish ESRF with monthly account statements detailing all funds and accounts and investment transactions made by the Bond Trustee hereunder.

## ARTICLE VI

### PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The Issuer shall punctually cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Bond Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Bond Indenture. Nothing in the Bonds or in this Bond Indenture shall be considered or construed as pledging any funds or assets of the Issuer other than those pledged hereby or creating any liability of the Issuer Indemnified Parties.

SECTION 6.02. Extension of Payment of Bonds. The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Issuer to amend this Bond Indenture as provided in Article IX or to issue obligations for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

SECTION 6.03. Against Encumbrances. The Issuer shall not create any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Bond Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Bond Indenture, and will assist the Bond Trustee in contesting any such pledge, lien, charge or other encumbrance which may be created. Subject to this limitation, the Issuer expressly reserves the right to enter into one or more other indentures for any of its authorized purposes and programs under the Act, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Issuer is duly authorized pursuant to the Act to issue the Bonds and to enter into this Bond

Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in this Bond Indenture. The Bonds and the provisions of this Bond Indenture are and will be the legally binding special limited obligations of the Issuer in accordance with their terms, and the Issuer and Bond Trustee shall at all times, to the extent permitted by law, and with respect to the Issuer, solely from Additional Payments, and with respect to the Bond Trustee, subject to Article VIII hereof, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under this Bond Indenture against all claims and demands of all Persons whomever.

SECTION 6.05.      Issuer's Performance Covenants.

(a) The Issuer shall have no liability or obligation with respect to the payment of the purchase price of the Bonds. None of the provisions of this Bond Indenture shall require the Issuer to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless payable from the revenues pledged hereunder, or the Issuer shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby. The Issuer shall not be under any obligation hereunder to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or provided by the Bond Trustee or the Borrower. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in this Indenture, in every Bond executed, authenticated, and delivered hereunder, in the Loan Agreement and in all of its proceedings pertaining thereto; provided, however, that (a) the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrower or the Bond Trustee, and (b) the Issuer shall have received the instrument to be executed, and, at the Issuer's option, shall have received from the Borrower assurance satisfactory to the Issuer that the Issuer shall be reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument.

(b) The Loan Agreement sets forth covenants and obligations of the Issuer and the Borrower, and reference is hereby made to the same for a detailed statement of said covenants and obligations. The Issuer agrees to cooperate in the enforcement of all covenants and obligations of the Borrower under the Loan Agreement and agrees that the Bond Trustee, in its name, may enforce all rights of the Issuer (other than the Reserved Rights) and all obligations of the Borrower under and pursuant to the Loan Agreement and on behalf of the Holders, whether or not the Issuer has undertaken to enforce such rights and obligations.

SECTION 6.06. Issuer's Further Assurance. The Issuer covenants that it will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered by the parties within its control, such instruments supplemental hereto and such further acts, instruments, and transfers as the Bond Trustee may reasonably require for the better assuring, transferring, mortgaging, conveying, pledging, assigning, and confirming unto the Bond Trustee, the Issuer's interest in and to all interests, revenues, proceeds, and receipts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds in the manner and to the extent contemplated herein. The Issuer shall be under no obligation to prepare, record, or file any such instruments or transfers.

SECTION 6.07. Accounting Records and Financial Statements.

(A) The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with corporate trust accounting standards, in which complete and accurate entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Bonds, the Revenues, the Loan Agreement and all funds and accounts established pursuant to this Bond Indenture. Such books of record and account shall be available for inspection by the Issuer, ESRF and any Bondholder, or his or her agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances. The book and records described in this subsection shall be maintained by the Bond Trustee until four years after no Bonds are Outstanding.

(B) The Bond Trustee shall file and furnish to each Bondholder who shall have filed his name and address with the Bond Trustee for such purpose (1) a copy of the most recent audited financial statements furnished to the Bond Trustee pursuant to the Loan Agreement, and (2) within thirty days after the end of each month, a complete financial statement (which need not be audited and may be its regular account statements) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Bond Indenture for such month; provided that the Bond Trustee shall not be obligated to deliver an accounting for any fund or account that has a balance of \$0.00 and has not had any activity since the last reporting. The Bond Trustee shall also furnish a copy of its monthly statement to ESRF and, upon written request of the Issuer, to the Issuer.

SECTION 6.08. Tax Covenants. In the Loan Agreement, ESRF has covenanted to do and perform all acts and things permitted by law and the Tax Agreement at all times which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Issuer agrees to comply with its obligations under the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

SECTION 6.09. Amendment of Loan Agreement. The Issuer shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the written consent of the Bond Trustee. The Bond Trustee shall give such written consent only if (1) the Bond Trustee has received an Opinion of Bond

Counsel upon which the Bond Trustee may rely that such amendment, modification or termination will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security hereby given for the payment of the Bonds, or (2) the Bond Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Issuer or the Bond Trustee by ESRF pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

SECTION 6.10.        Enforcement of Loan Agreement and Obligation No. 4. The Bond Trustee shall promptly collect all amounts due from ESRF pursuant to the Loan Agreement and Obligation No. 4 and shall perform all duties imposed upon it pursuant to the Loan Agreement and subject to the provisions of this Bond Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Issuer assigned to it hereunder and all of the obligations of ESRF relating thereto.

SECTION 6.11.        [Reserved].

SECTION 6.12.        Continuing Disclosure. Pursuant to Section 5.6 of the Loan Agreement, ESRF has undertaken all responsibility for compliance with continuing disclosure requirements, and the Issuer shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission or any duty to enforce Section 5.6 of the Loan Agreement or the continuing disclosure agreement referenced therein or any continuing disclosure obligation whatsoever with respect to the Bonds. The Bond Trustee hereby covenants and agrees that it will comply with and carry out all of the provisions of Section 5.6 of the Loan Agreement that apply to it. Notwithstanding any other provision of this Bond Indenture, failure of ESRF or the Bond Trustee to comply with the continuing disclosure agreement shall not constitute an Event of Default; however, the Bond Trustee may (and, at the request of any participating underwriter) or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Bond Trustee have been provided to it or it has otherwise been indemnified to its satisfaction from any cost, liability, expense or additional charges of the Bond Trustee, including attorney's fees) or any Holder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause ESRF to comply with its obligations under Section 5.6 of the Loan Agreement or to cause the Bond Trustee to comply with its obligations under this Section.



## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01. Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise;

(B) default in the due and punctual payment of any interest on any Bond when and as such interest shall become due and payable;

(C) default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Bond Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer and ESRF by the Bond Trustee, or to the Issuer, ESRF and the Bond Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(D) a Loan Default Event.

Upon a Responsible Officer's actual knowledge of the existence of any Event of Default, the Bond Trustee shall notify ESRF, the Issuer and the Master Trustee in writing as soon as practicable, but in any event within five (5) Business Days; provided, however, that the Bond Trustee need not provide notice of any Loan Default Event if ESRF has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Bond Trustee, the Issuer and the Master Trustee.

SECTION 7.02. Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Bond Trustee may, and shall upon direction of the Holders of a majority of the aggregate principal amount of the Bonds at the time outstanding, upon notice in writing to the Issuer and ESRF, declare the principal of the Bonds, and the interest accrued thereon, to be due and payable immediately (and interest shall cease to accrue as of the date of such declaration unless such declaration is rescinded in accordance herewith), and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Bond Trustee a sum sufficient to pay all the principal or Redemption Price of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rates borne by the respective Bonds, and the

reasonable charges and expenses of the Bond Trustee, and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all Bonds, by written notice to the Issuer and ESRF, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of this Bond Indenture (subject to Section 11.10 and other than moneys required to be deposited in the Rebate Fund) shall be applied by the Bond Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees, costs and expenses of the Issuer, the Issuer Indemnified Parties and the Bond Trustee (including reasonable fees and disbursements of the counsel and agents of each of the foregoing parties) incurred in and about the performance of its powers and duties under this Bond Indenture; and

(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Bond Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and

unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(C) To the payment of Additional Payments not paid pursuant to Section 7.03(A).

SECTION 7.04. Bond Trustee to Represent Bondholders. The Bond Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Bond Indenture, the Loan Agreement, Obligation No. 4, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, or in such Holders under this Bond Indenture, the Loan Agreement, Obligation No. 4, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Bond Indenture, pending such proceedings. If more than one such request is received by the Bond Trustee from the Holders, the Bond Trustee shall follow the written request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of twenty-five percent (25%). All rights of action under this Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.05. Bondholders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, and upon indemnifying the Bond Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Bond Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Bond

Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction or involve the Bond Trustee in personal liability.

SECTION 7.06. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Indenture, the Loan Agreement, Obligation No. 4, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; provided, however, that if more than one such request is received by the Bond Trustee from the Holders, the Bond Trustee shall follow the written request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of twenty-five percent (25%); (3) such Holder or said Holders shall have tendered to the Bond Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Bond Indenture, the Loan Agreement, Obligation No. 4, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.07. Absolute Obligation of Issuer. Nothing in Section 7.06 or in any other provision of this Bond Indenture, or in the Bonds, shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08. Termination of Proceedings. In case any proceedings taken by the Bond Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then in every such case the Issuer, the Bond Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former

positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Bond Trustee and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10. No Waiver of Default. No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Bond Indenture to the Bond Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

## ARTICLE VIII

### THE BOND TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee.

(A) The Issuer (at the request of ESRF) hereby appoints U.S. Bank National Association, as bond trustee. The Bond Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Bond Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) The Issuer may, and upon written request of ESRF, shall, remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint, with the written consent of ESRF (which consent shall not be unreasonably withheld), a successor Bond Trustee by an instrument in

writing. The Issuer or any Holder may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

(C) The Bond Trustee may at any time resign by giving written notice of such resignation to the Issuer and ESRF and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Issuer shall promptly appoint, with the written consent of ESRF (which consent shall not be unreasonably withheld), a successor Bond Trustee by an instrument in writing. The Bond Trustee shall not be relieved of its duties until such successor Bond Trustee has accepted appointment.

(D) Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under this Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to the Issuer and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee herein; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the Issuer shall mail or cause to be mailed (at the expense of ESRF) a notice of the succession of such Bond Trustee to the trusts hereunder to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. If the Issuer fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Bond Trustee, the successor Bond Trustee shall cause such notice to be mailed at the expense of ESRF.

(E) The initial Bond Trustee and any successor Bond Trustee shall be a trust company, national banking association, or bank having trust powers having a corporate trust office in the State, having a combined capital and surplus of (or if such trust company, national banking association or bank is a member of a bank holding system, its bank holding company shall have a combined capital and surplus of) at least fifty million dollars (\$50,000,000), and

subject to supervision or examination by federal or State authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Bond Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02.      Merger or Consolidation. Any company into which the Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Bond Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03.      Liability of Bond Trustee.

(A) The Bond Trustee assumes no responsibility for the correctness of the recitals of fact herein except as they specifically apply to the Bond Trustee, and makes no representations as to the validity or sufficiency of this Bond Indenture, of the Loan Agreement or of the Bonds, nor shall the Bond Trustee incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically relating to the Bond Trustee or its powers. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(B) The Bond 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 Bond Trustee was negligent in ascertaining the pertinent facts.

(C) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority (or such lesser number as this Bond Indenture may permit to direct the Bond Trustee) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture.

(D) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have offered to the Bond Trustee indemnity acceptable to the Bond Trustee against the costs, expenses and liabilities which may be incurred therein or thereby. The Bond Trustee has no obligation or liability to the Holders for the payment of interest on, principal of or redemption

premium, if any, with respect to the Bonds from its own funds; but rather the Bond Trustee's obligations shall be limited to the performance of its duties hereunder.

(E) Except with respect to Events of Default specified in Section 7.01(A) or (B) hereof, the Bond Trustee shall not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof or the Bond Trustee shall have received written notice thereof at the Designated Office. The Bond Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(F) The Bond Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through attorneys-in-fact, agents or receivers, and shall not be answerable for the negligence or misconduct of any such attorney-in-fact, agent or receiver selected by it with due care. The Bond Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Bond Trustee shall not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms of this Bond Indenture, if such attorney-at-law or certified public accountant was selected by the Bond Trustee with due care.

(G) The Bond Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys that shall be released or withdrawn in accordance with the provisions hereof.

(H) Whether or not therein expressly so provided, every provision of this Bond Indenture, the Loan Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Article.

(I) The Bond Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(J) The Bond Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Bond Trustee.



(K) The Bond Trustee agrees to accept and act upon instructions or directions pursuant to this Bond Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Bond Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions 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 ESRF elects to give the Bond Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Bond Trustee in its discretion elects to act upon such instructions, the Bond Trustee's understanding of such instructions shall be deemed controlling. The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bond Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. ESRF agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

(M) The Bond Trustee shall hold any financial statements of ESRF solely as an accommodation to the Holders and shall have no duty or obligation to review such financial statements and shall not be responsible for their contents.

SECTION 8.04. Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, statement, requisition, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bond Trustee may consult with counsel, who may be counsel of or to the Issuer, with regard to legal questions. The Bond Trustee may act upon advice or an Opinion of Counsel and will not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such advice or Opinion of Counsel; provided, however, at any time the Bond Trustee is to receive an Opinion of Counsel upon which it will rely in taking or omitting to take action the Issuer shall be named as an addressee of such Opinion of Counsel. If the Bond Trustee is informed that counsel will not name the Issuer as an addressee of such opinion, the Bond Trustee will promptly send notice to the Issuer and the Bond Trustee will refrain from acting upon any such Opinion of Counsel for a period of three (3) business days unless in the opinion of the Bond Trustee such delay would adversely affect the interests of the owners of the Bonds. Notwithstanding anything to the contrary, in no event shall any failure of the Issuer being named an addressee of an Opinion of Counsel prevent the Bond Trustee from taking any act or refraining from taking any act that in the opinion of the Bond Trustee is in the best interests of the owners of the Bonds.

The Bond Trustee shall not be bound to recognize any Person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Bond Indenture the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Issuer, and such Certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Indenture in reliance upon such Certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Bond Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, ESRF and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 8.06. Compensation and Indemnification. The Bond Trustee shall arrange with ESRF for payment (solely from those Additional Payments provided for in Section 3.2(b) of the Loan Agreement) from time to time of reasonable compensation for all services rendered under this Bond Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Bond Indenture.

No provision of this Bond Indenture shall require the Bond 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 its rights or powers, if it has not received the agreed compensation for such services or, in cases where the Bond Trustee has a right to reimbursement or indemnification for such performance or exercise, 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.

In the Loan Agreement, of which the Bond Trustee is an intended third-party beneficiary, ESRF covenants and agrees to indemnify and save harmless the Bond Trustee, and its officers, directors, employees, and agents against any loss, expense and liabilities that it may incur arising out of or in connection with (1) the exercise and performance of the Bond Trustee's powers and duties hereunder or (2) the sale of any Bonds and the carrying out of any of the transactions contemplated by the Bonds, the Loan Agreement or related documents, including the costs and expenses of defending against any claim of liability, but excluding liabilities that are due to the Bond Trustee's negligence or willful misconduct. The obligations described in this Section shall survive resignation or removal of the Bond Trustee under this Bond Indenture and payment of the Bonds and discharge of this Bond Indenture.

SECTION 8.07. Notice to Rating Agency. The Bond Trustee shall give written notice to each Rating Agency then rating the Bonds if (i) a successor Bond Trustee is appointed hereunder, (ii) if this Bond Indenture or the Loan Agreement is amended or supplemented in any material manner, (iii) if the Bonds are paid and this Bond Indenture defeased pursuant to Section 10.01, (iv) if the Bonds are accelerated pursuant to Section 7.02, or (v) if the Bonds are redeemed in whole or in part pursuant to Section 4.01, provided that the Bond Trustee shall incur no liability for failure to give any such notice.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THIS BOND INDENTURE

#### SECTION 9.01. Amendments Permitted.

(A) This Bond Indenture and the rights and obligations of the Issuer and of the Holders of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Issuer and the Bond Trustee may enter into when both (i) the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and (ii) an Opinion of Bond Counsel to the effect that such amendment or modification will not in and of itself cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Bond Indenture prior to or on a parity with the lien created by this Bond Indenture, or deprive the Holders of the Bonds of the lien created by this Bond Indenture on such Revenues and other assets (except as expressly provided in this Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Issuer and the Bond Trustee of any Supplemental Bond Indenture pursuant to this subsection (A), the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

(B) This Bond Indenture and the rights and obligations of the Issuer, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Issuer and the Bond Trustee may enter into without the necessity of obtaining the consent of any Bondholders, but only upon receipt by the Bond Trustee of an Opinion of Bond Counsel to the effect that such amendment or modification: (1) will not in and of itself cause interest on the Bonds to be

included in the gross income of the Holders thereof for federal income tax purposes, (2) is permitted by law and (3) complies with one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer contained in this Bond Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Issuer, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds (as provided in an Opinion of Counsel addressed to the Issuer and the Bond Trustee);

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Indenture, or in regard to matters or questions arising under this Bond Indenture, as the Issuer or the Bond Trustee may deem necessary or desirable and not inconsistent with this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds (as provided in an Opinion of Counsel addressed to the Issuer and the Bond Trustee);

(3) to modify, amend or supplement this Bond Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds (provided, however, that such modifications, amendments, supplements and additions shall be permitted under this subsection (B) of Section 9.01 only if qualification under said act or similar federal statute is required by applicable law now or hereafter in effect);

(4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(C) The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by subsections (A) or (B) of this Section which materially adversely affects the Bond Trustee's own rights, duties or immunities under this Bond Indenture or otherwise.

SECTION 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Bond Indenture pursuant to this Article, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Indenture of the Issuer, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture shall be deemed to be part of the terms and conditions of this Bond Indenture for any and all purposes.

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Bond Indenture pursuant to this Article may bear a notation by endorsement or otherwise in form approved by the Issuer and the Bond Trustee as to any modification or amendment provided for in such Supplemental Bond Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of such Bond for the purpose at the Designated Office of the Bond Trustee or at such additional offices as the Bond Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Bond Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Issuer (which may be based on an Opinion of Bond Counsel, in the sole discretion of the Issuer), to any modification or amendment contained in such Supplemental Bond Indenture, shall be prepared by the Bond Trustee at the expense of ESRF, executed by the Issuer and authenticated by the Bond Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Designated Office of the Bond Trustee, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

## ARTICLE X

### DEFEASANCE

SECTION 10.01. Discharge of Indenture. The Bonds may be paid by the Issuer or the Bond Trustee on behalf of the Issuer in any of the following ways:

- (A) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;
- (B) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 10.03) to pay when due or redeem all Bonds then Outstanding; or
- (C) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then and in that case at the election of the Issuer (evidenced by a Certificate of the Issuer filed with the Bond Trustee signifying the intention of the Issuer to discharge all such indebtedness and this Bond Indenture and upon receipt by the Bond Trustee of an Opinion of Counsel to the effect that the obligations under this Bond Indenture and the Bonds have been discharged), and notwithstanding that any Bonds shall not have been surrendered for payment, this Bond Indenture and the pledge of Revenues and other assets made under this Bond Indenture and all covenants, agreements and other obligations of the Issuer under this Bond Indenture

(except as otherwise provided in Section 5.07 and Section 8.06) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the Issuer, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to ESRF all moneys or securities or other property held by it pursuant to this Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Section 5.07.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of, premium, if any, and interest on such Bond by the Issuer, and the Issuer shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Issuer may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously issued and delivered, which the Issuer may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to this Bond Indenture (other than the Rebate Fund) and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Investment Securities described in clauses (a)(i)-(iii) of the definition thereof in Section 1.01 (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due will provide money sufficient to pay the principal or Redemption Price of and

all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice; provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Bond Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

SECTION 10.04. Payment of Bonds After Discharge of Bond Indenture. Notwithstanding any provisions of this Bond Indenture, subject to applicable escheat law, any moneys held by the Bond Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after such principal or interest, as the case may be, has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Bond Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to ESRF free from the trusts created by this Bond Indenture upon receipt of an indemnification agreement by ESRF acceptable to the Issuer and the Bond Trustee indemnifying the Issuer and the Bond Trustee with respect to claims of Holders of Bonds or the government of the United States of America which have not yet been paid, and all liability of the Bond Trustee and the Issuer with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to ESRF as aforesaid, the Bond Trustee may (at the cost of ESRF) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to ESRF of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

SECTION 11.01. Liability of Issuer Limited to Revenues. Notwithstanding anything contained in this Bond Indenture, the Loan Agreement or in the Bonds, the Issuer shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Bond Indenture for any of the purposes in this Bond Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Bond Indenture.

SECTION 11.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Bond Indenture either the Issuer or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Bond Indenture contained by or on behalf of the Issuer or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties, ESRF and Bondholders. Nothing in this Bond Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Issuer, the Issuer Indemnified Parties, the Bond Trustee, ESRF and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Bond Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Issuer Indemnified Parties, the Bond Trustee, ESRF and the Holders of the Bonds.

SECTION 11.04. Waiver of Notice. Whenever in this Bond Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Bonds. Whenever in this Bond Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the Issuer of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

SECTION 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Bond Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Bond Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Bond Indenture, and this Bond Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

SECTION 11.07. Notices. Any notice to or demand upon the Bond Trustee may be served or presented, and such demand may be made, at the Designated Office of the Bond Trustee or at such other address as may have been filed in writing by the Bond Trustee with the Issuer. Any notice to or demand upon the Issuer or ESRF shall be deemed to have been sufficiently given or served for all purposes by being given in writing delivered or sent by Electronic Means receipt confirmed or by being mailed by first-class mail, postage prepaid and addressed as follows:

1. If to the Issuer:  
Arizona Industrial Development Authority  
c/o Kutak Rock LLP  
8601 North Scottsdale Road, Suite 300  
Scottsdale, Arizona 85253  
Attention: President  
admin@arizonaaida.com

with a copy to:



Kutak Rock LLP  
8601 North Scottsdale Road, Suite 300  
Scottsdale, Arizona 85253  
Attention: Kelly A. McGuire, Esq.  
kelly.mcguire@kutakrock.com

2. If to ESRF:

Equitable School Revolving Fund, LLC  
21 West 46th Street  
New York, New York 10036  
Attention: Chief Executive Officer

(or such other addresses as may have been filed in writing by the Issuer or ESRF with the Bond Trustee).

SECTION 11.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in Person or by an agent or agents duly appointed in writing.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or the Issuer in accordance therewith or reliance thereon.

SECTION 11.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Bond Indenture, Bonds which are known to a Responsible Officer of the Bond Trustee to be owned or held by or for the account of the Issuer or ESRF, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or ESRF or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of

the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or ESRF or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel selected by it with due care shall be full protection to the Bond Trustee. Upon request of the Bond Trustee, the Issuer and ESRF shall specify in a certificate to the Bond Trustee those Bonds disqualified pursuant to this Section and the Bond Trustee may conclusively rely on such certificate.

SECTION 11.10. Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held uninvested in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11. Funds and Accounts. The Bond Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Bond Indenture. Any fund required by this Bond Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Holder thereof. The Bond Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its obligations hereunder.

SECTION 11.12. Limitation of Liability.

(a) *Reliance by Issuer on Facts or Certificates.* Anything in this Bond Indenture to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Bond Trustee or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer.

(b) *Immunity of Issuer's Directors, Officers, Counsel, Advisors, and Agents.* No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in this Bond Indenture, any other Issuer Documents, or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or the issuance and sale of the Bonds, against any of the Issuer Indemnified Parties, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any of the Issuer Indemnified Parties, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into by the Issuer with the Borrower or the Bond Trustee, or to

be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against each and every Issuer Indemnified Party is, by the execution of the Bonds, this Bond Indenture, and the other Issuer Documents, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Bond Indenture, and the other Issuer Documents, expressly waived and released.

(c) *No Pecuniary Liability of Issuer.* No agreements or provisions contained herein, or 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 a charge against its general credit, or shall obligate the Issuer 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 Bond Indenture or the Loan 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 to liability for any claim for damages, costs, or other financial or pecuniary charge, except to the extent the same can be paid or recovered from the revenues pledged for the payment of the Bonds or other revenues derived under the Loan 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, except as may be payable from the revenues pledged under this Bond Indenture for the payment of the Bonds or other revenue derived under the Loan 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 within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against the Issuer's general credit. In making the agreements, provisions, and covenants set forth in this Bond 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 Loan Agreement.

SECTION 11.13. Incorporation of Terms of Loan Agreement. The parties hereto acknowledge and agree that to the extent applicable, the terms defined in the Loan Agreement are incorporated herein as if they were contained in this Bond Indenture.

SECTION 11.14. Remedies of the Issuer. Notwithstanding any contrary provision in this Bond Indenture, the Issuer shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Issuer, the State and the respective personnel and for collection reimbursements. The Issuer may enforce its rights under the Loan Agreement which have not been assigned to the Bond Trustee by legal proceedings for the specific performance of any obligation contained therein and herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Issuer under the Loan Agreement, including court costs, reasonable attorneys' fees and other costs and expenses incurred in enforcing such obligations.

SECTION 11.15. Limitation on Actions. The Issuer shall not be required to monitor, or provide information or disclosure concerning the financial condition of the Borrower or other

matters relating to the Bonds and shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder or under the Loan Agreement. The Issuer shall not be required to take notice of any breach or default except when given notice thereof by the Bond Trustee or the registered owners, as the case may be. The Issuer shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Issuer, upon written request of the registered owners or the Bond Trustee, shall cooperate to the extent reasonably necessary to enable the Bond Trustee to exercise any power granted to the Bond Trustee by this Bond Indenture.

SECTION 11.16. Responsibility. The Issuer shall be entitled to the advice of counsel (who may be counsel for any party or for any Registered Owner unless an opinion of independent counsel or Opinion of Bond Counsel is required hereunder) and shall be wholly protected as to any actions taken or omitted to be taken in good faith in reliance on such advice. The Issuer may rely conclusively on any notice, certificate or other document furnished to it hereunder or pursuant to the Loan Agreement or the Bond Purchase Agreement and reasonably believed by it to be genuine. The Issuer shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it because it was reasonably believed to be beyond the discretion or power conferred upon it or taken by it pursuant to any direction or instruction by which it is governed hereunder or omitted to be taken by it by reason of the lack of direction or instruction required for such action hereunder, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Issuer is called for by this Bond Indenture or the Loan Agreement, the Issuer may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act in the Issuer shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Issuer shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any Person. No recourse shall be had by the Borrower, the Bond Trustee or any Registered Owner for any claim based on this Bond Indenture or the Bonds against any of the Issuer's directors, officers, employees, counsel, financial advisors or agents unless such claim is based upon the willful dishonesty or intentional violation of law of such person.

SECTION 11.17. Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

SECTION 11.18. Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.19. Governing Law; Venue. This Bond Indenture shall be governed by and construed in accordance with the laws and judicial decisions of the State, without

reference to any choice of law principles except as such laws may be preempted by any federal rules, regulations and laws applicable to the Issuer. The parties hereto expressly acknowledge and agree that any judicial action to interpret or enforce the terms of this Bond Indenture against the Issuer shall be brought and maintained in the Superior Court of the State of Arizona, in and for the County of Maricopa, the United States District Court in and for the District of Arizona, or any United States Bankruptcy Court in any case involving or having jurisdiction over ESRF.

SECTION 11.20. Execution in Several Counterparts. This Bond Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.21. Survival. Notwithstanding the payment in full of the Bonds, the discharge of this Bond Indenture, and the termination or expiration of the Loan Agreement, all provisions in this Indenture concerning (a) the tax-exempt status of the Bonds (including, but not limited to provisions concerning rebate), (b) the interpretation of this Bond Indenture, (c) the governing law, (d) the forum for resolving disputes, (e) the Issuer's right to rely on facts or certificates, (f) the indemnity of the Issuer Indemnified Parties from liability, (g) the lack of pecuniary liability of the Issuer, the AFA and the State, and (h) Section 10.04 hereof shall survive and remain in full force and effect.

SECTION 11.22. Third Party Beneficiaries. Each of the Issuer Indemnified Parties, other than the Issuer, are intended third party beneficiaries of this Bond Indenture. Nothing in this Bond Indenture shall confer any right upon any person other than the parties hereto and the specifically designated third party beneficiaries of this Bond Indenture, including the owners of the Bonds.

SECTION 11.23. Entire Agreement. This Bond Indenture constitutes the entire agreement of the parties hereto and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

SECTION 11.24. Notice of A.R.S. Section 38-511 – Cancellation of Contracts. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to contracts of the nature of this Bond Indenture under the law of the State.

IN WITNESS WHEREOF, the ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY has caused this Bond Indenture to be signed in its name by its President and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Bond Indenture to be signed in its corporate name by its duly authorized officer all as of the day and year first above written.

ARIZONA INDUSTRIAL  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Victor Riches  
President

U.S. BANK NATIONAL ASSOCIATION,  
as Bond Trustee

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT A  
FORM OF BOND

NUMBER

AMOUNT

R-\_\_\_\_\_

\$\_\_\_\_\_

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY  
NATIONAL CHARTER SCHOOL REVOLVING LOAN FUND REVENUE BOND  
SERIES 2020A

THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM REVENUES OF THE BORROWER. THE BONDS DO NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, AFA, STATE, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, AFA, STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE BONDS SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, EMPLOYEE, COUNSEL, ADVISOR, CONTRACTOR, CONSULTANT, PROGRAM MANAGER OR AGENT OF THE ISSUER, OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, 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 OFFICERS, DIRECTORS, EMPLOYEES, COUNSEL, ADVISORS, CONTRACTORS, PROGRAM MANAGERS, CONSULTANTS OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THE BONDS.

Interest Rate:

Maturity Date:

Original Issue Date:

CUSIP Number:

\_\_\_\_\_%

\_\_\_\_\_

\_\_\_\_\_

Registered Owner: CEDE & CO.

Principal Amount:

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY, a nonprofit corporation designated a political subdivision of the State of Arizona (the “Issuer”), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner specified above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal amount specified above, in lawful money of the United States of America; and to pay interest thereon (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) in like lawful money from the date hereof until payment of such principal sum shall be discharged as provided in the Bond Indenture hereinafter mentioned, at the interest rate per annum determined stated above, payable on May 1 and November 1 in each year commencing on \_\_\_\_\_. The principal (or redemption price) hereof is payable upon presentation hereof at the designated office of U.S. Bank National Association (together with any successor bond trustee as provided in the Bond Indenture, as defined below, herein called the “Bond Trustee”), in New York, New York (or, in the case of a successor bond trustee, at the designated office of such successor bond trustee). Interest hereon is payable by check mailed by first class mail on each interest payment date (except with respect to defaulted interest) to the person whose name appears on the bond registration books of the Bond Trustee as the registered holder hereof on the fifteenth (15th) day (whether or not a Business Day, as defined in the Bond Indenture hereinafter defined) of the calendar month preceding the calendar month in which such related Interest Payment Date falls (the “Record Date”) at the address appearing on the bond registration books maintained by the Bond Trustee, or by wire transfer to an account within the United States of America to any registered holder of at least \$1,000,000 in principal amount of Bonds if such registered holder has submitted a written request for such wire transfer to the Bond Trustee at least one Business Day prior to the Record Date (which request includes written wire transfer instructions). Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as “Arizona Industrial Development Authority National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A” (herein called the “Bonds”), limited in aggregate principal amount to \_\_\_\_\_ (\$\_\_\_\_\_) and issued pursuant to the provisions of the Industrial Development Financing Act, Title 35, Chapter 5, Section 35-701 *et seq.*, Arizona Revised Statutes (as now in effect and as it may from time to time hereafter be amended or supplemented, herein called the “Act”) and a bond indenture, dated as of August 1, 2020, between the Issuer and the Bond Trustee (herein called the “Bond Indenture”). The Bonds are issued for the purpose of making a loan to Equitable School Revolving Fund, LLC, a Delaware limited liability company (herein called “ESRF”), pursuant to a loan agreement, dated as of August 1, 2020 (herein called the “Loan Agreement”), between the Issuer and ESRF, for the purposes and on the terms and conditions set forth therein.

Reference is hereby made to the Bond Indenture (a copy of which is on file at said Designated Office of the Bond Trustee) and all amendments and supplements thereto, to the



Loan Agreement (a copy of which is on file at said Designated Office of the Bond Trustee) and to the Act for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Bond Trustee and of the rights and obligations of the Issuer thereunder, to all the provisions of which Bond Indenture and Loan Agreement the registered owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Bond Indenture.

The Bonds and the interest thereon are payable from Revenues and are secured by a pledge and assignment of said Revenues and of amounts (but excluding Additional Payments and payments made pursuant to the Reserved Rights) held in the funds and accounts established pursuant to the Bond Indenture (excluding amounts held in the Rebate Fund), subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Issuer in the Loan Agreement (to the extent and as more particularly described in the Bond Indenture).

Interest payable on any Bond shall cease to accrue (i) on the maturity date of such Bond, provided that there has been irrevocably deposited with the Bond Trustee an amount sufficient to pay the principal amount thereof, plus interest thereon to such date; or (ii) on the date fixed for redemption thereof, provided that there has been irrevocably deposited with the Bond Trustee an amount sufficient to pay the redemption price thereof, plus interest thereon to such date. The Holder of such Bond shall not be entitled to any other payment for such Bond, and such Bond shall no longer be Outstanding and entitled to the benefits of the Bond Indenture, except for such payment from moneys held by the Bond Trustee for such purpose.

This Bond has been executed by the Issuer and authenticated by the Bond Trustee pursuant to the terms of the Bond Indenture. Copies of the Bond Indenture are on file at the Designated Office of the Bond Trustee in New York, New York (or, in the case of a successor Bond Trustee, at the Designated Office of such successor Bond Trustee), and reference is made to the Bond Indenture and all amendments and supplements thereto for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the registered Holders of the Bonds with respect thereto and the other terms and conditions upon which the Bonds are delivered thereunder.

The Bonds are subject to redemption in accordance with the Bond Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Bond Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

Whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Bond Trustee shall select the Bonds to be redeemed, in the authorized denominations specified in the Bond Indenture, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, as directed in

writing by ESRF or, in the absence of such direction, by lot, in any manner which the Bond Trustee in its sole discretion shall deem appropriate.

As provided in the Bond Indenture, notice of redemption shall be mailed by first-class mail by the Bond Trustee, not less than twenty (20) or more than sixty (60) days prior to the date fixed for redemption, to the Issuer and the Holder of each Bond designated for redemption at their address appearing on the registration books of the Bond Trustee. If this Bond is called for redemption and payment is duly provided as specified in the Bond Indenture, interest shall cease to accrue with respect hereto from and after the date fixed for redemption.

Failure by the Bond Trustee to give notice of redemption pursuant to the Bond Indenture to any one or more of the securities information services or depositories designated by ESRF, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption pursuant to the Bond Indenture to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof.

This Bond is transferable by the registered Holder hereof, in person or by the registered Holder's attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Indenture and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, having the same maturity date and of authorized denominations, and for the same aggregate principal amount, will be issued to the transferee in exchange herefor. Subject to the limitations and conditions and upon payment of the charges, if any, provided in the Bond Indenture, Bonds may be exchanged for the same aggregate principal amount of fully registered Bonds of other authorized denominations having the same maturity date.

The Issuer and the Bond Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Bond Trustee shall not be affected by any notice to the contrary.

The Bond Indenture and the rights and obligations of the Issuer and of the registered owners of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Bond Indenture; provided that no such modification or amendment shall (i) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, without the consent of the registered owner hereof, or (ii) reduce the percentage of Bonds the consent of the registered owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged as security for the Bonds prior to or on a parity with the lien created by the Bond Indenture, or deprive the registered owners of the Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in the Bond

Indenture), without the consent of the registered owners of all Bonds then outstanding, all as more fully set forth in the Bond Indenture.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the provisions of the Act and by the Constitution and laws of the State of Arizona, and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of Arizona, and is not in excess of the amount of Bonds permitted to be issued under the Bond Indenture.

This Bond shall not be entitled to any benefit under the Bond Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Bond Trustee.

IN WITNESS WHEREOF, ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its President, all as of the date set forth above.

ARIZONA INDUSTRIAL  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
President

BOND TRUSTEE'S CERTIFICATE OF AUTHENTICATION  
AND REGISTRATION

This is one of the Bonds described in the within mentioned Bond Indenture, which has been registered on the date set forth below.

Dated:

U.S. BANK NATIONAL ASSOCIATION,  
as Bond Trustee

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_, attorney, to transfer the same on the books of the within-named Bond Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

By \_\_\_\_\_

Signature Guaranteed By:

\_\_\_\_\_  
NOTICE: Signature must be guaranteed  
by an eligible guarantor institution.

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ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY

and

EQUITABLE SCHOOL REVOLVING FUND, LLC

LOAN AGREEMENT

Dated as of August 1, 2020

relating to

\$ \_\_\_\_\_

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY  
NATIONAL CHARTER SCHOOL REVOLVING LOAN FUND REVENUE BONDS  
SERIES 2020A

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Pursuant to a Bond Indenture dated as of August 1, 2020, the rights of the Arizona Industrial Development Authority hereunder, other than the Reserved Rights (as defined in the Bond Indenture referred to above), have been assigned to U.S. Bank National Association, as bond trustee under such Bond Indenture.

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This LOAN AGREEMENT, is made and entered into as of August 1, 2020 (this “Loan Agreement”), between the ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY, a nonprofit corporation designated a political subdivision of the State of Arizona (the “Issuer”), and EQUITABLE SCHOOL REVOLVING FUND, LLC, a Delaware limited liability company (“ESRF” or the “Borrower”), the sole member of which is Equitable Facilities Fund, Inc. (“EFF”), a Delaware nonstock, nonprofit corporation and an organization described in Section 501(c)(3) of the Code;

#### W I T N E S S E T H:

WHEREAS, the Issuer is a nonprofit corporation designated a political subdivision of the State of Arizona (the “State”), incorporated with the approval of the Arizona Finance Authority (the “AFA”), pursuant to the provisions of the Constitution and the laws of the State, including the Industrial Development Financing Act, Title 35, Chapter 5, Section 35-701 *et seq.* (the “Act”), Arizona Revised Statutes, as amended;

WHEREAS, the Act authorizes the Authority to issue bonds to provide financing or refinancing for projects located in whole or in part outside of the State, including projects consisting of facilities owned or operated by a nonprofit organization described in Section 501(c) of the Internal Revenue Code;

WHEREAS, ESRF has requested financial assistance from the Issuer in the financing, refinancing and/or reimbursing of all or a portion of certain loans (the “School Loans”) originated to qualifying public charter schools located both inside and outside the State for the purpose of financing or refinancing the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities;

WHEREAS, the Issuer has authorized the issuance of its National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A (the “Bonds”), in an aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_) to (i) provide funds to ESRF for the purpose of financing or reimbursing the School Loans, (ii) fund a debt service reserve with respect to the Bonds and (iii) pay a portion of the Costs of Issuance (collectively, the “Project”);

WHEREAS, ESRF has requested the Issuer to enter into this Loan Agreement specifying the terms and conditions of a loan by the Issuer to ESRF of the proceeds of the Bonds and of the payment by ESRF to the Issuer of the amounts required for the payment of the principal of, and interest and premium, if any, on the Bonds and certain related expenses; and

WHEREAS, the Issuer and ESRF have each duly authorized the execution, delivery and performance of this Loan Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

#### ARTICLE I

#### DEFINITIONS; INTERPRETATION

Section 1.1 Definitions. Unless otherwise required by the context, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Bond Indenture between the Issuer and U.S. Bank National Association, as bond trustee, dated as of August 1, 2020, either as originally executed or as amended or supplemented from time to time (the “Bond Indenture”).

Section 1.2 Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### ISSUANCE OF BONDS; OBLIGATION NO. 4

Section 2.1 The Bonds. The Issuer has authorized the issuance of the Bonds pursuant to the Bond Indenture in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_). ESRF hereby approves the Bond Indenture, the pledge and assignment thereunder to the Bond Trustee of the right, title and interest of the Issuer (except for Reserved Rights) in this Loan Agreement and Obligation No. 4, the issuance under the Bond Indenture by the Issuer of the Bonds, and agrees to be bound by its terms.

Section 2.2 Obligation No. 4. In consideration of the issuance of the Bonds by the Issuer and the application of the proceeds thereof as provided in the Bond Indenture, ESRF agrees to issue, or cause to be issued, and to cause to be authenticated and delivered to the Issuer or its designee, pursuant to the Master Trust Indenture and the Supplemental MTI, concurrently with the issuance and delivery of the Bonds, Obligation No. 4 in substantially the form set forth in the Supplemental MTI. The Issuer agrees that Obligation No. 4 shall be registered in the name of the Bond Trustee. ESRF agrees that the aggregate principal amount of Obligation No. 4 shall be limited to \_\_\_\_\_ (\$\_\_\_\_\_), except as provided in the Supplemental MTI with respect to the mutilation, destruction, loss or theft of Obligation No. 4. ESRF agrees that, except as otherwise provided in this Section 2.2, so long as any Bond remains Outstanding, Obligation No. 4 shall be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of Obligation No. 4 shall be registered under the Master Trust Indenture or be recognized by ESRF except for transfers to a successor Bond Trustee. Upon the principal of Obligation No. 4 being declared immediately

due and payable, Obligation No. 4 may be transferred if and to the extent that the Bond Trustee requests that the aforementioned restrictions on transfers of this Section 2.2 be terminated.

### ARTICLE III

#### PAYMENTS

Section 3.1 Loan of Proceeds; Payments of Principal and Interest. The Issuer hereby lends and advances to ESRF, and ESRF hereby borrows and accepts from the Issuer, a loan in a principal amount equal to the aggregate principal amount of the Bonds, the net proceeds of which loan shall be equal to the net proceeds received from the sale of the Bonds, such proceeds to be applied under the terms and conditions of this Loan Agreement and the Bond Indenture. In consideration of the loan of such proceeds to ESRF, ESRF agrees to pay, or cause to be paid, to the Bond Trustee, on or before the Business Day prior to each date on which such amounts are required to be transferred by the Bond Trustee pursuant to Section 5.02 of the Bond Indenture for subsequent application pursuant to the Bond Indenture, the amounts necessary to enable the Bond Trustee to make the transfers required by said Section 5.02 of the Bond Indenture (the "Loan Repayments"). Notwithstanding the foregoing, ESRF agrees to make payments, or cause payments to be made, to the Bond Trustee at the times and in the amounts required to be paid as principal of, premium, if any, and interest on the Bonds from time to time Outstanding under the Bond Indenture and other amounts required to be paid under the Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise. Each payment by ESRF to the Bond Trustee hereunder shall be in lawful money of the United States of America and paid to the Bond Trustee at its Designated Office, and held, invested, disbursed and applied as provided in the Bond Indenture.

Section 3.2 Additional Payments. In addition to Loan Repayments, ESRF shall also pay to the Issuer or the Bond Trustee, as the case may be, "Additional Payments," as follows:

(a) All taxes and assessments of any type or character charged to the Issuer or to the Bond Trustee affecting the amount available to the Issuer or the Bond Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that ESRF shall have the right to protest any such taxes or assessments which it in good faith believes are not due and owing and to require the Issuer or the Bond Trustee, at ESRF's expense, to protest and contest any such taxes or assessments levied upon them, and that ESRF shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer, the Holders or the Bond Trustee hereunder, under the Bond Indenture or otherwise with respect to the Bonds;

(b) All reasonable fees, charges, expenses and indemnities (as set forth in Section 5.3 and Section 5.4) of the Bond Trustee and the Issuer hereunder and under the Bond Indenture, as and when the same become due and payable;

(c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement or the Bond Indenture (provided that the Issuer will give advance notice to ESRF if it engages any accountants, consultants, attorneys or other experts to provide services required under this Loan Agreement or the Bond Indenture, and provided further that ESRF acknowledges that failure of the Issuer to give such notice shall not affect the Issuer's right to engage any such Persons or seek payment for the fees and expenses thereof under this subsection);

(d) The reasonable fees and costs incurred by the Issuer, including but not limited to Issuer staff costs and costs of counsel to the Issuer and any other attorney or consultant representing the Issuer in connection with this Loan Agreement, the Bonds or the Bond Indenture, including any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds, or in connection with any litigation or other proceeding which may at any time be instituted involving this Loan Agreement, the Bonds, Obligation No. 4, the Bond Indenture or any of the other documents contemplated thereby, or in connection with the inspection of ESRF, its properties, assets or operations, or otherwise in connection with the administration of this Loan Agreement;

(e) All other reasonable and necessary fees, expenses and indemnities (as set forth in Section 5.3 and Section 5.4) of the Issuer and the Issuer Indemnified Parties arising out of or in connection with the issuance of the Bonds and this Loan Agreement, including, but not limited to, those pertaining to the representation of the Issuer as "taxpayer" before the Internal Revenue Service in any audit or investigation of the Bonds or Obligation No. 4; and

(f) All Costs of Issuance of the Bonds.

Such Additional Payments shall be billed to ESRF by or upon direction of the Issuer or the Bond Trustee from time to time and shall be paid by ESRF within thirty (30) days after receipt of the bill by ESRF. The obligations of ESRF under this Section shall survive the payment of the Bonds and discharge of the Bond Indenture, and termination of this Loan Agreement and the resignation or removal of the Bond Trustee.

Section 3.3 Prepayment. ESRF shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments related to the Bonds and the Issuer agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of Investment Securities or surrender of Bonds, as contemplated by Article X of the Bond Indenture. Pursuant to the Bond Indenture, the interest component of all such prepayments shall be deposited in the Interest Account and the principal component of all such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Redemption Fund, and, at the written request of and as determined by ESRF, credited against payments due hereunder or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any

Additional Payments required to be made hereunder remain unpaid, ESRF shall not be relieved of its obligations hereunder.

Section 3.4 Obligations Unconditional. The obligations of ESRF hereunder, including the obligation of ESRF to pay the principal of and interest on the Bonds and any Additional Payments, are absolute and unconditional, notwithstanding any other provision of this Loan Agreement or the Bond Indenture. Until this Loan Agreement is terminated and all payments hereunder are made, ESRF:

(a) Will pay all amounts required hereunder without abatement, deduction or setoff, except as otherwise expressly provided in this Loan Agreement;

(b) Will not suspend or discontinue any payments due hereunder for any reason whatsoever, including, without limitation, any right of setoff or counterclaim, except as expressly provided in this Loan Agreement or the Bond Indenture;

(c) Will perform and observe all its other agreements contained in this Loan Agreement; and

(d) Except as provided herein, will not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Arizona, or any political subdivision of either thereof or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this Section 3.4 shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Issuer or the Bond Trustee owing to ESRF, or by reason of any other indebtedness or liability at any time owing by the Issuer or by the Bond Trustee to ESRF.

Section 3.5 Conditions Precedent. The obligation of the Issuer to make the loan as herein provided shall be subject to (i) the receipt by it of the proceeds of the issuance and sale of the Bonds and (ii) the issuance of Obligation No. 4.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF ESRF

Section 4.1 Representations and Warranties of ESRF. ESRF represents and warrants to the Issuer that, as of the date of execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof:

(a) ESRF is a Delaware limited liability company controlled by its sole member, EFF, a Delaware nonstock, nonprofit corporation and an organization described in Section 501(c)(3) of the Code.

(b) ESRF is organized as a disregarded entity for federal tax purposes; the purpose of ESRF is to further the charitable purposes of EFF, as sole member, of making loans and otherwise participating in financing transactions to assist public charter schools, including the issuance of the Bonds; EFF may not carry on activities which are not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(3) of the Code; EFF has not been formed for profit or pecuniary benefit, and no assets, income or net earnings of EFF may inure to the benefit of any manager, director, officer or employee of EFF or any private individual.

(c) ESRF has the requisite legal right, power and authority to enter into this Loan Agreement and to carry out and consummate all transactions contemplated hereby.

(d) The officer of ESRF executing this Loan Agreement is duly and properly in office and has the requisite authority to execute the same.

(e) This Loan Agreement has been duly authorized, executed and delivered by ESRF.

(f) This Loan Agreement, when executed by the Issuer and validly assigned by the Issuer to the Bond Trustee pursuant to the Bond Indenture (except with respect to Reserved Rights), will constitute the legal, valid and binding agreement of ESRF enforceable against ESRF by the Bond Trustee in accordance with its terms for the benefit of the Holders of the Bonds, and any rights of the Issuer and obligations of ESRF not so assigned to the Bond Trustee constitute the legal, valid, and binding agreements of ESRF enforceable against ESRF in accordance with their terms; except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(g) The execution and delivery of this Loan Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default under ESRF's organizational documents or any applicable law or administrative rule or regulation, or any court or administrative decree or order to which ESRF is subject, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which ESRF is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of ESRF, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect either (1) the consummation of the transactions contemplated by this Loan Agreement or (2) the financial condition, assets, properties or operations of ESRF.

(h) No consent or approval of any trustee or holder of any indebtedness of ESRF, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Loan Agreement or for the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(i) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending with service having been completed on ESRF, or to the knowledge of ESRF, after reasonable investigation, threatened, against or affecting ESRF or the assets, properties or operations of ESRF which, if determined adversely to ESRF or its interests, would have a material adverse effect upon either (1) the consummation of the transactions contemplated by, or the validity of, this Loan Agreement or (2) the financial condition, assets, properties or operations of ESRF. ESRF is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, or the financial condition, assets, properties or operations of ESRF. All tax returns (federal, state and local) required to be filed by or on behalf of ESRF have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by ESRF, in good faith, have been paid or adequate reserves have been made for the payment thereof.

(j) Except as described in the Official Statement, there has been no material adverse change in the condition (financial or otherwise) of EFF or ESRF.

(k) No information, exhibit or report furnished to the Issuer by ESRF in connection with ESRF's application to the Issuer for financing or the negotiation of this Loan Agreement (including without limitation information concerning ESRF in the Official Statement) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) EFF, the sole member of ESRF, is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code.

(m) ESRF does not restrict use of its facilities on racial or religious grounds.

## ARTICLE V

### COVENANTS

Section 5.1 Prohibited Uses. ESRF covenants and agrees that no portion of the proceeds of the Bonds will be used to finance any facility, place or building used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship.

Section 5.2 Nonliability of the Issuer. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM REVENUES OF THE BORROWER. THE BONDS DO NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, AFA, STATE, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL

NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, AFA, STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE BONDS SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER. The Bonds are not a debt of the Issuer, the Arizona Finance Authority, the State, or any political subdivision of the State and such entities are not liable for payment thereof.

ESRF hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made or caused to be made by ESRF hereunder and by the Obligated Group pursuant to Obligation No. 4 and other Revenues, together with amounts on deposit in, and investment income on, certain funds and accounts held by the Bond Trustee under the Bond Indenture, and hereby agrees that if all such amounts shall ever prove insufficient to pay all principal of, premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, ESRF shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium, if any, or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Issuer or any third party.

Section 5.3 Expenses and Fees. ESRF covenants and agrees to pay the Bond Trustee's ordinary and extraordinary fees and to pay and to indemnify the Issuer, the Issuer Indemnified Parties and the Bond Trustee against all costs and charges, including reasonable fees of attorneys, accountants, consultants and other experts, incurred in good faith and arising out of or in connection with the transactions contemplated hereby. The obligations under this Section and Section 5.4 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Loan Agreement or the Bond Indenture or the resignation or removal of the Bond Trustee.

Section 5.4 Indemnification.

(a) ESRF agrees to pay, defend, protect, indemnify, and hold each of the Issuer Indemnified Parties and the Trustee Indemnified Parties (as hereafter defined) harmless for, from and against any and all liabilities directly or indirectly arising from or relating to the Bonds, the loan, this Loan Agreement, the Project, the Indenture, or any document related to the issuance and sale of the Bonds, including, but not limited to, the following:

- (i) Any injury to or death of any person or damage to property in or upon the Project or growing out of or connected with the use, non-use, condition, or occupancy of the Project or any part thereof;
- (ii) Violation of any agreement, covenant, or condition of any of the Borrower Documents;
- (iii) Violation of any agreement, contract, or restriction relating to the Project;



(iv) Violation of any law, ordinance, or regulation affecting the Project or any part thereof or the ownership, occupancy, or use thereof;

(v) the issuance and sale of the Bonds or any of them;

(vi) Any statement, information, or certificate furnished by ESRF to the Issuer which is misleading, untrue, incomplete, or incorrect in any respect; and

(vii) As to the Trustee Indemnified Parties, the Bond Trustee's acceptance, exercise and performance of its powers and duties hereunder, under the Bond Indenture and under any other document or transaction contemplated in connection herewith or therewith.

(b) ESRF also agrees to pay, defend, protect, indemnify, and hold each of the Issuer Indemnified Parties harmless for, from, and against any and all liabilities directly or indirectly arising from or relating to (a) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by or to the Arizona Issuer or the AFA pertaining to the Bonds, and (b) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer or the AFA relating to the issuance of the Bonds or pertaining to the financial condition of ESRF which, if known to the Underwriters and the investors initially purchasing the Bonds from the Underwriter, might be considered a factor in such Person's decision to purchase the Bonds; provided, however, nothing in this subsection shall be deemed to provide the Issuer with indemnification for the Issuer's omissions or misstatements contained in the Official Statement under the captions "THE CONDUIT ISSUERS—The Arizona Issuer" and "NO LITIGATION—The Conduit Issuers - *The Arizona Issuer*", as it relates to the Issuer.

(c) Paragraphs (a) and (b) above are intended to provide indemnification to each Issuer Indemnified Party and Trustee Indemnified Parties for its, his or her active or passive negligence or misconduct; provided, however, that nothing in paragraphs (a) and (b) above shall be deemed to provide indemnification to any Issuer Indemnified Party or Trustee Indemnified Party with respect to any liabilities arising from the fraud, gross negligence, or willful misconduct of such Issuer Indemnified Party or Trustee Indemnified Party.

(d) Any Issuer Indemnified Party entitled to indemnification hereunder shall notify ESRF of the existence of any claim, demand, or other matter to which ESRF's indemnification obligation applies, and shall give ESRF a reasonable opportunity to defend the same at its own expense and with counsel satisfactory to the Issuer Indemnified Party; provided that the Issuer Indemnified Party shall at all times also have the right to fully participate in the defense. If the Issuer Indemnified Party is advised in an opinion of counsel that there may be legal defenses available to it which are different from or in addition to those available to ESRF or if ESRF shall, after receiving notice of ESRF's indemnification obligation and within a period of time necessary to preserve any and all defenses to any claim asserted, fails to assume the defense or to employ counsel for that purpose satisfactory to the Issuer Indemnified Party, the Issuer Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, ESRF. ESRF shall be responsible for the reasonable counsel fees, costs, and expenses of the Issuer Indemnified Party in conducting its defense.

(e) Promptly after receipt by the Bond Trustee or its officers, officials, employees or agents (each, a “Trustee Indemnified Party”) of notice of any such claim or the commencement of any such action for which indemnification under this Loan Agreement may be sought, such Trustee Indemnified Party shall, if a claim in respect thereof is to be made against ESRF, notify ESRF in writing of the commencement thereof. In case any such action shall be brought or asserted against any Trustee Indemnified Party, ESRF shall be entitled to participate in and, to the extent that it wishes, to assume the defense thereof, with counsel satisfactory to such Trustee Indemnified Party.

No Trustee Indemnified Party shall, without the prior written consent of ESRF, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not the Trustee Indemnified Party is an actual or potential party to such claim or action) unless such settlement, compromise or consent (x) includes an unconditional release of ESRF from all liability arising out of such claim, action, suit or proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of ESRF.

Section 5.5 Tax Covenants. ESRF covenants and agrees that it will at all times do and perform all acts and things permitted and as may from time to time be required by law or this Loan Agreement and the Tax Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, ESRF agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Section 5.6 Continuing Disclosure. ESRF hereby covenants and agrees that it will enter into and comply with and carry out all of the provisions of a continuing disclosure agreement. Notwithstanding any other provision of the Loan Agreement, failure of ESRF to comply with the continuing disclosure agreement shall not be considered a Loan Default Event; however, the Bond Trustee may (and, at the request of any participating underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount in Outstanding Bonds, shall, upon receipt of reasonable indemnification for its fees and costs acceptable to it), and any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause ESRF to comply with its obligations under this Section 5.6. ESRF understands and agrees that the Issuer has undertaken no continuing disclosure obligations or duty or liability to the Holders or any other person to enforce the provisions of the continuing disclosure agreement or Section 6.11 of the Bond Indenture.

Section 5.7 Financial Statements. ESRF covenants and agrees to furnish to the Issuer (if requested by the Issuer) and to the Bond Trustee, within one hundred eighty (180) days after the end of each of its fiscal years, a copy of ESRF’s audited financial statements for such fiscal year, together with the report and opinion of an independent certified public accountant to the effect that such financial statements have been prepared in accordance with generally accepted accounting principles.

## ARTICLE VI

### EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default. Each of the following events shall constitute and be referred to herein as a “Loan Default Event”:

(a) Failure by ESRF to pay in full any payment required hereunder when due, whether at maturity, upon a date fixed for redemption, by acceleration or otherwise pursuant to the terms hereof;

(b) If any material representation or warranty made by ESRF herein or made by ESRF in any document, instrument or certificate furnished to the Bond Trustee or the Issuer in connection with the issuance of the Bonds (including without limitation the Tax Agreement) shall at any time prove to have been incorrect in any material respect as of the time made;

(c) If ESRF shall fail to observe or perform any covenant, condition, agreement or provision in this Loan Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, or shall breach any warranty by ESRF herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to ESRF by the Issuer or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty (60) day period and if ESRF has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become a Loan Default Event for so long as ESRF shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee;

(d) If ESRF or any member of the Obligated Group files a petition in voluntary bankruptcy, for the composition of its affairs under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of ESRF’s or such member’s facilities;

(e) If a court of competent jurisdiction shall enter an order, judgment or decree declaring ESRF or any member of the Obligated Group an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of ESRF or such member or of the whole or any substantial part of ESRF’s or such member’s facilities, or approving a petition filed against ESRF or such member seeking reorganization of ESRF or such member under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of all or substantially all of ESRF’s facilities or all or substantially all of the facilities of any member of the Obligated Group, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

(g) Any Event of Default as defined in and under the Bond Indenture; or

(h) The occurrence and continuance of an “Event of Default” under the Master Trust Indenture.

Section 6.2 Remedies on Default. If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Bond Trustee on behalf of the Issuer, subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of ESRF hereunder, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing ESRF’s performance hereunder, including Obligation No. 4;

(b) By written notice to ESRF declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under this Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required hereunder then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of ESRF hereunder.

Section 6.3 Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Bond Trustee on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case the Issuer, the Bond Trustee and ESRF shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Issuer and the Bond Trustee shall continue as though no such proceeding had taken place.

Section 6.4 Remedies Cumulative. No remedy conferred upon or reserved to the Issuer or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Loan Default Event 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 by the Issuer or the Bond Trustee. In the event of any waiver of a Loan Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein. To the extent that this Loan Agreement confers upon or gives or grants the Bond Trustee any right, remedy or claim under or by reason of this Loan Agreement,

the Bond Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, give or granted hereunder.

Section 6.5 Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Bond Indenture. If all payments of principal, premium, if any, and interest on the Bonds have been paid in accordance herewith and moneys collected pursuant to this Article remains for the payment of Additional Payments, such amounts shall be paid to the party originally owed them.

Section 6.6 Attorney's Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event, the Issuer or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder including the costs of using attorneys which are employees of the Issuer or the Bond Trustee or for the enforcement of performance or observance of any obligation or agreement on the part of ESRF, ESRF will, on demand, reimburse the Issuer, the Bond Trustee, or both, as the case may be, for the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred.

Section 6.7 Notice of Default. ESRF agrees that, as soon as is practicable, and in any event within five (5) days, ESRF will furnish the Bond Trustee and the Issuer notice of any event which is a Loan Default Event pursuant to Section 6.1 which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which ESRF proposes to take with respect thereto.

## ARTICLE VII

### MISCELLANEOUS

Section 7.1 Amendments and Supplements. This Loan Agreement may be amended, changed or modified only as provided in Section 6.07 of the Bond Indenture.

Section 7.2 Time of the Essence; Non-Business Days. Time shall be of the essence of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 7.3 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the Issuer and ESRF and their respective successors and assigns, subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 7.4 Entire Agreement. This Loan Agreement, together with all agreements and documents incorporated by reference herein, constitutes the entire agreement of the parties and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

Section 7.5 Severability. If any covenant, agreement or provision, or any portion thereof contained in this Loan Agreement, where the application thereof to any person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Loan Agreement and the application of such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Loan Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Loan Agreement and the Constitution and laws of the State of Arizona.

Section 7.6 Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served for all purposes by being given in writing delivered or sent by Electronic Means receipt confirmed or by being mailed by first-class mail, postage prepaid and addressed as follows:

(i) If to ESRF:

Equitable School Revolving Fund, LLC  
21 West 46th Street  
New York, New York 10036  
Attention: Chief Executive Officer

(ii) If to the Issuer:

Arizona Industrial Development Authority  
c/o Kutak Rock LLP  
8601 North Scottsdale Road, Suite 300  
Scottsdale, Arizona 85253  
Attention: President  
admin@arizonaida.com

with a copy to:

Kutak Rock LLP  
8601 North Scottsdale Road, Suite 300  
Scottsdale, Arizona 85253  
Attention: Kelly A. McGuire, Esq.  
kelly.mcguire@kutakrock.com

(iii) If to the Bond Trustee:

U.S. Bank National Association  
100 Wall Street  
6<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Services

(b) If to the registered Holder of a Bond, addressed to such Holder at the address shown on the books of the Bond Trustee kept for that purpose.

(c) ESRF, the Issuer and the Bond Trustee may at any time and from time to time by notice in writing to the other Persons listed in Section 7.6(a) designate a different address or addresses for notice under this Loan Agreement.

Section 7.7 Waiver of Personal Liability. No official, officer, agent or employee of the Issuer or any member, officer, director, agent or employee of ESRF shall be individually or personally liable for the payment of any principal of or interest or premium on any Bonds or any other sum hereunder or under the Bond Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

Section 7.8 Term. Except as otherwise provided herein this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Bond Indenture and all of ESRF's other obligations hereunder have been satisfied in full.

Section 7.9 Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 7.10 Governing Law; Venue. This Loan Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State, without reference to any choice of law principles except as such laws may be preempted by any federal rules, regulations and laws applicable to the Issuer. The parties hereto expressly acknowledge and agree that any judicial action to interpret or enforce the terms of this Bond Indenture against the Issuer shall be brought and maintained in the Superior Court of the State of Arizona, in and for the County of Maricopa, the United States District Court in and for the District of Arizona, or any United States Bankruptcy Court in any case involving or having jurisdiction over ESRF.

Section 7.11 Third Party Beneficiaries. Each of the Issuer Indemnified Parties (other than the Issuer), Trustee Indemnified Parties and the registered owners of the Bonds are intended "Third Party Beneficiaries" of this Loan Agreement. Nothing in this Loan Agreement shall confer any right upon any Person other than parties hereto, and those specifically designated as Third Party Beneficiaries of this Loan Agreement.

Section 7.12 No Pecuniary Liability of Issuer or State. No provision, covenant, or agreement contained in this Loan Agreement, or any obligations herein imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer (except to the extent provided herein and in the Bonds) or of the State within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against the general credit of the Issuer (except to the extent provided herein and in the Bonds) or the State. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Issuer has not obligated itself, except with respect to the application of the Loan Repayments, revenues, income and all other property pledged and assigned as security for the Bonds as hereinabove provided.

Section 7.13 No Personal Liability of Officials of Borrower, Issuer or Bond Trustee.  
None of the covenants, stipulations, promises, agreements and obligations of the Borrower, the Issuer or the Bond Trustee contained herein shall be deemed to be covenants, stipulations, promises, agreements or obligations of any official, officer, agent or employee of the Borrower, the Issuer or the Bond Trustee in his or her individual capacity, and no recourse shall be had for the payment of the principal of or premium, if any, or interest on the Bonds or for any claim based thereon or any claim hereunder against any official, officer, agent or employee of the Issuer, the Borrower or the Bond Trustee or any natural person executing any Bond, including any officer or employee of the Bond Trustee.

Section 7.14 Special, Limited Obligations of Issuer; Limitation of Liability.

(a) This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and the Bond Trustee for the benefit of the owners of the Bonds, and their respective successors and assigns, subject to the limitation that any obligations of the Issuer created by or arising out of this Loan Agreement shall be special, limited obligations of the Issuer, payable solely out of the revenues arising from the pledge and assignment of the loan and the other funds held or set aside in trust under the Bond Indenture and shall never constitute the debt or indebtedness of the Issuer, the State, or any political subdivision of the State within the meaning of any provision or limitation of the constitution or statutes of the State and shall not constitute nor (except for its fraud or intentional misrepresentation) give rise to a pecuniary liability of the Issuer, the State or any political subdivision of the State or a charge against the general credit or taxing powers, if any, of such entities. The Issuer has no taxing power.

(b) Anything in this Loan Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer.

(c) No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in this Loan Agreement, any other Issuer Documents, or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or the issuance and sale of the Bonds, against any Issuer Indemnified Parties, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any Issuer Indemnified Party, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into by the Issuer with the Borrower or the Bond Trustee to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against each and every Issuer Indemnified Party is, by the execution of the Bonds, this Loan Agreement and the other Issuer Documents, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Loan Agreement, and the other Issuer Documents, is expressly waived and released.



(d) No agreements or provisions contained herein, nor any agreement, covenant, or undertaking by the Issuer in connection with the facilities or the issuance, sale, and/or delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer 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 the Bond Indenture. No failure of the Issuer to comply with any term, covenant, or agreement contained in the Bonds, this Loan Agreement or the Bond Indenture, or in any document executed by the Issuer in connection with the facilities or the issuance and sale of the Bonds, shall subject the Issuer to liability for any claim for damages, costs, or other financial or pecuniary charge, except to the extent that the same can be paid or recovered from the revenues pledged for the payment of the Bonds or other revenues derived under this Loan 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, except as may be payable from the Revenues under the Bond Indenture for the payment of the Bonds or other revenue derived under this Loan 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 within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against its general credit. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Issuer has not obligated itself, except with respect to the application of the Revenues under the Bond Indenture for the payment of the Bonds or other revenues derived under this Loan Agreement or the Bond Indenture.

(e) The Issuer shall have no liability or obligation with respect to the payment of the purchase price of the Bonds. None of the provisions of this Loan Agreement shall require the Issuer to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless payable from the Revenues under the Bond Indenture, or the Issuer shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability that may be incurred thereby. The Issuer shall not be under any obligation hereunder to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or provided as arranged by the Bond Trustee or the Borrower. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in this Loan Agreement, the Bond Indenture and any and every Bond executed, authenticated, and delivered under the Bond Indenture; provided, however, that (i) the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrower or the Bond Trustee, (ii) the Issuer shall have received the instrument to be executed, and (iii) any action or execution of any instrument requested of the Issuer shall be at the expense of the Borrower.

Section 7.15 No Warranty by Issuer. THE BORROWER RECOGNIZES THAT, BECAUSE THE COMPONENTS OF THE FACILITIES HAVE BEEN AND ARE TO BE SELECTED BY IT, THE ISSUER HAS NOT MADE AN INSPECTION OF THE FACILITIES, IF AND WHEN ACQUIRED, OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER AND BOND TRUSTEE MAKE NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR

OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

Section 7.16 Prior Loan Agreements Superseded. This Loan Agreement, together with all agreements executed by the parties concurrently herewith or in conjunction with the initial issuance of the Bonds, shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Issuer and the Borrower relating to the Bonds, the lending of money and the Project.

Section 7.17 Covenant by the Borrower with Respect to Statements, Representations and Warranties. It is understood by the Borrower that all such statements, representations and warranties made in this Loan Agreement shall be deemed to have been relied upon by the Issuer as an inducement to issue the Bonds, and that if any such statements, representations and warranties were false at the time they were made or (with respect to those representations and warranties that are to continue) are breached during the term hereof, such misrepresentation or breach shall constitute a breach of this Loan Agreement that may give rise to an event of default hereunder.

Section 7.18 Survival. Notwithstanding the payment in full of the Bonds, the discharge of the Bond Indenture, and the termination or expiration of Obligation No. 4 and this Loan Agreement, all provisions in this Loan Agreement concerning (a) the tax-exempt status of the Bonds (including, but not limited to provisions concerning the payment of the Rebate Amount (as defined in the Tax Agreement)), (b) the interpretation of this Loan Agreement, (c) the governing law, (d) the forum for resolving disputes, (e) the Issuer's right to rely on facts or certificates, (f) the indemnity of the Issuer Indemnified Parties and Trustee Indemnified Parties, and (g) the Issuer's lack of pecuniary liability shall survive and remain in full force and effect.

Section 7.19 Notice of Change in Fact. The Borrower will notify the Issuer and the Bond Trustee promptly after the Borrower becomes aware of (i) any change in any material fact or circumstance represented or warranted by the Borrower in this Loan Agreement or in connection with the issuance of the Bonds that would make any such representation or warranty false when made, (ii) any default or event that, with notice or lapse of time or both, could become an Event of Default under this Loan Agreement, the Bond Indenture or any Borrower Document, specifying in each case the nature thereof and what action the Borrower has taken, is

taking, and/or proposes to take with respect thereto, (iii) any Internal Revenue Service audit of the Borrower or the Bonds, (iv) any material litigation affecting the Bonds, the Borrower or the facilities, and (v) any default in any indebtedness of the Borrower.

Section 7.20 Notice of A.R.S. Section 38-511 – Cancellation of Contracts. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to contracts of the nature of this Loan Agreement under the law of the State.

IN WITNESS WHEREOF, the Issuer and ESRF have caused this Loan Agreement to be executed in their respective names as of the date first written above.

ARIZONA INDUSTRIAL  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Victor Riches  
President

EQUITABLE SCHOOL REVOLVING FUND,  
LLC

By: \_\_\_\_\_  
Chief Executive Officer

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CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

and

U.S. BANK NATIONAL ASSOCIATION,  
as Bond Trustee

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BOND INDENTURE

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Dated as of August 1, 2020

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CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK  
NATIONAL CHARTER SCHOOL REVOLVING LOAN FUND REVENUE BONDS  
SERIES 2020B

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#### EXHIBIT A – Form of Bond

This BOND INDENTURE, is made and entered into as of August 1, 2020, by and between the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, a public instrumentality of the State of California (the “Issuer”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the “Bond Trustee”);

W I T N E S S E T H:

WHEREAS, the Issuer was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the “Act”), for the purpose of, among other things, providing financial assistance for projects located in the State of California (the “State”);

WHEREAS, Equitable School Revolving Fund, LLC, a Delaware limited liability company (the “ESRF” or the “Borrower”), has requested financial assistance from the Issuer in the financing or reimbursing the acquisition of all or a portion of certain loans (the “School Loans”) originated to qualifying public charter schools located in the State for the purpose of financing or refinancing the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities;

WHEREAS, the Issuer has authorized the issuance of its National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B (the “Bonds”), in an aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_) to (i) provide funds to ESRF for the purpose of financing or reimbursing the acquisition of the School Loans and (ii) pay a portion of the Costs of Issuance;

WHEREAS, the Issuer has duly entered into a loan agreement dated as of August 1, 2020, with ESRF, specifying the terms and conditions of a loan by the Issuer to ESRF of the proceeds of the Bonds to provide for the refinancing, financing, or reimbursing the acquisition of the School Loans, and of the payment to the Issuer of amounts sufficient for the payment of the principal of and premium, if any, and interest on the Bonds and certain related expenses;

WHEREAS, the Bonds, and the Bond Trustee’s certificate of authentication and assignment to appear thereon, shall be in substantially the forms set forth in EXHIBIT A hereto, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Bond Indenture;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest thereon, the Issuer has authorized the execution and delivery of this Bond Indenture; and

WHEREAS, the Issuer has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Issuer, authenticated and delivered by the Bond Trustee and duly issued, the legally binding limited obligations of the Issuer, and to constitute this Bond Indenture a valid and binding agreement for the uses and purposes herein set

forth in accordance with its terms, have been done and taken, and the execution and delivery of this Bond Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS BOND INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all Bonds at any time issued and Outstanding under this Bond Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Issuer does hereby covenant and agree with the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Bond Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

#### Act

“Act” means the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

#### Additional Payments

“Additional Payments” means the payments so designated and required to be made by ESRF pursuant to Section 3.2 of the Loan Agreement.

#### Authorized Representative

“Authorized Representative” means, with respect to ESRF, the Chair of its Board of Directors, its Chief Executive Officer, its Chief Financial Officer or any other person designated as an Authorized Representative of ESRF by a Certificate of ESRF signed by the Chair of its Board of Directors, its Chief Executive Officer or its Chief Financial Officer, and filed with the Bond Trustee.

### Beneficial Owner

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

### Bond Indenture

“Bond Indenture” means this Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

### Bond Trustee

“Bond Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Bond Trustee hereunder as provided in Section 8.01.

### Bonds

“Bonds” means California Infrastructure and Economic Development Bank National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

### Book-Entry Form or Book-Entry System

“Book-Entry Form” or “Book-Entry System” means a form or system, as applicable, under which 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 by and “immobilized” in the custody of the Depository and the book-entry system maintained by and the responsibility of others than the Issuer or the Bond Trustee is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Bonds.

### Borrower

“Borrower” means ESRF.

### Business Day

“Business Day” means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the State or the city in which the Designated Office of the Bond Trustee is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

### Certificate, Statement, Request or Requisition of the Issuer or ESRF

“Certificate,” “Statement,” “Request” and “Requisition” of the Issuer or ESRF mean, respectively, a written certificate, statement, request or requisition signed in the name of the

Issuer by its Chair, Executive Director or by any other person specifically authorized to execute such document on its behalf, or in the name of ESRF by an Authorized Representative of ESRF. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

#### Code

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto and any regulations promulgated thereunder.

#### Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer or ESRF and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Bond Trustee and its counsel, fees and charges of the Master Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

#### Date of Issuance

“Date of Issuance” means \_\_\_\_\_.

#### Designated Office

“Designated Office” means the Designated Office of the Bond Trustee, which as of the date of this Bond Indenture is located at 100 Wall Street, New York, New York 10005, and such other offices as the Bond Trustee may designate from time to time by written notice to the Holders, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Bond Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

#### Electronic Means

“Electronic Means” means telecopy, telegraph, telex, electronic mail, facsimile transmission or other similar electronic means of communication providing confirmation of receipt, including a telephonic communication confirmed by writing or written transmission.

### ESRF or Borrower

“ESRF” or “Borrower” means Equitable School Revolving Fund, LLC, a Delaware limited liability company and the Initial Member of the Obligated Group under the Master Trust Indenture, or its permitted successors and assigns.

### Event of Default

“Event of Default” means any of the events specified in Section 7.01.

### Favorable Opinion of Bond Counsel

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Bond Counsel to the effect that such action is permitted under the Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds), which opinion shall in each instance be addressed and delivered, unless otherwise required by this Bond Indenture, to the Issuer, ESRF and the Bond Trustee.

### Holder or Bondholder

“Holder” or “Bondholder,” whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

### Interest Account

“Interest Account” means the account by that name in the Revenue Fund established pursuant to Section 5.02.

### Interest Payment Date

“Interest Payment Date” means May 1 and November 1 of each year, commencing \_\_\_\_\_.

### Investment Securities

“Investment Securities” means any of the following: (a) negotiable instruments or securities represented by instruments in bearer or registered or in book-entry form which evidence (i) obligations fully guaranteed by the United States of America; (ii) obligations of any agency of the United States of America; (iii) time deposits in, or bankers acceptances issued by, any depositary institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by Federal or state banking or depositary institution authorities; provided, however, that at the time of investment or contractual commitment to invest therein, the certificates of deposit or short-term deposits, if any, or long-term unsecured debt obligations (other than such obligation whose rating is based on collateral or on the credit of a Person other than such institution or trust company) of such

depository institution or trust company shall have a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively, in the case of the certificates of deposit or short-term deposits, or a rating not lower than one of the two highest investment categories granted by Moody's and by S&P; (iv) certificates of deposit having, at the time of investment or contractual commitment to invest therein, a rating from Moody's and S&P of at least "P-1" and "A-1," respectively; or (v) investments in money market funds (including those owned or managed by the Bond Trustee) rated in the highest investment category or otherwise approved in writing by Moody's and S&P; (b) demand deposits and cash escrows in any depository institution or trust company (including those owned or managed by the Bond Trustee) referred to in (a)(iii) above; (c) commercial paper (having original or remaining maturities of no more than 30 days) having, at the time of investment or contractual commitment to invest therein, a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively; (d) Eurodollar time deposits having a credit rating from Moody's and S&P of at least "P-1" and "A-1," respectively; (e) repurchase agreements involving any of the Permitted Investments described in clauses (a)(i), (a)(iv) and (d) of this definition so long as the other party to the repurchase agreement has at the time of investment therein, a rating from Moody's and S&P of at least "P-1" and "A-1," respectively; and (f) any other security or fund rated in one of the three highest long-term or short-term Rating Categories by Moody's and S&P.

#### Issuer

"Issuer" means the California Infrastructure and Economic Development Bank created pursuant to, and as defined in, the Act, and any successor or assignee to its functions.

#### Issuer Annual Fee

"Issuer Annual Fee" means an amount equal to \$3,000 annually while the principal amount of the Bonds Outstanding exceeds \$50,000,000, \$2,500 annually while the principal amount of the Bonds Outstanding exceeds \$30,000,000 and is less than or equal to \$50,000,000, \$1,000 annually while the principal amount of the Bonds Outstanding exceeds \$10,000,000 and is less than or equal to \$30,000,000, and thereafter \$500, in each case payable in accordance with Section 3.2(d) of the Loan Agreement.

#### Loan Agreement

"Loan Agreement" means that certain loan agreement by and between the Issuer and ESRF, dated as of August 1, 2020, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Bond Indenture.

#### Loan Default Event

"Loan Default Event" means any of the events specified in Section 6.1 of the Loan Agreement.

### Loan Repayments

“Loan Repayments” means the payments so designated and required to be made by ESRF pursuant to Section 3.1 of the Loan Agreement.

### Master Trust Indenture

“Master Trust Indenture” means that certain Second Amended and Restated Master Trust Indenture, dated as of August 1, 2020, among the Obligated Group Representative, ESRF, the Master Trustee and U.S. Bank National Association, as securities intermediary thereunder, as originally executed and as the same may be amended and supplemented from time to time in accordance with its terms.

### Master Trustee

“Master Trustee” means U.S. Bank National Association, as the Master Trustee appointed pursuant to the Master Trust Indenture.

### Member of the Obligated Group

“Member of the Obligated Group” means, as applicable, each “Member” as identified in the Master Trust Indenture. The Member of the Obligated Group may be the sole Member of the Obligated Group.

### Moody’s

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by ESRF upon approval of the Issuer and notice to the Bond Trustee.

### Obligated Group

“Obligated Group” means the members of the Obligated Group under the Master Trust Indenture.

### Obligated Group Representative

“Obligated Group Representative” means Equitable Facilities Fund, Inc., a Delaware nonstock nonprofit corporation.

### Obligation No. 5

“Obligation No. 5” means the obligation issued pursuant to the Master Trust Indenture and the Supplemental MTI securing ESRF’s obligations under the Loan Agreement.



### Official Statement

“Official Statement” means the official statement with respect to the Bonds.

### Opinion of Bond Counsel

“Opinion of Bond Counsel” means a written opinion addressed to the Issuer of Orrick, Herrington & Sutcliffe LLP or such other counsel selected by the Issuer of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes.

### Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Issuer, but not an employee thereof) satisfactory to the Bond Trustee. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

### Outstanding

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Bond Indenture except (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Bond Indenture.

### Person

“Person” means an individual, corporation, firm, association, partnership, trust, limited liability company or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

### Principal Account

“Principal Account” means the account by that name in the Revenue Fund established pursuant to Section 5.02.

### Principal Payment Date

“Principal Payment Date” means, with respect to a Bond, any date on which principal evidenced by such Bond becomes due and payable, whether at maturity or otherwise.

### Rating Agency

“Rating Agency” means Moody’s or S&P, as the context requires, if then rating the Bonds at the request of ESRF.

### Rating Category

“Rating Category” means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

### Rebate Fund

“Rebate Fund” means the fund by that name established pursuant to Section 5.07.

### Record Date

“Record Date” means, with respect to an Interest Payment Date, the fifteenth (15th) day (whether or not a Business Day) of the calendar month preceding the calendar month in which such Interest Payment Date falls.

### Redemption Fund

“Redemption Fund” means the fund by that name established pursuant to Section 5.01.

### Redemption Price

“Redemption Price” means, with respect to any Bond (or portion thereof) to be redeemed, one hundred percent (100%) of the principal amount of such Bond, plus accrued and unpaid interest to the date of redemption, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Indenture.

### Required Payments

“Required Payments” means the payments so designated and required to be made by ESRF pursuant to Section 5.01 of the Master Trust Indenture.

### Reserved Rights

“Reserved Rights” means the Issuer’s rights to Additional Payments, its express rights under Sections 3.2(c), (d), (e), (f) and (g), Sections 5.2, 5.3, 5.4, 5.5, 5.7, 5.8, 6.2(b), 6.6, and 7.7 of the Loan Agreement, notices, indemnities, consultations, approvals, consents and opinions pursuant to the Loan Agreement, Tax Agreement and this Bond Indenture, and the Issuer’s right as the sole “taxpayer” before the Internal Revenue Service in any audit, investigation or examination of the Bonds.

### Responsible Officer

“Responsible Officer” means any officer of the Bond Trustee assigned to administer its duties hereunder.

### Revenue Fund

“Revenue Fund” means the fund by that name established pursuant to Section 5.01.

### Revenues

“Revenues” means all amounts received by the Issuer or the Bond Trustee for the account of the Issuer pursuant to or with respect to the Loan Agreement or Obligation No. 5, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), Required Payments, prepayments and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Bond Indenture, but not including any Additional Payments, other moneys required to be paid pursuant to the Reserved Rights, or any moneys required to be deposited in the Rebate Fund.

### S&P

“S&P” means S&P Global Ratings, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by ESRF upon approval of the Issuer and notice to the Bond Trustee.

### Securities Depository

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.10, which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

### School Borrower

“School Borrower” means each qualifying public charter school to which ESRF makes a School Loan.

### School Loan

“School Loan” has the meaning given thereto in the second WHEREAS clause.

### School Loan Agreement

“School Loan Agreement” means any loan agreement, financing agreement, debt obligation or other comparable instrument (and related collateral and security agreements) entered into, or acquired, by ESRF to provide a School Loan.

### Special Record Date

“Special Record Date” means the date established by the Bond Trustee pursuant to Section 2.02 as the record date for the payment of defaulted interest on the Bonds.

### Supplemental Bond Indenture

“Supplemental Bond Indenture” means any indenture hereafter duly authorized and entered into between the Issuer and the Bond Trustee, supplementing, modifying or amending this Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized hereunder.

### Supplemental MTI

“Supplemental MTI” means that certain Supplemental Master Trust Indenture for Obligation No. 5, dated as of August 1, 2020, among the Obligated Group Representative, the Member of the Obligated Group and the Master Trustee, as originally executed and as the same may be amended and supplemented from time to time in accordance with its terms.

### Tax Agreement

“Tax Agreement” means the Tax Agreement entered into between the Issuer and ESRF with respect to the Bonds, at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

### 3-year Requirement

“3-year Requirement” means the requirement that as of the date of issuance of an issue of bonds, the Issuer must reasonably expect that within the 3-year period beginning on the date of issuance, at least 95% of the net proceeds of the issue would be used directly or indirectly to make or finance loans to ultimate borrowers.

SECTION 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Bond Indenture to be given by or on behalf of the Issuer or ESRF with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, there has been made or caused to be made such examination or investigation as is necessary to enable an informed opinion to be expressed with respect to the subject matter

referred to in the instrument to which such person's signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been satisfied.

Any such certificate or opinion made or given by an official of the Issuer or ESRF may be based, insofar as it relates to legal, accounting or management matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such official knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Issuer or ESRF, as the case may be) upon a certificate or opinion of or representation by an official of the Issuer or ESRF, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same official of the Issuer or ESRF, or the same counsel, accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Bond Indenture, but different officials, counsel, accountants or management consultants may certify to different matters, respectively.

#### SECTION 1.03. Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Bond Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Bond Indenture as a whole and not to any particular Article, Section or subdivision hereof.

### ARTICLE II

#### THE BONDS

SECTION 2.01. Authorization of Bonds. An issue of Bonds to be issued hereunder in order to obtain moneys to carry out the purposes of the Act for the benefit of ESRF is hereby created. The Bonds are designated as "California Infrastructure and Economic Development Bank National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B." The aggregate principal amount of Bonds that may be issued and Outstanding under this Bond Indenture shall not exceed \_\_\_\_\_ (\$\_\_\_\_\_). This Bond Indenture constitutes a

continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Terms of the Bonds. The Bonds shall be delivered in the form of fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. The Bonds shall be registered initially in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one Bond for each maturity of the Bonds in the principal amount of the respective maturities of the Bonds. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.05 hereof. The Bonds shall be dated the Date of Issuance.

The Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption set forth in Article IV) and shall bear interest at the following rates per annum:

Maturity Date (_____)	Principal <u>Amount</u> \$	Interest <u>Rate</u> %
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The principal or Redemption Price of the Bonds shall be payable by check in lawful money of the United States of America at the Designated Office of the Bond Trustee upon surrender of the Bonds to the Bond Trustee for cancellation; provided that the Bond Trustee may agree with the Holder of any Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on such Bond a record of partial payment of the principal of such Bond in the form set forth below (which shall be typed or printed on such Bond):

#### PAYMENTS ON ACCOUNT OF PRINCIPAL

<u>Payment Date</u>	<u>Principal Amount Paid</u>	<u>Balance of Principal Amount Unpaid</u>	<u>Signature of Holder</u>
_____	_____	_____	_____
_____	_____	_____	_____

The Bond Trustee shall maintain a record of each such partial payment made in accordance with the foregoing agreement and such record of the Bond Trustee shall be conclusive. Such partial payment shall be valid upon payment of the amount thereof to the Holder of such Bond, and the Issuer and the Bond Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon such Bond by the Holder thereof and irrespective of any error or omission in such endorsement.

The Bonds shall be numbered in consecutive numerical order from R-1 upwards, and each such Bond shall bear interest from the Date of Issuance. Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

Payment of the interest on any Bond shall be made on each Interest Payment Date to the Holder thereof as of the Record Date for each Interest Payment Date by check mailed by first-class mail on each Interest Payment Date to such Holder at his address as it appears on the registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least \$1,000,000 in principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date (which request includes written wire transfer instructions), by wire transfer in immediately available funds to an account within the United States of America designated by such Bondholder.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date ("Special Record Date") for the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given to the Holders by first-class mail not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

SECTION 2.03. Form of Bonds. The Bonds and the form of assignment to appear thereon shall be initially in substantially the form attached hereto as Exhibit A, with necessary or appropriate variations, omissions and insertions as permitted or required hereby.

SECTION 2.04. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its Executive Director or the Executive Director's assignee, the Chair of the Issuer's Board of Directors or designee of the Chair. The Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed shall have been authenticated or delivered by the Bond Trustee or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed the same had continued to be such officer of the Issuer, and also any Bond may be signed on behalf of the Issuer by such person as at the actual date of execution of such Bond shall be the proper officer of the Issuer although at the nominal date of such Bond any such person shall not have been such officer of the Issuer.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form attached hereto as Exhibit A, manually executed by an authorized signatory of the Bond Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Indenture.

SECTION 2.05.      Transfer of Bonds. Any Bond may, in accordance with its terms and subject to the limitations provided in Section 2.10 be transferred, upon the books required to be kept pursuant to the provisions of Section 2.07 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount in authorized denominations. The Bond Trustee may require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and the Bond Trustee may also require the Bondholder requesting such transfer to pay a reasonable sum to cover any expenses incurred by the Issuer in connection with such transfer.

SECTION 2.06.      Exchange of Bonds. Bonds may be exchanged at the Designated Office of the Bond Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Bond Trustee may require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and the Bond Trustee may also require the Bondholder requesting such exchange to pay a reasonable sum to cover any expenses incurred by the Issuer in connection with such exchange.

SECTION 2.07.      Bond Register. The Bond Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times (during regular business hours at the location where such books are kept) be open to inspection by any Bondholder or his agent duly authorized in writing, the Issuer and ESRF; and, upon presentation for such purpose, the Bond Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.08.      Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Issuer, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Issuer and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Issuer issues temporary Bonds it will issue definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Designated Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity or maturities. Until so exchanged, the temporary



Bonds shall be entitled to the same benefits under this Bond Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the Holder of said Bond, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee shall be cancelled by it and delivered to, or upon the order of, the Issuer. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to the Bond Trustee shall be given, the Issuer, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Bond Trustee may pay the same without surrender thereof). The Bond Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Issuer and the Bond Trustee in complying with this Section. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Bond Indenture with all other Bonds secured by this Bond Indenture.

SECTION 2.10. Use of Securities Depository. Notwithstanding any provision of this Bond Indenture to the contrary:

(A) The Bonds shall be initially issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) (“substitute depository”); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Issuer (pursuant to a request of ESRF) upon (1) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (2) a determination by the Issuer that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (1) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its

functions as depository; provided that no substitute depository which is not objected to by the Bond Trustee can be obtained or (2) to the extent permitted by law, a determination by the Issuer that it is in the best interests of the Issuer to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A), upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Certificate of the Issuer to the Bond Trustee, a single new Bond shall be executed and delivered in the aggregate principal amount of the Bonds then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Issuer. In the case of any transfer pursuant to clause (3) of subsection (A), upon receipt of the Outstanding Bonds by the Bond Trustee together with a Certificate of the Issuer to the Bond Trustee, new Bonds shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such a Certificate of the Issuer, subject to the limitations of Section 2.02, provided the Bond Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Certificate of the Issuer.

(C) In the case of partial redemption of the Bonds evidencing all or a portion of the principal amount Outstanding, the Securities Depository or its custodian shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

(D) The Issuer, the Bond Trustee, the Obligated Group Representative and the Member of the Obligated Group shall be entitled to treat the person in whose name any Bond is registered as the Bondholder thereof for all purposes of this Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Issuer, the Bond Trustee, the Obligated Group Representative and the Member of the Obligated Group; and none of the Issuer, the Bond Trustee, the Obligated Group Representative or the Member of the Obligated Group shall have any responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds. None of the Issuer, the Bond Trustee, the Obligated Group Representative or the Member of the Obligated Group will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Holder of any Bond.

(E) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Issuer and the Bond Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns in effecting payment of the principal of and redemption premium, if any, and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, all in accordance with the letter of representations of the Issuer to the Securities Depository or as otherwise agreed by the Bond Trustee and the Securities Depository.

## ARTICLE III

### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of Bonds. At any time after the execution of this Bond Indenture, the Issuer may execute and the Bond Trustee shall, upon Request of the Issuer, authenticate and deliver the Bonds in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_).

SECTION 3.02. Application of Proceeds of Bonds. The proceeds received from the sale of the Bonds (\$\_\_\_\_\_, comprised of the aggregate principal amount of the Bonds, plus original issue premium of \$\_\_\_\_\_, less underwriter's discount of \$\_\_\_\_\_) shall be paid to the Bond Trustee for deposit in trust into the Bond Proceeds Fund, whereupon the Bond Trustee shall forthwith transfer \$\_\_\_\_\_ of such funds to the Master Trustee for application in accordance with the Master Trust Indenture and directions provided by ESRF. All Costs of Issuance shall be paid by ESRF pursuant to the provisions of the Loan Agreement.

SECTION 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Issuer or the Bond Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

SECTION 4.01. Terms of Redemption. The Bonds shall be subject to redemption prior to maturity as follows:

(A) The Bonds maturing on and after \_\_\_\_\_, are subject to redemption prior to their respective stated maturities, at the option of ESRF, in whole or in part (in such amounts and such maturities as may be specified by ESRF, or, if ESRF fails to designate such maturities, in inverse order of maturity) on and after \_\_\_\_\_, at the Redemption Price.

(B) The Bonds are subject to redemption prior to their respective stated maturities, at the option of ESRF, so long as the Bonds have not been defeased in accordance with Article X hereof, in whole or in part, out of amounts prepaid on Obligation No. 5, at the Redemption Price, in the case of a pre-payment of a School Loan due to damage or destruction to or condemnation of any charter school facilities financed or refinanced with a loan or loans made by ESRF and refinanced with the proceeds of the Bonds if the net proceeds of the insurance or condemnation award exceeds \$1,000,000 and the affected charter school determines not to use such net proceeds to repair, rebuild or replace such charter school facilities.

(C) The Bonds are subject to extraordinary mandatory redemption, in whole or in part, at a redemption price of 102% of the principal amount thereof to be so redeemed plus interest accrued to the date fixed for redemption, by ESRF as a result of a failure meet the 3-year Requirement, such redemption to be made on \_\_\_\_\_ in an amount approximating the excess of 95% of the net proceeds of the Bonds over the amount of proceeds actually used to make loans to one or more School Borrowers; provided that, if such amount is not equal to an integral multiple of \$5,000, the amount to be redeemed shall be rounded to the nearest such integral multiple. The particular Bonds to be redeemed will be selected in such amounts and from such maturities as shall be determined by ESRF, upon advice from bond counsel.

(D) The Bonds maturing on \_\_\_\_\_ are subject to redemption prior to their stated maturity in part on any \_\_\_\_\_ on or after \_\_\_\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

Year	Amount
( _____ )	_____
	\$

The remaining principal amount of \$\_\_\_\_\_ is payable at maturity on \_\_\_\_\_ (unless redeemed earlier by optional redemption).

The Bonds maturing on \_\_\_\_\_ are subject to redemption prior to their stated maturity in part on any \_\_\_\_\_ on or after \_\_\_\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

Year	Amount
( _____ )	_____
	\$

The remaining principal amount of \$\_\_\_\_\_ is payable at maturity on \_\_\_\_\_ (unless redeemed earlier by optional redemption).

The Bonds maturing on \_\_\_\_\_ are subject to redemption prior to their stated maturity in part on any \_\_\_\_\_ on or after \_\_\_\_\_, from the Sinking Fund Installments set forth below, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium:

<b>Year</b>	<b>Amount</b>
( _____ )	_____
	\$

The remaining principal amount of \$\_\_\_\_\_ is payable at maturity on \_\_\_\_\_  
(unless redeemed earlier by optional redemption).

Upon the purchase or redemption of any Bonds for which Sinking Fund Installments have been established, other than by application of Sinking Fund Installments, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Bond Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by ESRF at the time of such purchase or redemption.

SECTION 4.02.      Selection of Bonds for Redemption. Whenever provision is made in this Bond Indenture for the redemption of less than all of the Bonds or a given portion of the Bonds, except as provided in Section 4.01(C), the Bond Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, as directed by ESRF or, in the absence of such direction, by lot in any manner which the Bond Trustee in its sole discretion shall deem appropriate. Notwithstanding the foregoing, the amounts and maturities of the Bonds to be redeemed pursuant to Section 4.01(C) shall be selected as directed by ESRF in writing delivered to the Bond Trustee accompanied by an Opinion of Bond Counsel to the effect that redemption of such Bonds will not in and of itself cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes.

SECTION 4.03.      Notice of Redemption. Written notice of a redemption shall be given by ESRF to the Bond Trustee at least thirty (30) days prior to the date of redemption (unless a shorter time shall be acceptable to the Bond Trustee for its convenience). Notice of redemption shall be mailed by the Bond Trustee by first class mail, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date, to the Issuer and the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the Bond Trustee shall also give notice of redemption by overnight mail or by other acceptable means to such securities depositories and/or securities information services as shall be designated in a Certificate of ESRF. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the method of determining the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said

specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Notice of redemption of Bonds shall be given by the Bond Trustee, at the expense of ESRF, for and on behalf of the Issuer.

Failure by the Bond Trustee to give notice pursuant to this Section to any one or more of the securities information services or depositories designated by ESRF, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption pursuant to this Section 4.03 to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

ESRF may instruct the Bond Trustee to provide conditional notice of redemption, which may be conditioned upon the receipt of moneys or any other event. Additionally, any notice of redemption given pursuant to this Section may be rescinded by written notice given to the Bond Trustee by ESRF no later than four (4) Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same Persons, as notice of such redemption was given pursuant to this Section.

SECTION 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of ESRF, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price from funds held by the Bond Trustee for such payment.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and delivered to or upon the Order of the Issuer.

## ARTICLE V

### REVENUES

#### SECTION 5.01. Pledge and Assignment; Revenue Fund.

(A) The following funds and accounts shall be established, maintained and held in trust by the Bond Trustee pursuant to the provisions of this Bond Indenture:

- (i) Bond Proceeds Fund;
- (ii) Revenue Fund, in which there shall be the following accounts:
  - (a) Interest Account;
  - (b) Principal Account;
- (iii) Redemption Fund; and
- (iv) Rebate Fund.

(B) Subject only to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Issuer hereby pledges in order to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Bond Indenture, all of the Revenues and any other amounts (but excluding Additional Payments and payments made pursuant to the Reserved Rights) held in any fund or account established pursuant to this Bond Indenture (other than the Rebate Fund). 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 by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

(C) The Issuer hereby transfers in trust, grants a security interest in and assigns to the Bond Trustee in trust, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in subsection (B) of this Section and all of the right, title and interest of the Issuer in the Loan Agreement (except for Reserved Rights) and Obligation No. 5. Pursuant to the Loan Agreement, the Issuer will cause Obligation No. 5 to be registered in the name of the Bond Trustee. The assignment hereunder is to the Bond Trustee solely in its capacity as Bond Trustee hereunder and subject to the provisions of this Bond Indenture and in taking or refraining from taking any action under the Loan Agreement pursuant to such assignment, the Bond Trustee shall be entitled to the protections and limitations from liability afforded it as Bond Trustee under this Bond Indenture. Subject to the foregoing, the Bond Trustee shall be entitled to and shall, subject to the provisions of this Bond Indenture, collect and receive all of the Revenues, and any Revenues collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Issuer as the agent of the Bond Trustee, and shall forthwith be paid by the Issuer to the Bond Trustee. The Bond Trustee also shall be entitled to and shall, subject to the provisions of this Bond Indenture, take all steps,

actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Issuer and all of the obligations of ESRF under the Loan Agreement and Obligation No. 5, other than Reserved Rights.

(D) Except as otherwise explicitly provided in this Bond Indenture, all Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in the Revenue Fund which the Bond Trustee shall establish, maintain and hold in trust, except as otherwise provided in Sections 5.07 and 5.08 and except that all moneys received by the Bond Trustee and required by the Loan Agreement to be deposited in the Redemption Fund shall be promptly deposited in such Fund. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

(E) Neither the full faith and credit nor the taxing power of the State or any political subdivision or agency thereof, including the Issuer, is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall not constitute a debt or liability of the State or of any political subdivision thereof, other than the Issuer, which shall be obligated to pay the Bonds solely from the Revenues and funds herein provided therefor. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

SECTION 5.02. Allocation of Revenues. On or before the dates specified below, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts, the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account in the Revenue Fund (a) in each month prior to \_\_\_\_\_, commencing \_\_\_\_\_, an amount equal to \_\_\_\_\_ of all interest which will be due and payable on all Bonds then Outstanding on \_\_\_\_\_, and (b) in each month commencing \_\_\_\_\_, an amount equal to one-sixth (1/6) of all interest which will be due and payable on all Bonds then Outstanding on the next succeeding Interest Payment Date, plus the cumulative amount of any deficiencies of such transfers occurring since the preceding Interest Payment Date, provided, that in the calendar month immediately following each Interest Payment Date, the amount to be transferred shall be reduced by any amounts in the Interest Account immediately prior to such transfer; and

Second: to the Principal Account in the Revenue Fund (a) in each month prior to \_\_\_\_\_, commencing \_\_\_\_\_, an amount equal to \_\_\_\_\_ of all principal which will be due and payable on all Bonds then Outstanding on \_\_\_\_\_, and (b) in each month commencing \_\_\_\_\_, an amount equal to one-twelfth (1/12) of all principal which will be due and payable on all Bonds then Outstanding on the next succeeding Principal Payment Date (including by mandatory sinking fund installment), plus the cumulative amount of any deficiencies of such transfers occurring since the preceding Principal Payment Date, provided, that in the calendar month immediately



following each Principal Payment Date, the amount to be transferred shall be reduced by any amounts in the Principal Account immediately prior to such transfer.

Any moneys remaining in the Revenue Fund on such dates after the foregoing transfers shall be transferred to ESRF.

SECTION 5.03. Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture).

SECTION 5.04. Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal of the Bonds when due and payable.

SECTION 5.05. Redemption Fund.

(A) The Bond Trustee shall deposit the following Revenues in the Redemption Fund when and as such Revenues are received:

- (1) the principal component of all cash prepayments of Loan Repayments made pursuant to Section 3.3 of the Loan Agreement;
- (2) all interest, profits and other income received from the investment of moneys in the Redemption Fund; and
- (3) all moneys deposited by ESRF with the Bond Trustee directed to be deposited in the Redemption Fund in accordance with the Loan Agreement.

(B) All amounts deposited in the Redemption Fund shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Section 4.01 at the next succeeding date of redemption for which notice has not been given; provided that, at any time prior to the selection of Bonds for such redemption, the Bond Trustee shall, upon direction of ESRF, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as ESRF may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Principal Account and credited against Loan Repayments in order of their due date as set forth in a Request of ESRF.

SECTION 5.06. Bond Proceeds Fund.

At the written direction of the Borrower, the Bond Trustee shall transfer from the Bond Proceeds Fund the amount set forth in such written direction to the Person or Persons set forth in

such written direction for the purpose of purchasing or originating all or a portion of a loan or purchasing debt obligations pursuant to a School Loan Agreement. At the written direction of the Borrower after consultation with Bond Counsel, any amounts remaining on deposit in the Bond Proceeds Fund on or after the date that is three (3) years from the Closing Date, may be transferred to the Redemption Fund and applied to the payment of the redemption price of the Bonds pursuant to Section 4.01(C) hereof.

SECTION 5.07.      Rebate Fund.

(A) The Bond Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be specified by ESRF in order to comply with the Tax Agreement. Subject to the transfer provisions provided in paragraph (E) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Agreement), for payment to the federal government of the United States of America. The Issuer, ESRF and the Holder of any Bonds shall have no rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.06 and by the Tax Agreement (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of ESRF including supplying all necessary information in the manner provided in the Tax Agreement, and shall have no liability or responsibility to enforce compliance by ESRF or the Issuer with the terms of the Tax Agreement.

(B) Upon ESRF's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by ESRF, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished by or on behalf of ESRF in accordance with the Tax Agreement.

(C) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the Rebate Fund or provided to it by ESRF. The Bond Trustee may rely conclusively upon ESRF's determinations, calculations and certifications required by this Section. The Bond Trustee shall have no responsibility to independently make any calculation or determination or to review ESRF's calculations hereunder.

(D) At the written direction of ESRF, the Bond Trustee shall invest all amounts held in the Rebate Fund in Investment Securities, subject to the restrictions set forth in the Tax Agreement. The Bond Trustee shall not be liable for any consequences arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in subsection (E) below.

(E) Upon receipt of ESRF's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if ESRF so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by ESRF's written directions; provided that

any direction to transfer money out of the Rebate Fund is accompanied by a Certificate of ESRF delivered to the Bond Trustee and the Issuer to the effect that it has calculated the current rebate liability, if any, and has determined that the amount remaining in the Rebate Fund after such transfer will be sufficient to discharge such liability. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Bond Trustee, and payment of any amount then owed to the Bond Trustee, shall be withdrawn and remitted to ESRF.

(F) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the obligation to remit the Rebate Amounts to the United States of America and to comply with all other requirements of this Section, Section 6.06 and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

SECTION 5.08. Bond Trustee Authorized to Take Actions Under the Loan Agreement. The Issuer hereby authorizes and directs the Bond Trustee, and the Bond Trustee hereby agrees, subject to Section 7.04, Section 7.05 and Article VIII hereof, to take such actions as the Bond Trustee deems necessary to enforce the Borrower's obligation under the Loan Agreement to make payments at such times and in such amounts as are necessary in order for the Bond Trustee to make timely payment of principal of and interest on the Bonds to the extent any Bond proceeds and other moneys in the Bond Proceeds Fund are not available for such payment in accordance with the provisions of Section 5.02 hereof.

SECTION 5.09. Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts established pursuant to this Bond Indenture shall be invested by the Bond Trustee, upon written direction of ESRF. Investment Securities shall be purchased at such prices as ESRF may direct. All Investment Securities shall be acquired subject to the limitations set forth in Section 6.06, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of ESRF. No Request of ESRF shall impose any duty on the Bond Trustee inconsistent with its responsibilities hereunder. In the absence of directions from ESRF, the Bond Trustee shall invest in Investment Securities specified in clause (a)(v) of the definition thereof in Section 1.01, *provided, however*, that any such investment shall be made by the Bond Trustee only if, prior to the date on which such investment is to be made, the Bond Trustee shall have received a written direction of ESRF specifying a specific money market fund and, if no such written direction of ESRF is so received, the Bond Trustee shall hold such moneys uninvested.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Bond Indenture. Investment Securities purchased under a repurchase agreement or investment contract may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in the Redemption Fund and the Rebate Fund shall be deposited when received in each such fund. All interest, profits and other income received from the investment of moneys in any other fund or

account established pursuant to this Bond Indenture shall be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under this Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account shall be valued by the Bond Trustee at their market value and marked to market at least once each year on or before April 1. Registrable Investment Securities shall be registered in the name of the Bond Trustee. In making any valuations of investments hereunder, the Bond Trustee may utilize and rely on computerized securities pricing services that are available to it, including those available through its regular accounting system.

The Bond Trustee may commingle any of the funds or accounts established pursuant to this Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by this Bond Indenture. The Bond Trustee or its affiliates may act as sponsor, depository, advisor, principal or agent in the making or disposing of any investment. The Bond Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Bond Trustee or for any third person or dealing as principal for its own account. The Bond Trustee may sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Bond Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with provisions of this Section. The Bond Trustee shall not be responsible for any tax, fee or other charge in connection with any investment, reinvestment or the liquidation thereof.

The parties hereto acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant ESRF the right to receive brokerage confirmations of security transactions as they occur, ESRF specifically waives receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish ESRF with monthly account statements detailing all funds and accounts and investment transactions made by the Bond Trustee hereunder.

## ARTICLE VI

### PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The Issuer shall punctually cause to be paid, through its pledge and assignment pursuant to Article V hereof, the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms

of the Bonds and of this Bond Indenture, including the pledge and assignment pursuant to Article V hereof, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Bond Indenture.

SECTION 6.02.       Extension of Payment of Bonds. The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Issuer to amend this Bond Indenture as provided in Article IX or to issue obligations for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

SECTION 6.03.       Against Encumbrances. The Issuer shall not create any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Bond Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Bond Indenture, and will assist the Bond Trustee in contesting any such pledge, lien, charge or other encumbrance which may be created. Subject to this limitation, the Issuer expressly reserves the right to enter into one or more other indentures for any of its authorized purposes and programs under the Act, and reserves the right to issue other obligations for such purposes.

SECTION 6.04.       Power to Issue Bonds and Make Pledge and Assignment. The Issuer is duly authorized pursuant to the Act to issue the Bonds and to enter into this Bond Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in this Bond Indenture. The Bonds and the provisions of this Bond Indenture are and will be the legally binding limited obligations of the Issuer in accordance with their terms, and the Issuer and Bond Trustee shall at all times, to the extent permitted by law, and with respect to the Issuer, solely from Additional Payments, and with respect to the Bond Trustee, subject to Sections 7.04 and 7.05 and Article VIII hereof, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under this Bond Indenture against all claims and demands of all Persons whomsoever.

SECTION 6.05.       Accounting Records and Financial Statements.

(A) The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with corporate trust accounting standards, in which complete and accurate entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Bonds, the Revenues, the Loan Agreement and all funds and accounts established pursuant to this Bond Indenture. Such books of record and account shall be available for inspection by the Issuer, ESRF and any Bondholder, or his or her agent or representative duly authorized in writing, at reasonable hours and under

reasonable circumstances. The book and records described in this subsection shall be maintained by the Bond Trustee until four years after no Bonds are Outstanding.

(B) The Bond Trustee shall file and furnish to each Bondholder who shall have filed his name and address with the Bond Trustee for such purpose (1) a copy of the most recent audited financial statements furnished to the Bond Trustee pursuant to the Loan Agreement, and (2) within thirty days after the end of each month, a complete financial statement (which need not be audited and may be its regular account statements) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Bond Indenture for such month; provided that the Bond Trustee shall not be obligated to deliver an accounting for any fund or account that has a balance of \$0.00 and has not had any activity since the last reporting. The Bond Trustee shall also furnish a copy of its monthly statement to ESRF and, upon written request of the Issuer, to the Issuer.

SECTION 6.06. Tax Covenants. The Issuer has, in the Loan Agreement, caused ESRF to covenant at all times to do and perform all acts and things permitted by law and the Tax Agreement which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Issuer agrees to comply with the obligations specifically required of it under the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

SECTION 6.07. Amendment of Loan Agreement. The Issuer shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the written consent of the Bond Trustee. The Bond Trustee shall give such written consent only if (1) the Bond Trustee has received an Opinion of Bond Counsel upon which the Bond Trustee may rely that such amendment, modification or termination will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security hereby given for the payment of the Bonds, or (2) the Bond Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Issuer or the Bond Trustee by ESRF pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

SECTION 6.08. Enforcement of Loan Agreement and Obligation No. 5. The Bond Trustee shall promptly collect all amounts due from ESRF pursuant to the Loan Agreement and Obligation No. 5 and shall perform all duties imposed upon it pursuant to the Loan Agreement and subject to the provisions of this Bond Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Issuer assigned to it hereunder and all of the obligations of ESRF relating thereto.

SECTION 6.09. [Reserved].

SECTION 6.10. Further Assurances. The Issuer will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary and proper to carry out the intention or to facilitate the performance of this Bond Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Bond Indenture.

SECTION 6.11. Continuing Disclosure. Pursuant to Section 5.6 of the Loan Agreement, ESRF has undertaken all responsibility for compliance with continuing disclosure requirements, and the Issuer shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission or any duty to enforce Section 5.6 of the Loan Agreement or the continuing disclosure agreement referenced therein. The Bond Trustee hereby covenants and agrees that it will comply with and carry out all of the provisions of Section 5.6 of the Loan Agreement. Notwithstanding any other provision of this Bond Indenture, failure of ESRF or the Bond Trustee to comply with the continuing disclosure agreement shall not constitute an Event of Default; however, the Bond Trustee may (and, at the request of any participating underwriter) or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Bond Trustee have been provided to it or it has otherwise been indemnified to its satisfaction from any cost, liability, expense or additional charges of the Bond Trustee, including attorney's fees) or any Holder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause ESRF to comply with its obligations under Section 5.6 of the Loan Agreement or to cause the Bond Trustee to comply with its obligations under this Section.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01. Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise;

(B) default in the due and punctual payment of any interest on any Bond when and as such interest shall become due and payable;

(C) default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Bond Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer and ESRF by the Bond Trustee, or to the Issuer, ESRF and the Bond Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(D) a Loan Default Event.

Upon a Responsible Officer's actual knowledge of the existence of any Event of Default, the Bond Trustee shall notify ESRF, the Issuer and the Master Trustee in writing as soon as practicable, but in any event within five (5) Business Days; provided, however, that the Bond Trustee need not provide notice of any Loan Default Event if ESRF has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Bond Trustee, the Issuer and the Master Trustee.

SECTION 7.02. Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Bond Trustee may, and shall upon direction of the Holders of a majority of the aggregate principal amount of the Bonds at the time outstanding, upon notice in writing to the Issuer and ESRF, declare the principal of the Bonds, and the interest accrued thereon, to be due and payable immediately (and interest shall cease to accrue as of the date of such declaration unless such declaration is rescinded in accordance herewith), and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Bond Trustee a sum sufficient to pay all the principal or Redemption Price of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rates borne by the respective Bonds, and the reasonable charges and expenses of the Bond Trustee, and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all Bonds, by written notice to the Issuer and ESRF, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of this Bond Indenture (subject to Section 11.10 and other than moneys required to be deposited in the Rebate Fund) shall be applied by the Bond Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel and agents) incurred in and about the performance of its powers and duties under this Bond Indenture; and



(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Bond Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(C) To the payment of Additional Payments not paid pursuant to Section 7.03(A).

SECTION 7.04. Bond Trustee to Represent Bondholders. The Bond Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Bond Indenture, the Loan Agreement, Obligation No. 5, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit,

mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, or in such Holders under this Bond Indenture, the Loan Agreement, Obligation No. 5, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Bond Indenture, pending such proceedings. If more than one such request is received by the Bond Trustee from the Holders, the Bond Trustee shall follow the written request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of twenty-five percent (25%). All rights of action under this Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.05. Bondholders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, and upon indemnifying the Bond Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Bond Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Bond Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction or involve the Bond Trustee in personal liability.

SECTION 7.06. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Indenture, the Loan Agreement, Obligation No. 5, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; provided, however, that if more than one such request is received by the Bond Trustee from the Holders, the Bond Trustee shall follow the written request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of twenty-five percent (25%); (3) such Holder or said Holders shall have tendered to the Bond Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Bond Indenture, the Loan Agreement, Obligation No. 5, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.07. Absolute Obligation of Issuer. Nothing in Section 7.06 or in any other provision of this Bond Indenture, or in the Bonds, shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, including Article V hereof, but only out of the Revenues and other assets herein pledged therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds. Notwithstanding anything to the contrary in this Article VII, any action by the Trustee or the Bondholders to enforce any remedy hereunder following an Event of Default shall be instituted directly against the Borrower pursuant to the Issuer's pledge and assignment of the Loan Agreement as provided in Article V hereof, except only to the extent the Issuer is in possession of any Revenues or holds title to any of the assets pledged herein for the payment of principal, or Redemption Price of and interest on the Bonds.

SECTION 7.08. Termination of Proceedings. In case any proceedings taken by the Bond Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then in every such case the Issuer, the Bond Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Bond Trustee and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10. No Waiver of Default. No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Bond Indenture to the Bond Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

## ARTICLE VIII

### THE BOND TRUSTEE

#### SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee.

(A) The Issuer (at the request of ESRF) hereby appoints U.S. Bank National Association, as bond trustee. The Bond Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Bond Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) The Issuer may, and upon written request of ESRF, shall, remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint, with the written consent of ESRF (which consent shall not be unreasonably withheld), a successor Bond Trustee by an instrument in writing. The Issuer or any Holder may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

(C) The Bond Trustee may at any time resign by giving written notice of such resignation to the Issuer and ESRF and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Issuer shall promptly appoint, with the written consent of ESRF (which consent shall not be unreasonably withheld), a successor Bond Trustee by an instrument in writing. The Bond Trustee shall not be relieved of its duties until such successor Bond Trustee has accepted appointment.

(D) Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such

successor Bond Trustee. Any successor Bond Trustee appointed under this Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to the Issuer and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee herein; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the Issuer shall mail or cause to be mailed (at the expense of ESRF) a notice of the succession of such Bond Trustee to the trusts hereunder to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. If the Issuer fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Bond Trustee, the successor Bond Trustee shall cause such notice to be mailed at the expense of ESRF.

(E) The initial Bond Trustee and any successor Bond Trustee shall be a trust company, national banking association, or bank having trust powers having a corporate trust office in the State, having a combined capital and surplus of (or if such trust company, national banking association or bank is a member of a bank holding system, its bank holding company shall have a combined capital and surplus of) at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Bond Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02.     Merger or Consolidation. Any company into which the Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Bond Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03.     Liability of Bond Trustee.

(A) The Bond Trustee assumes no responsibility for the correctness of the recitals of fact herein except as they specifically apply to the Bond Trustee, and makes no representations as to the validity or sufficiency of this Bond Indenture, of the Loan Agreement or of the Bonds, nor shall the Bond Trustee incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically relating to the Bond Trustee or its powers. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(B) The Bond 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 Bond Trustee was negligent in ascertaining the pertinent facts.

(C) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority (or such lesser number as this Bond Indenture may permit to direct the Bond Trustee) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture.

(D) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have offered to the Bond Trustee indemnity acceptable to the Bond Trustee against the costs, expenses and liabilities which may be incurred therein or thereby. The Bond Trustee has no obligation or liability to the Holders for the payment of interest on, principal of or redemption premium, if any, with respect to the Bonds from its own funds; but rather the Bond Trustee's obligations shall be limited to the performance of its duties hereunder.

(E) Except with respect to Events of Default specified in Section 7.01(A) or (B) hereof, the Bond Trustee shall not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof or the Bond Trustee shall have received written notice thereof at the Designated Office. The Bond Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(F) The Bond Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through attorneys-in-fact, agents or receivers, and shall not be answerable for the negligence or misconduct of any such attorney-in-fact, agent or receiver selected by it with due care. The Bond Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Bond Trustee shall not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms of this Bond Indenture, if such attorney-at-law or certified public accountant was selected by the Bond Trustee with due care.

(G) The Bond Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys that shall be released or withdrawn in accordance with the provisions hereof.

(H) Whether or not therein expressly so provided, every provision of this Bond Indenture, the Loan Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Article.

(I) The Bond Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(J) The Bond Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Bond Trustee.

(K) The Bond Trustee agrees to accept and act upon instructions or directions pursuant to this Bond Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Bond Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions 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 ESRF elects to give the Bond Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Bond Trustee in its discretion elects to act upon such instructions, the Bond Trustee's understanding of such instructions shall be deemed controlling. The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or

indirectly from the Bond Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. ESRF agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

(M) The Bond Trustee shall hold any financial statements of ESRF solely as an accommodation to the Holders and shall have no duty or obligation to review such financial statements and shall not be responsible for their contents.

SECTION 8.04. Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, statement, requisition, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bond Trustee may consult with counsel, who may be counsel of or to the Issuer, with regard to legal questions, and the opinion or written advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Bond Trustee shall not be bound to recognize any Person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Bond Indenture the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Issuer, and such Certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Indenture in reliance upon such Certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Bond Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, ESRF and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 8.06. Compensation and Indemnification. The Issuer shall pay or cause to be paid to the Bond Trustee (solely from those Additional Payments provided for in Section 3.2(b) of the Loan Agreement) from time to time reasonable compensation for all services



rendered under this Bond Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Bond Indenture.

No provision of this Bond Indenture shall require the Bond 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 its rights or powers, if it has not received the agreed compensation for such services or, in cases where the Bond Trustee has a right to reimbursement or indemnification for such performance or exercise, 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.

The Issuer further covenants and agrees to indemnify and save harmless (but solely from those Additional Payments provided for in Section 3.2(b) of the Loan Agreement) the Bond Trustee, and its officers, directors, employees, and agents against any loss, expense and liabilities that it may incur arising out of or in connection with (1) the exercise and performance of the Bond Trustee's powers and duties hereunder or (2) the sale of any Bonds and the carrying out of any of the transactions contemplated by the Bonds, the Loan Agreement or related documents, including the costs and expenses of defending against any claim of liability, but excluding liabilities that are due to the Bond Trustee's negligence or willful misconduct, provided that the Issuer's obligation under this Section shall be limited to Additional Payments (as defined in Section 3.2(b) of the Loan Agreement) received from ESRF. The obligations of the Issuer under this Section shall survive resignation or removal of the Bond Trustee under this Bond Indenture and payment of the Bonds and discharge of this Bond Indenture. The Issuer has satisfied its obligations hereunder by the Borrower's agreement to make such payments directly to the Trustee pursuant to Section 3.2 of the Loan Agreement.

SECTION 8.07. Notice to Rating Agency. The Bond Trustee shall give written notice to each Rating Agency then rating the Bonds if (i) a successor Bond Trustee is appointed hereunder, (ii) if this Bond Indenture or the Loan Agreement is amended or supplemented in any material manner, (iii) if the Bonds are paid and this Bond Indenture defeased pursuant to Section 10.01, (iv) if the Bonds are accelerated pursuant to Section 7.02, or (v) if the Bonds are redeemed in whole or in part pursuant to Section 4.01, provided that the Bond Trustee shall incur no liability for failure to give any such notice.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THIS BOND INDENTURE

#### SECTION 9.01. Amendments Permitted.

(A) This Bond Indenture and the rights and obligations of the Issuer and of the Holders of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Issuer and the Bond Trustee may enter into when both (i) the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and (ii) an Opinion of Bond Counsel

to the effect that such amendment or modification will not in and of itself cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Bond Indenture prior to or on a parity with the lien created by this Bond Indenture, or deprive the Holders of the Bonds of the lien created by this Bond Indenture on such Revenues and other assets (except as expressly provided in this Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Issuer and the Bond Trustee of any Supplemental Bond Indenture pursuant to this subsection (A), the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

(B) This Bond Indenture and the rights and obligations of the Issuer, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Issuer and the Bond Trustee may enter into without the necessity of obtaining the consent of any Bondholders, but only upon receipt by the Bond Trustee of an Opinion of Bond Counsel to the effect that such amendment or modification: (1) will not in and of itself cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, (2) is permitted by law, and (3) complies with one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer contained in this Bond Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Issuer, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds (as provided in an Opinion of Counsel addressed to the Issuer and the Bond Trustee);

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Indenture, or in regard to matters or questions arising under this Bond Indenture, as the Issuer or the Bond Trustee may deem necessary or desirable and not inconsistent with this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds (as provided in an Opinion of Counsel addressed to the Issuer and the Bond Trustee);

(3) to modify, amend or supplement this Bond Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds (provided, however, that such modifications, amendments, supplements and additions shall be permitted under this subsection (B) of Section 9.01 only if qualification under said act or similar federal statute is required by applicable law now or hereafter in effect);

(4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(C) The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by subsections (A) or (B) of this Section which materially adversely affects the Bond Trustee's own rights, duties or immunities under this Bond Indenture or otherwise.

SECTION 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Bond Indenture pursuant to this Article, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Indenture of the Issuer, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture shall be deemed to be part of the terms and conditions of this Bond Indenture for any and all purposes.

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Bond Indenture pursuant to this Article may bear a notation by endorsement or otherwise in form approved by the Issuer and the Bond Trustee as to any modification or amendment provided for in such Supplemental Bond Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of such Bond for the purpose at the Designated Office of the Bond Trustee or at such additional offices as the Bond Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Bond Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Issuer (which may be based on an Opinion of Bond Counsel, in the sole discretion of the Issuer), to any modification or amendment contained in such Supplemental Bond Indenture, shall be prepared by the Bond Trustee at the expense of ESRF, executed by the Issuer and authenticated by the Bond Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Designated Office of the Bond Trustee, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

## ARTICLE X

### DEFEASANCE

SECTION 10.01. Discharge of Indenture. The Bonds may be paid by the Issuer or the Bond Trustee on behalf of the Issuer in any of the following ways:

(A) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 10.03) to pay when due or redeem all Bonds then Outstanding; or

(C) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then and in that case at the election of the Issuer (evidenced by a Certificate of the Issuer filed with the Bond Trustee signifying the intention of the Issuer to discharge all such indebtedness and this Bond Indenture and upon receipt by the Bond Trustee of an Opinion of Counsel to the effect that the obligations under this Bond Indenture and the Bonds have been discharged), and notwithstanding that any Bonds shall not have been surrendered for payment, this Bond Indenture and the pledge of Revenues and other assets made under this Bond Indenture and all covenants, agreements and other obligations of the Issuer under this Bond Indenture (except as otherwise provided in Section 5.07 and Section 8.06) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the Issuer, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to ESRF all moneys or securities or other property held by it pursuant to this Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Section 5.07.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely

discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of, premium, if any, and interest on such Bond by the Issuer, and the Issuer shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Issuer may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously issued and delivered, which the Issuer may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to this Bond Indenture (other than the Rebate Fund) and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Investment Securities described in clauses (a)(i)-(iii) of the definition thereof in Section 1.01 (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice; provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Bond Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

SECTION 10.04. Payment of Bonds After Discharge of Bond Indenture. Notwithstanding any provisions of this Bond Indenture, subject to applicable escheat law, any moneys held by the Bond Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after such principal or interest, as the case may be, has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Bond Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to ESRF free from the trusts created by this Bond

Indenture upon receipt of an indemnification agreement by ESRF acceptable to the Issuer and the Bond Trustee indemnifying the Issuer and the Bond Trustee with respect to claims of Holders of Bonds or the government of the United States of America which have not yet been paid, and all liability of the Bond Trustee and the Issuer with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to ESRF as aforesaid, the Bond Trustee may (at the cost of ESRF) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to ESRF of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

SECTION 11.01. Liability of Issuer Limited to Revenues. Notwithstanding anything contained in this Bond Indenture, the Loan Agreement or in the Bonds, the Issuer shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Bond Indenture for any of the purposes in this Bond Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Bond Indenture.

SECTION 11.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Bond Indenture either the Issuer or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Bond Indenture contained by or on behalf of the Issuer or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties, ESRF and Bondholders. Nothing in this Bond Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Issuer, the Bond Trustee, ESRF and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Bond Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Bond Trustee, ESRF and the Holders of the Bonds.

SECTION 11.04. Waiver of Notice. Whenever in this Bond Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Bonds. Whenever in this Bond Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the Issuer of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

SECTION 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Bond Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Bond Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Bond Indenture, and this Bond Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

SECTION 11.07. Notices. Any notice to or demand upon the Bond Trustee may be served or presented, and such demand may be made, at the Designated Office of the Bond Trustee or at such other address as may have been filed in writing by the Bond Trustee with the Issuer. Any notice to or demand upon the Issuer or ESRF shall be deemed to have been sufficiently given or served for all purposes by being given in writing delivered or sent by Electronic Means receipt confirmed or by being mailed by first-class mail, postage prepaid and addressed as follows:

1. If to the Issuer:

Street Address/Overnight Delivery:

California Infrastructure and Economic Development Bank  
1325 J Street, Suite 1300  
Sacramento, California 95814  
Attention: Bond Unit Manager

Mail Address:

California Infrastructure and Economic Development Bank  
P.O. Box 2830  
Sacramento, California 95812-2830  
Attention: Bond Unit Manager

2. If to ESRF:

Equitable School Revolving Fund, LLC  
21 West 46th Street  
New York, New York 10036  
Attention: Chief Executive Officer

(or such other addresses as may have been filed in writing by the Issuer or ESRF with the Bond Trustee).

SECTION 11.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in Person or by an agent or agents duly appointed in writing.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or the Issuer in accordance therewith or reliance thereon.

SECTION 11.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Bond Indenture, Bonds which are known to a Responsible Officer of the Bond Trustee to be owned or held by or for the account of the Issuer or ESRF, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or ESRF or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or ESRF or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel selected by it with due care shall be full protection to the Bond Trustee. Upon request of the Bond Trustee, the Issuer and ESRF shall specify in a certificate to the Bond Trustee those Bonds disqualified pursuant to this Section and the Bond Trustee may conclusively rely on such certificate.

SECTION 11.10. Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held uninvested in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11. Funds and Accounts. The Bond Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Bond Indenture. Any fund required by this Bond Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with



customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Holder thereof. The Bond Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its obligations hereunder.

SECTION 11.12. Waiver of Personal Liability. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal of or premium, if any, or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or the performance of any duty hereunder; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Bond Indenture.

SECTION 11.13. Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.14. Governing Law; Venue. This Bond Indenture shall be construed in accordance with and governed by the Constitution and the laws of the State of California applicable to contracts made and performed in the State of California. This Bond Indenture shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the Issuer) be filed and maintained in Sacramento County, Sacramento, California.

SECTION 11.15. Execution in Several Counterparts. This Bond Indenture may be executed in any number of counterparts by electronic means and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.16. Entire Agreement. This Bond Indenture constitutes the entire agreement of the parties hereto and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

IN WITNESS WHEREOF, the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK has caused this Bond Indenture to be signed in its name by its Executive Director and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Bond Indenture to be signed in its corporate name by its duly authorized officer all as of the day and year first above written.

CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK

By: \_\_\_\_\_

Scott Wu  
Executive Director

Attest:

By: \_\_\_\_\_

Stefan R. Spich  
Secretary of the Board

U.S. BANK NATIONAL ASSOCIATION,  
as Bond Trustee

By: \_\_\_\_\_

Authorized Officer

EXHIBIT A  
FORM OF BOND

NUMBER	AMOUNT
R-_____	\$_____

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK  
NATIONAL CHARTER SCHOOL REVOLVING LOAN FUND REVENUE BOND  
SERIES 2020B

Interest Rate:	Maturity Date:	Original Issue Date:	CUSIP Number:
_____ %	_____	_____	

Registered Owner:    CEDE & CO.

Principal Amount:

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, a public instrumentality of the State of California (the “Issuer”), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner specified above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal amount specified above, in lawful money of the United States of America; and to pay interest thereon (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) in like lawful money from the date hereof until payment of such principal sum shall be discharged as provided in the Bond Indenture hereinafter mentioned, at the interest rate per annum determined stated above, payable on May 1 and November 1 in each year commencing on \_\_\_\_\_. The principal (or redemption price) hereof is payable upon presentation hereof at the designated office of U.S. Bank National Association (together with any successor bond trustee as provided in the Bond Indenture, as defined below, herein called the “Bond Trustee”), in New York, New York (or, in the case of a successor bond trustee, at the designated office of such successor bond trustee). Interest hereon is payable by check mailed by first class mail on each interest payment date (except with respect to defaulted interest) to the person whose name appears on the bond registration books of the Bond Trustee as the registered holder hereof on the fifteenth (15th) day (whether or not a Business Day, as defined in the Bond Indenture hereinafter defined) of the calendar month preceding the calendar month in which such related Interest Payment Date falls (the “Record Date”) at the address appearing on the bond registration books maintained by the Bond Trustee, or by wire transfer to an account within the United States of America to any registered holder of at least \$1,000,000 in principal amount of Bonds if such registered holder has submitted a written request for such wire transfer to the Bond Trustee at least one Business Day prior to the Record Date (which request includes written wire transfer

instructions). Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

The Bonds are limited obligations of the Issuer and are not a lien or charge upon the funds or property of the Issuer, except to the extent of the pledge and the assignment described below. Neither the State of California nor the Issuer shall be obligated to pay the principal of the Bonds, premium, if any, or the interest thereon, except from Revenues received by the Issuer. Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, premium, if any, or interest on, this Bond. The Issuer has no taxing power. The Bonds are not a debt of the State of California and said State is not liable for payment thereof.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as “California Infrastructure and Economic Development Bank National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B” (herein called the “Bonds”), limited in aggregate principal amount to \_\_\_\_\_ (\$\_\_\_\_\_) and issued pursuant to the provisions of the California Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing with Section 63000 thereof) (as now in effect and as it may from time to time hereafter be amended or supplemented, herein called the “Act”) and a bond indenture, dated as of August 1, 2020, between the Issuer and the Bond Trustee (herein called the “Bond Indenture”). The Bonds are issued for the purpose of making a loan to Equitable School Revolving Fund, LLC, a Delaware limited liability company (herein called “ESRF”), pursuant to a loan agreement, dated as of August 1, 2020 (herein called the “Loan Agreement”), between the Issuer and ESRF, for the purposes and on the terms and conditions set forth therein.

Reference is hereby made to the Bond Indenture (a copy of which is on file at said Designated Office of the Bond Trustee) and all amendments and supplements thereto, to the Loan Agreement (a copy of which is on file at said Designated Office of the Bond Trustee) and to the Act for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Bond Trustee and of the rights and obligations of the Issuer thereunder, to all the provisions of which Bond Indenture and Loan Agreement the registered owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Bond Indenture.

The Bonds and the interest thereon are payable from Revenues and are secured by a pledge and assignment of said Revenues and of amounts (but excluding Additional Payments and payments made pursuant to the Reserved Rights) held in the funds and accounts established pursuant to the Bond Indenture (excluding amounts held in the Rebate Fund), subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Issuer in the Loan Agreement (to the extent and as more particularly described in the Bond Indenture).

Interest payable on any Bond shall cease to accrue (i) on the maturity date of such Bond, provided that there has been irrevocably deposited with the Bond Trustee an amount sufficient to pay the principal amount thereof, plus interest thereon to such date; or (ii) on the date fixed for redemption thereof, provided that there has been irrevocably deposited with the Bond Trustee an amount sufficient to pay the redemption price thereof, plus interest thereon to such date. The Holder of such Bond shall not be entitled to any other payment for such Bond, and such Bond shall no longer be Outstanding and entitled to the benefits of the Bond Indenture, except for such payment from moneys held by the Bond Trustee for such purpose.

This Bond has been executed by the Issuer and authenticated by the Bond Trustee pursuant to the terms of the Bond Indenture. Copies of the Bond Indenture are on file at the Designated Office of the Bond Trustee in New York, New York (or, in the case of a successor Bond Trustee, at the Designated Office of such successor Bond Trustee), and reference is made to the Bond Indenture and all amendments and supplements thereto for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the registered Holders of the Bonds with respect thereto and the other terms and conditions upon which the Bonds are delivered thereunder.

The Bonds are subject to redemption in accordance with the Bond Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Bond Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

Whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Bond Trustee shall select the Bonds to be redeemed, in the authorized denominations specified in the Bond Indenture, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, as directed in writing by ESRF or, in the absence of such direction, by lot, in any manner which the Bond Trustee in its sole discretion shall deem appropriate.

As provided in the Bond Indenture, notice of redemption shall be mailed by first-class mail by the Bond Trustee, not less than twenty (20) or more than sixty (60) days prior to the date fixed for redemption, to the Issuer and the Holder of each Bond designated for redemption at their address appearing on the registration books of the Bond Trustee. If this Bond is called for redemption and payment is duly provided as specified in the Bond Indenture, interest shall cease to accrue with respect hereto from and after the date fixed for redemption.

Failure by the Bond Trustee to give notice of redemption pursuant to the Bond Indenture to any one or more of the securities information services or depositories designated by ESRF, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption pursuant to the Bond Indenture to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof.

This Bond is transferable by the registered Holder hereof, in person or by the registered Holder's attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Indenture and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, having the same maturity date and of authorized denominations, and for the same aggregate principal amount, will be issued to the transferee in exchange herefor. Subject to the limitations and conditions and upon payment of the charges, if any, provided in the Bond Indenture, Bonds may be exchanged for the same aggregate principal amount of fully registered Bonds of other authorized denominations having the same maturity date.

The Issuer and the Bond Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Bond Trustee shall not be affected by any notice to the contrary.

The Bond Indenture and the rights and obligations of the Issuer and of the registered owners of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Bond Indenture; provided that no such modification or amendment shall (i) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, without the consent of the registered owner hereof, or (ii) reduce the percentage of Bonds the consent of the registered owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged as security for the Bonds prior to or on a parity with the lien created by the Bond Indenture, or deprive the registered owners of the Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in the Bond Indenture), without the consent of the registered owners of all Bonds then outstanding, all as more fully set forth in the Bond Indenture.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the provisions of the Act and by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Bond Indenture.

This Bond shall not be entitled to any benefit under the Bond Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Bond Trustee.

IN WITNESS WHEREOF, CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Executive Director, all as of the date set forth above.

CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK

By: \_\_\_\_\_  
Executive Director

BOND TRUSTEE'S CERTIFICATE OF AUTHENTICATION  
AND REGISTRATION

This is one of the Bonds described in the within mentioned Bond Indenture, which has been registered on the date set forth below.

Dated:

U.S. BANK NATIONAL ASSOCIATION,  
as Bond Trustee

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_, attorney, to transfer the same on the books of the within-named Bond Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

By \_\_\_\_\_

Signature Guaranteed By:

\_\_\_\_\_  
NOTICE: Signature must be guaranteed  
by an eligible guarantor institution.



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CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

and

EQUITABLE SCHOOL REVOLVING FUND, LLC

LOAN AGREEMENT

Dated as of August 1, 2020

relating to

\$ \_\_\_\_\_

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK  
NATIONAL CHARTER SCHOOL REVOLVING LOAN FUND REVENUE BONDS  
SERIES 2020B

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This LOAN AGREEMENT, is made and entered into as of August 1, 2020 (this “Loan Agreement”), between the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, a public instrumentality of the State of California (the “Issuer”), and EQUITABLE SCHOOL REVOLVING FUND, LLC, a Delaware limited liability company (“ESRF” or the “Borrower”);

W I T N E S S E T H:

WHEREAS, the Issuer was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the “Act”), for the purpose of, among other things, providing financial assistance for eligible projects located in the State of California (the “State”);

WHEREAS, ESRF has requested financial assistance from the Issuer in the financing or reimbursing the acquisition of all or a portion of certain loans (the “School Loans”) originated to qualifying public charter schools located in the State for the purpose of financing or refinancing the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities;

WHEREAS, the Issuer has authorized the issuance of its National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B (the “Bonds”), in an aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_) to (i) provide funds to ESRF for the purpose of financing or reimbursing the acquisition of the School Loans, (ii) fund a debt service reserve with respect to the Bonds and (iii) pay a portion of the Costs of Issuance;

WHEREAS, ESRF has requested the Issuer to enter into this Loan Agreement specifying the terms and conditions of a loan by the Issuer to ESRF of the proceeds of the Bonds and of the payment by ESRF to the Issuer of the amounts required for the payment of the principal of, and interest and premium, if any, on the Bonds and certain related expenses; and

WHEREAS, the Issuer and ESRF have each duly authorized the execution, delivery and performance of this Loan Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.1 Definitions. Unless otherwise required by the context, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Bond Indenture between the Issuer and U.S. Bank National Association, as bond trustee, dated as of August 1, 2020, either as originally executed or as amended or supplemented from time to time (the “Bond Indenture”).

Section 1.2 Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3 Content of Certificates and Opinions. Every certificate or opinion provided for in this Loan Agreement with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, there has been made or caused to be made such examination or investigation as is necessary to enable an informed opinion to be expressed with respect to the subject matter referred to in the instrument to which such person’s signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been satisfied.

Any such certificate or opinion made or given by an official of the Issuer or ESRF may be based, insofar as it relates to legal, accounting or management matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such official knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Issuer or ESRF, as the case may be) upon a certificate or opinion of or representation by an official of the Issuer or ESRF, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same official or designated representative of the Issuer or ESRF or the same counsel, accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Loan Agreement, but different officials, counsel, accountants or management consultants may certify to different matters, respectively.

## ARTICLE II

### ISSUANCE OF BONDS; OBLIGATION NO. 5

Section 2.1 The Bonds. The Issuer has authorized the issuance of the Bonds pursuant to the Bond Indenture in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_). ESRF hereby approves the Bond Indenture, the pledge and assignment thereunder to the Bond Trustee of the right, title and interest of the Issuer (except for Reserved Rights) in this Loan Agreement and Obligation No. 5 and the issuance under the Bond Indenture by the Issuer of the Bonds. ESRF agrees to perform any act required of it under the Bond Indenture as if any such act were set forth in full herein.

Section 2.2 Obligation No. 5. In consideration of the issuance of the Bonds by the Issuer and the application of the proceeds thereof as provided in the Bond Indenture, ESRF agrees to issue, or cause to be issued, and to cause to be authenticated and delivered to the Issuer or its designee, pursuant to the Master Trust Indenture and the Supplemental MTI, concurrently with the issuance and delivery of the Bonds, Obligation No. 5 in substantially the form set forth in the Supplemental MTI. The Issuer agrees that Obligation No. 5 shall be registered in the name of the Bond Trustee. ESRF agrees that the aggregate principal amount of Obligation No. 5 shall be limited to \_\_\_\_\_ (\$\_\_\_\_\_), except as provided in the Supplemental MTI with respect to the mutilation, destruction, loss or theft of Obligation No. 5. ESRF agrees that, except as otherwise provided in this Section 2.2, so long as any Bond remains Outstanding, Obligation No. 5 shall be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of Obligation No. 5 shall be registered under the Master Trust Indenture or be recognized by ESRF except for transfers to a successor Bond Trustee. Upon the principal of Obligation No. 5 being declared immediately due and payable, Obligation No. 5 may be transferred if and to the extent that the Bond Trustee requests that the aforementioned restrictions on transfers of this Section 2.2 be terminated.

### ARTICLE III

#### PAYMENTS

Section 3.1 Loan of Proceeds; Payments of Principal and Interest. The Issuer hereby lends and advances to ESRF, and ESRF hereby borrows and accepts from the Issuer, a loan in a principal amount equal to the aggregate principal amount of the Bonds, the net proceeds of which loan shall be equal to the net proceeds received from the sale of the Bonds, such proceeds to be disbursed to the Borrower by the Trustee as set forth in the Bond Indenture and applied under the terms and conditions of this Loan Agreement and the Bond Indenture. In consideration of the loan of such proceeds to ESRF, ESRF agrees to pay, or cause to be paid, to the Bond Trustee, on or before the Business Day prior to date on which such amounts are required to be transferred by the Bond Trustee pursuant to Section 5.02 of the Bond Indenture for subsequent application pursuant to the Bond Indenture, the amounts necessary to enable the Bond Trustee to make the transfers required by said Section 5.02 of the Bond Indenture (the "Loan Repayments"). Notwithstanding the foregoing, ESRF agrees to make payments, or cause payments to be made, to the Bond Trustee at the times and in the amounts required to be paid as principal of, premium, if any, and interest on the Bonds from time to time Outstanding under the Bond Indenture and other amounts required to be paid under the Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise. Each payment by ESRF to the Bond Trustee hereunder shall be in lawful money of

the United States of America and paid to the Bond Trustee at its Designated Office, and held, invested, disbursed and applied as provided in the Bond Indenture.

Section 3.2 Additional Payments. In addition to Loan Repayments, ESRF shall also pay to the Issuer or the Bond Trustee, as the case may be, “Additional Payments,” as follows:

(a) All taxes and assessments of any type or character charged to the Issuer or to the Bond Trustee affecting the amount available to the Issuer or the Bond Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that ESRF shall have the right to protest any such taxes or assessments which it in good faith believes are not due and owing and to require the Issuer or the Bond Trustee, at ESRF’s expense, to protest and contest any such taxes or assessments levied upon them, and that ESRF shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer, the Holders or the Bond Trustee hereunder, under the Bond Indenture or otherwise with respect to the Bonds;

(b) All reasonable fees, charges, expenses and indemnities (as set forth in Section 5.3 and Section 5.4) of the Bond Trustee hereunder and under the Bond Indenture, as and when the same become due and payable;

(c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement or the Bond Indenture;

(d) The Issuer’s initial fees upon issuance of the Bonds and reasonable expenses of the Issuer and any consultant, agent or designee selected by the Issuer to act on its behalf in connection with this Loan Agreement (including but not limited to Sections 5.3, 5.4, 5.5, 6.6 and 9.2 of this Loan Agreement), the Bonds, the Bond Indenture, the Tax Agreement or any other documents contemplated hereby or thereby, including without limitation reasonable expenses incurred by the Attorney General of the State or any attorneys (including attorneys that are employees of the State, including the Issuer’s in-house counsel) representing the Issuer in connection with any questions, investigations, litigation, audits or inquires arising under this Loan Agreement, the Bond Indenture, Obligation No. 5, the Bonds, the Tax Agreement or any related document, including, without limitation, the representation of the Issuer as a “taxpayer” before the Internal Revenue Service in any audit, examination or investigation of the Bonds, the amendment of any of the Loan Agreement, Bond Indenture, Bonds, Tax Agreement or any other document or the enforcement thereof, any litigation or other matters affecting the Facilities, or any litigation that may at any time be instituted involving the Loan or the Bonds, this Loan Agreement, the Bond Indenture, Obligation No. 5, the Tax Agreement or any other documents contemplated hereby or thereby, in each case payable no later than thirty (30) days after written request for such payment;

(e) The Issuer Annual Fee, payable on September 1 of each year, or portion thereof in which any Bonds are Outstanding, commencing September 1, 2020, provided, however, if the Loan Repayments with respect to all Bonds Outstanding shall be prepaid as set forth in Section 3.3 hereof (1) after September 1 and before March 1 of any given year, then the Issuer Annual Fee for the year in which such prepayment is made shall be reduced by half and shall be payable thirty (30) calendar days following such prepayment; or (2) after March 1 and on or before September 1 of any given year, then the Issuer Annual Fee for the year in which such prepayment is made shall be payable in its entirety on the earlier of (y) thirty (30) calendar days following such prepayment or (z) September 1 of the year in which such prepayment is made;

(f) All other reasonable and necessary fees, expenses and indemnities (as set forth in Section 5.3 and Section 5.4) of the Issuer arising out of or in connection with the issuance of the Bonds and this Loan Agreement, including, but not limited to, those pertaining to the representation of the Issuer as “taxpayer” before the Internal Revenue Service in any audit or investigation of the Bonds or Obligation No. 5; and

(g) All Costs of Issuance of the Bonds.

Such Additional Payments shall be billed to ESRF by or upon direction of the Issuer or the Bond Trustee from time to time and shall be paid by ESRF within thirty (30) days after receipt of the bill by ESRF. The obligations of ESRF under this Section shall survive the payment of the Bonds and discharge of the Bond Indenture, and termination of this Loan Agreement and the resignation or removal of the Bond Trustee.

Section 3.3 Prepayment. ESRF shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments related to the Bonds and the Issuer represents that Article X of the Bond Indenture provides that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of Investment Securities or surrender of Bonds, as contemplated by Article X of the Bond Indenture. Pursuant to the Bond Indenture, the interest component of all such prepayments shall be deposited in the Interest Account and the principal component of all such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Redemption Fund, and, at the written request of and as determined by ESRF, credited against payments due hereunder or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made hereunder remain unpaid, ESRF shall not be relieved of its obligations hereunder.

Section 3.4 Obligations Unconditional. The obligations of ESRF hereunder, including the obligation of ESRF to pay the principal of and interest on the Bonds and any Additional Payments, are absolute and unconditional, notwithstanding any other provision of this Loan Agreement or the Bond Indenture. Until this Loan Agreement is terminated and all payments hereunder are made, ESRF:



(a) Will pay all amounts required hereunder without abatement, deduction or setoff, except as otherwise expressly provided in this Loan Agreement;

(b) Will not suspend or discontinue any payments due hereunder for any reason whatsoever, including, without limitation, any right of setoff or counterclaim, except as expressly provided in this Loan Agreement or the Bond Indenture;

(c) Will perform and observe all its other agreements contained in this Loan Agreement; and

(d) Except as provided herein, will not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California, or any political subdivision of either thereof or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this Section 3.4 shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Issuer or the Bond Trustee owing to ESRF, or by reason of any other indebtedness or liability at any time owing by the Issuer or by the Bond Trustee to ESRF.

Section 3.5 Conditions Precedent. The obligation of the Issuer to make the loan as herein provided shall be subject to (i) the receipt by it of the proceeds of the issuance and sale of the Bonds and (ii) the issuance of Obligation No. 5.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF ESRF

Section 4.1 Representations and Warranties of ESRF. ESRF represents and warrants to the Issuer that, as of the date of execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the Issuer or the results thereof):

(a) ESRF is a Delaware limited liability company, duly formed and in good standing under the laws of the State of Delaware, and is controlled by its sole member, Equitable Facilities Fund, Inc. ("EFF").

(b) ESRF is organized as a disregarded entity for federal tax purposes; the purpose of ESRF is to further the charitable purposes of EFF, as sole member, of making loans and otherwise participating in financing transactions to assist public charter schools, including the issuance of the Bonds; EFF may not carry on activities which are not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(3) of the Code; EFF has not been formed for profit or pecuniary benefit, and no assets, income or net earnings of EFF

may inure to the benefit of any manager, director, officer or employee of EFF or any private individual.

(c) EFF is a nonprofit corporation duly incorporated, validly existing, and in good standing under the laws of the State of Delaware.

(d) ESRF has the requisite legal right, power and authority to enter into this Loan Agreement and to carry out and consummate all transactions contemplated hereby.

(e) The officer of ESRF executing this Loan Agreement is duly and properly in office and has the requisite authority to execute the same.

(f) This Loan Agreement and the Tax Agreement have been duly authorized, executed and delivered by ESRF.

(g) This Loan Agreement, when executed by the Issuer and validly assigned by the Issuer to the Bond Trustee pursuant to the Bond Indenture (except with respect to Reserved Rights), will constitute the legal, valid and binding agreements of ESRF enforceable against ESRF by the Bond Trustee in accordance with their respective terms for the benefit of the Holders of the Bonds, and any rights of the Issuer and obligations of ESRF not so assigned to the Bond Trustee constitute the legal, valid, and binding agreements of ESRF enforceable against ESRF by the Issuer in accordance with their respective terms; except as in each case enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(h) The execution and delivery of this Loan Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default under ESRF's organizational documents or any applicable law or administrative rule or regulation, or any court or administrative decree or order to which ESRF is subject, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which ESRF is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of ESRF, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect either (1) the consummation of the transactions contemplated by this Loan Agreement or (2) the financial condition, assets, properties or operations of ESRF.

(i) No consent or approval of any trustee, holder or guarantor of any indebtedness of ESRF, or any provider of credit enhancement with respect to any such indebtedness, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Loan Agreement or for the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(j) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending with service having been completed on ESRF, or to the knowledge of ESRF, after reasonable investigation,

otherwise pending or threatened in writing, against or affecting ESRF or the assets, properties or operations of ESRF which, if determined adversely to ESRF or its interests, would have a material adverse effect upon either (1) the consummation of the transactions contemplated by, or the validity of, this Loan Agreement or (2) the financial condition, assets, properties or operations of ESRF. ESRF is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, or the financial condition, assets, properties or operations of ESRF. All tax returns (federal, state and local) required to be filed by or on behalf of ESRF and EFF have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by ESRF and EFF, in good faith, have been paid or adequate reserves have been made for the payment thereof.

(k) Except as described in the Official Statement, there has been no material adverse change in the condition (financial or otherwise) of EFF or ESRF.

(l) No information, exhibit or report furnished to the Issuer by ESRF in connection with ESRF's application to the Issuer for financing or the negotiation of this Loan Agreement (including without limitation information concerning ESRF in the Official Statement) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) EFF, the sole member of ESRF, is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code.

(n) ESRF does not restrict use of its facilities on racial or religious grounds.

(o) The proceeds of the School Loans were used for the purposes of designing, acquiring, planning, permitting, entitling, constructing, improving, extending, restoring, or generally developing educational facilities, within the State that constitute "economic development facilities" as such term is defined in the Act).

(p) The proceeds of the Bonds loaned hereunder to ESRF will be used to finance a "project" (as defined in the Act).

## ARTICLE V

### COVENANTS

Section 5.1 Prohibited Uses. ESRF covenants and agrees that no portion of the proceeds of the Bonds will be used to finance any facility, place or building used or to be used (a) primarily for sectarian instruction or study or as a place for devotional activities or religious worship, or (b) by a Person that is not a 501(c)(3) organization or a governmental entity or by a Code Section 501(c)(3) organization (including the Borrower) in an unrelated trade or business within the meaning of Section 513(a) of the Code, in such manner or to such extent as would

result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code.

Section 5.2 Nonliability of the Issuer. ESRF shall be solely responsible for the payment of the Bonds. Neither the Issuer, the State nor any political subdivision of the State shall be obligated to pay the Bonds or the interest thereon, or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory under, by reason of or in connection with this Loan Agreement or any other documents, except from Revenues provided by the Borrower and other funds held under the Bond Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof shall be pledged to the payment of the principal of or the interest on the Bonds. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The Issuer has no taxing powers. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof, including the Issuer, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. Neither the members, officials, employees nor agents of the Issuer nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

ESRF hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made or caused to be made by ESRF hereunder and by the Obligated Group pursuant to Obligation No. 5 and other Revenues, together with amounts on deposit in, and investment income on, certain funds and accounts held by the Bond Trustee under the Bond Indenture, and hereby agrees that if all such amounts shall ever prove insufficient to pay all principal of, premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, ESRF shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium, if any, or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Issuer or any third party.

Section 5.3 Expenses and Fees. ESRF covenants and agrees to pay the Bond Trustee's ordinary and extraordinary fees and to pay and to indemnify the Issuer and the Bond Trustee against all costs and charges, including reasonable fees of attorneys, accountants, consultants and other experts, incurred in good faith and arising out of or in connection with the transactions contemplated hereby. The obligations under this Section and Section 5.4 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Loan Agreement or the Bond Indenture or the resignation or removal of the Bond Trustee.

Section 5.4 Indemnification. The Borrower further covenants and agrees as follows:

(a) to protect, indemnify and save, to the extent permitted by law, the Issuer, the Bond Trustee, and the Treasurer of the State of California acting as agent for sale of the Issuer ("State Treasurer") and their respective incorporators, members, commissioners, directors, officers, agents and employees (the "Indemnified Parties") harmless from and against all liability, losses, damages, costs, expenses (including reasonable attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of every conceivable kind, character and nature

whatsoever, by or on behalf of any person arising in any manner from the transaction of which this Loan Agreement is a part or arising in any manner in connection with the Bonds, Obligation No. 5, the financing or refinancing of the School Loans, including, but not limited to, losses, claims, damages, liabilities or reasonable expenses arising out of, resulting from or in any way connected with (i) any violation of law, ordinance or regulation concerning the facilities financed by a School Loan or the operation thereof, (ii) the issuance, offering, sale, execution, delivery or payment of the Bonds or the interest thereon and the carrying out of any of the transactions contemplated by this Loan Agreement, the Bond Indenture, Obligation No. 5, the Tax Agreement, and all related documents, (iii) the Bond Trustee's acceptance or administration of the trust of the Bond Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party, or (iv) any written statements or representations made by the Borrower (including those made in any official statement issued in relation to the sale of the Bonds) to any purchaser of the Bonds or any other person or entity with respect to the Borrower, the facilities financed by a School Loan, the School Loans, the Issuer, the Bond Trustee or the Bonds, except if arising from information contained in written materials provided by the Indemnified Party and used as intended.

(b) promptly after receipt by an Indemnified Party of notice of any claim, demand, or the commencement of any action, in each case in respect of which indemnification may be sought pursuant to Section 5.4(a), such Indemnified Party shall promptly notify the Borrower in writing, but the omission to so notify the Borrower will not relieve the Borrower from any liability which it may have to any Indemnified Party under this Section 5.4 other than to the extent of prejudice to the Borrower or to the ability of the Borrower to defend against any relevant claim, caused directly or indirectly by such omission nor shall such omission affect any rights the Indemnified Party may have to participate in and/or assume the defense of any action brought against any Indemnified Party. In case such action is brought against any Indemnified Party, and such Indemnified Party notifies the Borrower of the commencement thereof, the Borrower will be entitled to participate in and, unless the Indemnified Party is the Issuer or the State Treasurer (and their respective employees, officers, officials, and/or members), to the extent that the Borrower chooses so to do, to assume the investigation and defense thereof (including the employment of counsel reasonably satisfactory to such Indemnified Party, provided such counsel will reasonably coordinate with any counsel retained by the Borrower to minimize, to the extent reasonably feasible, duplicative legal work), and the Borrower shall assume the payment of all fees and expenses relating to such investigation and defense and shall have the right to negotiate and consent to settlement thereof on terms reasonably acceptable to the Indemnified Party and so long as any such settlement does not require the admission of liability, agreement to stipulate to a judgment, or any other obligation to be performed by, or any other detriment to be incurred by, the Indemnified Party. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such separate counsel shall be at the expense of the Borrower. The Borrower shall not be liable for any settlement of any such action effected without its consent, which consent shall not be unreasonably withheld, but, if settled with the consent of the Borrower or if there be a final judgment for the plaintiff in any such action as to which the Borrower has received notice in writing as hereinabove required, the Borrower agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment to the extent provided in Section 5.4(a).

(c) Notwithstanding the provisions of subsection (b) above, if the Indemnified Party is the Issuer or the State Treasurer, it shall hire its own attorney and other representatives reasonably necessary to pursue the action, and the Borrower shall pay all such reasonable fees and costs incurred thereby including the costs of staff of the Issuer and the State Treasurer, and the State Attorney General.

(d) Notwithstanding the previous provisions of this Section 5.4, the Borrower shall not be liable for or obligated to indemnify or hold the Bond Trustee (or any of its respective incorporators, members, commissioners, officers, employees or agents) harmless against any loss or damage to property or injury or death to any person or any other loss or liability if and to the extent such loss, damage, liability, injury or death results from the negligence or willful misconduct of the Bond Trustee (or any of its respective incorporators, members, commissioners, officers, employees or agents).

(e) The obligations of ESRF under this Section shall not be affected by the pledge and assignment by the Issuer of its rights, title or interest under this Loan Agreement (except for Reserved Rights) to the Bond Trustee pursuant to the Bond Indenture. The obligations of ESRF under this Section and Section 5.3 shall survive the resignation or removal of the Bond Trustee under the Bond Indenture and payment in full or defeasance of the Bonds and discharge of the Bond Indenture in accordance with Article X of the Bond Indenture.

Section 5.5 Tax Covenants. ESRF covenants and agrees that it will at all times do and perform all acts and things permitted and as may from time to time be required by law or this Loan Agreement and the Tax Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, ESRF agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Section 5.6 Continuing Disclosure. ESRF hereby covenants and agrees that it will enter into and comply with and carry out all of the provisions of a continuing disclosure agreement. Notwithstanding any other provision of the Loan Agreement, failure of ESRF to comply with the continuing disclosure agreement shall not be considered a Loan Default Event; however, the Bond Trustee may (and, at the request of any participating underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount in Outstanding Bonds, shall, upon receipt of reasonable indemnification for its fees and costs acceptable to it), and any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause ESRF to comply with its obligations under this Section 5.6. ESRF understands and agrees that the Issuer has undertaken no continuing disclosure obligations or duty or liability to the Holders or any other person to enforce the provisions of the continuing disclosure agreement or Section 6.11 of the Bond Indenture.

Section 5.7 Financial Statements. ESRF covenants and agrees to furnish to the Issuer (if requested by the Issuer) and to the Bond Trustee, within one hundred eighty (180) days after the end of each of its fiscal years, a copy of ESRF's audited financial statements for such fiscal year, together with the report and opinion of an independent certified public accountant to the

effect that such financial statements have been prepared in accordance with generally accepted accounting principles.

Section 5.8 Additional Information. During any Fiscal Year, or portion thereof, in which any Bonds are Outstanding, the Borrower covenants and agrees to provide within thirty (30) calendar days any information reasonably requested by the Issuer, including, but not limited to, any information necessary to fulfill the Issuer's reporting obligations under (i) Government Code Section 8855, (ii) Government Code Section 63035, or (iii) any other applicable statutes or regulations.

## ARTICLE VI

### EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default. Each of the following events shall constitute and be referred to herein as a "Loan Default Event":

(a) Failure by ESRF to pay in full any payment required hereunder when due, whether at maturity, upon a date fixed for redemption, by acceleration or otherwise pursuant to the terms hereof;

(b) If any material representation or warranty made by ESRF herein or made by ESRF in any document, instrument or certificate furnished to the Bond Trustee or the Issuer in connection with the issuance of the Bonds (including without limitation the Tax Agreement) shall at any time prove to have been incorrect in any material respect as of the time made;

(c) If ESRF shall fail to observe or perform any covenant, condition, agreement or provision in this Loan Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, or shall breach any warranty by ESRF herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to ESRF by the Issuer or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty (60) day period and if ESRF has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become a Loan Default Event for so long as ESRF shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee;

(d) If ESRF or any member of the Obligated Group files a petition in voluntary bankruptcy, for the composition of its affairs under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of ESRF's or such member's facilities;

(e) If a court of competent jurisdiction shall enter an order, judgment or decree declaring ESRF or any member of the Obligated Group an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of ESRF or such member or of the whole or any substantial part of ESRF's or such member's facilities, or approving a petition filed against ESRF or such member seeking reorganization of ESRF or such member under any applicable law or statute of

the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of all or substantially all of ESRF's facilities or all or substantially all of the facilities of any member of the Obligated Group, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

(g) Any Event of Default as defined in and under the Bond Indenture; or

(h) The occurrence and continuance of an "Event of Default" under the Master Trust Indenture.

Section 6.2 Remedies on Default. If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event:

(a) The Bond Trustee on behalf of the Issuer, subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of ESRF hereunder, and may, without limiting the generality of the foregoing:

(i) exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing ESRF's performance hereunder, including Obligation No. 5;

(ii) by written notice to ESRF declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under this Loan Agreement, whereupon the same shall become immediately due and payable; and

(iii) take any action at law or in equity to collect the payment required hereunder then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of ESRF hereunder; and

(b) The Issuer may take such action as it deems necessary or appropriate to enforce the Reserved Rights.

Section 6.3 Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Bond Trustee or the Issuer, as applicable, on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case the Issuer, the Bond Trustee and ESRF shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Issuer and the Bond Trustee shall continue as though no such proceeding had taken place.



Section 6.4 Remedies Cumulative. No remedy conferred upon or reserved to the Issuer or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Loan Default Event 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 by the Issuer or the Bond Trustee. In the event of any waiver of a Loan Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein. To the extent that this Loan Agreement confers upon or gives or grants the Bond Trustee any right, remedy or claim under or by reason of this Loan Agreement, the Bond Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, give or granted hereunder.

Section 6.5 Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Bond Indenture. If all payments of principal, premium, if any, and interest on the Bonds have been paid in accordance herewith and moneys collected pursuant to this Article remains for the payment of Additional Payments, such amounts shall be paid to the party originally owed them.

Section 6.6 Attorney's Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event, the Issuer or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder including the costs of using attorneys which are employees of the Issuer or the Bond Trustee or for the enforcement of performance or observance of any obligation or agreement on the part of ESRF, ESRF will, on demand, reimburse the Issuer, the Bond Trustee, or both, as the case may be, for the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred.

Section 6.7 Notice of Default. ESRF agrees that, as soon as is practicable, and in any event within five (5) days, ESRF will furnish the Bond Trustee and the Issuer notice of any event which is a Loan Default Event pursuant to Section 6.1 which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which ESRF proposes to take with respect thereto.

## ARTICLE VII

### MISCELLANEOUS

Section 7.1 Amendments and Supplements. This Loan Agreement may be amended, changed or modified only as provided in Section 6.07 of the Bond Indenture.

Section 7.2 Time of the Essence; Non-Business Days. Time shall be of the essence of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 7.3 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the Issuer and ESRF and their respective successors and assigns, subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 7.4 Entire Agreement. This Loan Agreement, together with all agreements and documents incorporated by reference herein, constitutes the entire agreement of the parties and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

Section 7.5 Severability. If any covenant, agreement or provision, or any portion thereof contained in this Loan Agreement, where the application thereof to any person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Loan Agreement and the application of such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Loan Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Loan Agreement and the Constitution and laws of the State of California.

Section 7.6 Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served for all purposes by being given in writing delivered or sent by Electronic Means receipt confirmed or by being mailed by first-class mail, postage prepaid and addressed as follows:

(i) If to ESRF:

Equitable School Revolving Fund, LLC  
21 West 46th Street  
New York, New York 10036  
Attention: Chief Executive Officer

(ii) If to the Issuer:

Street Address/Overnight Delivery:

California Infrastructure and Economic Development Bank  
1325 J Street, Suite 1300  
Sacramento, California 95814  
Attention: Bond Unit Manager

Mail Address:

California Infrastructure and Economic Development Bank  
P.O. Box 2830  
Sacramento, California 95812-2830  
Attention: Bond Unit Manager

(iii) If to the Bond Trustee:

U.S. Bank National Association  
100 Wall Street  
6<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Services

(b) If to the registered Holder of a Bond, addressed to such Holder at the address shown on the books of the Bond Trustee kept for that purpose.

(c) ESRF, the Issuer and the Bond Trustee may at any time and from time to time by notice in writing to the other Persons listed in Section 7.6(a) designate a different address or addresses for notice under this Loan Agreement.

Section 7.7 Waiver of Personal Liability. No official, officer, agent or employee of the Issuer or any member, officer, director, agent or employee of ESRF shall be individually or personally liable for the payment of any principal of or interest or premium on any Bonds or any other sum hereunder or under the Bond Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

Section 7.8 Term. Except as otherwise provided herein this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Bond Indenture and all of ESRF's other obligations hereunder have been satisfied in full.

Section 7.9 Counterparts. This Loan Agreement may be executed in several counterparts by electronic means, each of which shall be an original and all of which shall constitute one instrument.

Section 7.10 Governing Law; Venue. This Loan Agreement shall be construed in accordance with and governed by the Constitution and laws of the State of California applicable to contracts made and performed in the State of California. This Loan Agreement shall be enforceable in the State of California and any action arising hereunder shall (unless waived by the Issuer) be filed and maintained in Sacramento County, Sacramento, California.

IN WITNESS WHEREOF, the Issuer and ESRF have caused this Loan Agreement to be executed in their respective names as of the date first written above.

CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK

By: \_\_\_\_\_  
Scott Wu  
Executive Director

EQUITABLE SCHOOL REVOLVING FUND,  
LLC

By: \_\_\_\_\_  
Chief Executive Officer

## APPENDIX E

### FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL

#### Series 2020A Bonds

Arizona Industrial Development Authority  
Phoenix, Arizona

Arizona Industrial Development Authority  
Senior National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A – Social Bonds  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to Equitable School Revolving Fund, LLC, a Delaware limited liability company (the “Borrower”), in connection with the issuance by the Arizona Industrial Development Authority (the “Issuer”) of \$ \_\_\_\_\_ aggregate principal amount of Senior National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A – Social Bonds (the “Bonds”), issued pursuant to an indenture, dated as of August 1, 2020 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to the Borrower pursuant to a loan agreement, dated as of August 1, 2020 (the “Loan Agreement”), between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Agreement, opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

In addition, we have relied on opinions of respective counsel (collectively, the “School Counsel”) to the various charter school borrowers receiving a loan of, or having received a loan that is being reimbursed from, the proceeds of the Bonds (the “School Borrowers”) regarding, among other matters, the current qualification of each School Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). We note that each such opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the School Borrowers regarding the use of the facilities financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the School Borrowers within the meaning of Section 513 of the Code. We note that the opinions of School Counsel do not address Section 513 of the Code. Failure of any School Borrower to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of such School Borrower within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed,

without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we have assumed that actions of the School Borrowers and other persons will not cause any of the Bonds to exceed the \$150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities set forth in Section 145(b) of the Code. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against entities such as the Issuer in the State of Arizona. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of Arizona personal income tax. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

## Series 2020B Bonds

California Infrastructure and Economic Development Bank  
Sacramento, California

California Infrastructure and Economic Development Bank  
Senior National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B – Social Bonds  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to Equitable School Revolving Fund, LLC, a Delaware limited liability company (the “Borrower”), in connection with the issuance by the California Infrastructure and Economic Development Bank (the “Issuer”) of \$\_\_\_\_\_ aggregate principal amount of Senior National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B – Social Bonds (the “Bonds”), issued pursuant to an indenture, dated as of August 1, 2020 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to the Borrower pursuant to a loan agreement, dated as of August 1, 2020 (the “Loan Agreement”), between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Agreement, opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

In addition, we have relied on opinions of respective counsel (collectively, the “School Counsel”) to the various charter school borrowers receiving a loan of, or having received a loan that is being reimbursed from, the proceeds of the Bonds (the “School Borrowers”) regarding, among other matters, the current qualification of each School Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). We note that each such opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the School Borrowers regarding the use of the facilities financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the School Borrowers within the meaning of Section 513 of the Code. We note that the opinions of School Counsel do not address Section 513 of the Code. Failure of any School Borrower to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of such School Borrower within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements

compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we have assumed that actions of the School Borrowers and other persons will not cause any of the Bonds to exceed the \$150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities set forth in Section 145(b) of the Code. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against entities such as the Issuer in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income tax. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



## **APPENDIX F**

### **BOOK-ENTRY ONLY SYSTEM**

Owners of book entry interests in the Bonds will not receive or have the right to receive physical delivery of the Bonds and will not be or be considered to be, and will not have any rights as, registered owners (“Holders”) of Bonds under the Second Amended and Restated Master Trust Indenture and the respective Bond Indenture.

The following information on the Book Entry Only System applicable to the Bonds has been supplied by The Depository Trust Company, New York, New York, and none of the Conduit Issuers, Revolving Fund, the Revolving Fund’s Financial Advisor, the Underwriters, Bond Counsel, or Underwriters’ Counsel makes any representations, warranties or guarantees with respect to its accuracy or completeness.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate for each maturity will be issued in the aggregate principal amount of the Bonds and will be deposited with DTC.

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

Purchases of the 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 book entry interest owner is in turn to be recorded on the Direct and Indirect Participants’ records. Book entry interest owners will not receive written confirmation from DTC of their purchase. Book entry interest owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the book entry interest owner entered into the transaction. Transfers of book entry interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of book entry interest owners. Book entry interest owners will not receive certificates representing their ownership interests in the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual book entry interest 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 book entry interest 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 book entry interest owners will be

governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Book entry interest owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds. For example, book entry interest owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to book entry interest owners. In the alternative, book entry interest owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Conduit Issuers 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).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the respective Conduit Issuer or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to book entry interest owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name, and will be the responsibility of such Participant and not of DTC (nor its nominee) or the respective Conduit Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the respective Conduit Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the book entry interest owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the respective Conduit Issuer or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be prepared and delivered.

The one or both Conduit Issuers may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) only if DTC determines not to continue to act as securities depository for the Bonds. In that event, Bond certificates will be prepared and delivered to DTC. See **Revision of Book-Entry System; Replacement Bonds**.

The information above in this section concerning DTC and DTC's book-entry system has been obtained from sources that each Conduit Issuer believes to be reliable, including DTC, but the Conduit Issuers take no responsibility for its accuracy.

#### **Disclaimer by Conduit Issuers, Trustee, Financial Advisor and Underwriter**

Neither the Arizona Issuer, the California Issuer or the Trustee has any responsibility or liability for any aspect of the records relating to, or payments made on account of book entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The Conduit Issuers, the Trustee, the Revolving Fund's Financial Advisor and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or others will distribute to the book entry interest owners (i) payments of bond service charges on the Bonds paid or (ii) redemption or other notices sent to DTC as the Holder or that they will do so on a timely basis, or that DTC or DTC Participants will serve and act in the manner described in this Official Statement. Each Conduit Issuer has been advised by DTC that the current "Rules" applicable to DTC and

its Participants are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

### **Revision of Book Entry Only Transfer System; Replacement Bonds**

The respective Bond Indentures authorizing the issuance of the Bonds will provide for issuance of fully registered replacement Bonds (“Replacement Bonds”) directly to persons other than DTC or its nominee only in the event that DTC determines not to continue to act as securities depository for the Bonds or, to the extent permitted by law the respective Conduit Issuer determines that continuation of the book entry only system with DTC is not in the best interests of the respective Conduit Issuer or the best interests of the book entry interest owners.

Upon a discontinuance of the book entry only system with DTC, the respective Conduit Issuer may in its discretion attempt to have established a securities depository/book entry only relationship with another qualified securities depository. If the respective Conduit Issuer is unable to do so, or desires not to do so, and after the Trustee has made provisions for notification of the book entry interest owners of the Bonds by appropriate notice to DTC, the respective Conduit Issuer and the Trustee shall authenticate and deliver Replacement Bonds of the same series in the denomination of any integral multiple of \$5,000 to or at the direction of, and, if the event is not the result of a Conduit Issuer action or inaction, at the expense (including printing costs), of DTC’s assigns.

Principal of, premium, if any, and interest on Replacement Bonds will be payable when due without deduction for the services of the Trustee. Principal of any Replacement Bonds will be payable to the registered owner thereof upon presentation and surrender thereof at the principal corporate trust office of the Trustee. Interest thereon will be payable by the Trustee by check, draft or wire transfer, mailed to the registered owner of record on the registration books maintained by the Trustee (the “Register”) as of the 15th day of the calendar month preceding the Interest Payment Date.

Replacement Bonds will be exchangeable for Replacement Bonds of authorized denominations and of the same series, and transferable, at the designated office of the Registrar, without charge (except taxes or other governmental fees). Exchange or transfer of then redeemable Replacement Bonds is not required to be made (i) between the 15th day preceding the mailing of notice of Replacement Bonds to be redeemed and the date of that mailing, (ii) during the period from the day following the Regular Record Date through the day preceding the ensuing Interest Payment Date, or (iii) of a particular Replacement Bond selected for redemption (in whole or in part) until redemption.

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## APPENDIX G

### FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Agreement”) is made and entered into on \_\_\_\_\_, 2020, between the Equitable School Revolving Fund, LLC (the “Borrower”), a Delaware limited liability company, and U.S. Bank National Association, a national banking association, as Trustee (the “Trustee”), under the following circumstances.

WHEREAS, the Arizona Industrial Development Authority has issued its \$\_\_\_\_\_ Senior National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A – Social Bonds (the “Series 2020A Bonds”) pursuant to the Arizona Bond Indenture, dated as of August 1, 2020 (the “Arizona Bond Indenture”) as supplemented and amended from time to time, by and between the Arizona Industrial Development Authority and the Trustee; and

WHEREAS, the California Infrastructure and Economic Development Bank has issued its \$\_\_\_\_\_ Senior National Charter School Revolving Loan Fund Revenue Bonds, Series 2020B – Social Bonds (the “Series 2020B Bonds,” and together with the Series 2020A Bonds, the “Bonds”) pursuant to the California Bond Indenture, dated as of August 1, 2020 (the “California Bond Indenture,” together with the Arizona Bond Indenture, the “Bond Indentures”) as supplemented and amended from time to time, by and between the California Infrastructure and Economic Development Bank and the Trustee; and

WHEREAS, the Bonds have been offered and sold pursuant to an Official Statement dated \_\_\_\_\_, 2020 (the “Official Statement”), and the Borrower has entered into a Bond Purchase Agreement with respect to the Series 2020A Bonds, dated \_\_\_\_\_, 2020 with RBC Capital Markets, LLC (the “Underwriter”) and the Arizona Industrial Development Authority (the “Arizona Bond Purchase Agreement”), and a Bond Purchase Agreement with respect to the Series 2020B Bonds, dated \_\_\_\_\_, 2020 with RBC Capital Markets, LLC (the “Underwriter”) and the California Infrastructure and Economic Development Bank (the “California Bond Purchase Agreement”); and

WHEREAS, the Borrower wishes to provide for the disclosure of certain information concerning the Bonds, the Borrower and other matters on an on-going basis as set forth herein for the benefit of the holders of the Bonds (the “Bondholders”) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12 (the “Rule”).

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Bond Indentures, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions. All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Official Statement. The following capitalized terms shall have the following meanings:

“Annual Financial Information” with respect to any person or entity shall mean the annual financial statements of such person or entity, which information shall include a balance sheet, a statement of revenues and expenses and a statement of changes in fund balances, accompanied by the report of the independent certified public accountants, if any, who audited such financial statements. All such financial information shall be prepared using generally accepted accounting principles as applied to governmental entities, provided, however, that upon any change in the accounting principles used for preparation of such financial information, the Borrower shall include as information provided pursuant to this Agreement a statement

that states (i) that different accounting principles are being used, (ii) the reason for such change and (iii) how to compare the financial information provided by the differing financial accounting principles.

“Annual Report” shall mean the Annual Report described in and provided pursuant to Section 3 hereof.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB for use in the collection and dissemination of information, which system the SEC has stated to be consistent with its Rule 15c2-12. Currently, the following is the website address for EMMA: [emma.msrb.org](http://emma.msrb.org).

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source 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 the Rule.

“Listed Events” shall mean any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, 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 status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of holders of the Bonds, if material;
- (h) (1) Calls for redemption of the Bonds, if material, other than calls pursuant to the mandatory sinking fund provisions of the Bonds, if any, and (2) tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the Borrower;
- (m) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, 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;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (o) Incurrence of a Financial Obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, any of which affect holders of the Bonds, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties.

“MSRB” shall mean the Municipal Securities Rulemaking Board, located at:

1150 18th Street, NW, Suite 400  
Washington, D.C. 20036-3816  
Phone: (202) 223-9347  
Fax: (202) 872-0347  
Internet: [www.msrb.org](http://www.msrb.org)

“Operating Data” shall mean an annual update of the data regarding the Loan Program and the Charter School Borrowers of the type contained in the Official Statement in Appendix A in the tables entitled “PORTFOLIO TABLE BY ORIGINATION DATE” and “BORROWER METRICS.”

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for purposes of federal income tax purposes, whether or not such item is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 2. General Provisions. This Agreement is being executed and delivered by the Borrower for the benefit of the holders of the Bonds and in order to assist the Underwriters in complying with the Rule. Nothing herein shall limit the duties or obligations of the Trustee under the Bond Indentures. In its actions under this Agreement, the Trustee shall be entitled to the same protection in so acting under this Agreement as it has in acting as Trustee under the Bond Indentures.

Section 3. Provision of Annual Reports.

(a) The Borrower shall, not later than June 30 of each year, commencing June 30, 2021, provide an Annual Report consistent with the requirements of Section 4 of this Agreement to the MSRB through the EMMA system the fiscal year of the Borrower which ended on the previous December 31. The Annual Report may be submitted as a single document or as separate documents constituting a package, and may reference other information as provided in Section 4 of this Agreement.

(b) If the Borrower fails to provide an Annual Report by the date set forth in subsection (a) of this Section 3, the Borrower shall send a notice in a timely manner to the MSRB of such failure, which notice shall include a statement as to the date by which the Borrower anticipates that the Annual Report will be provided.

Section 4. Content of the Annual Report. The Annual Report shall contain or incorporate by reference the following:

(a) The Annual Financial Information of the Borrower (for purposes of this Section, Annual Financial Information of the Borrower shall mean audited financial statements of the Borrower, prepared on a combined basis and for the several funds of the Borrower);

(b) The Operating Data; and

(c) The Annual Financial Information with respect to any Charter School Borrower for which the sum of the outstanding aggregate principal amount owed under a Loan Agreement or Agreements to which it is a party, whether now existing or hereafter entered into, for the immediately preceding calendar year equaled or exceeded twenty percent (20%) of the outstanding aggregate principal amount owed under all Loan Agreements in such year.

All or any of the items listed above may be included by specific reference from other documents which have previously been provided to the MSRB through its EMMA system or to the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB.

Section 5. Reporting of Listed Events. The Borrower shall provide in a timely manner to each Repository notice of any of the Listed Events; provided that for the Listed Events described in paragraphs (b), (f, as applicable), (g, as applicable), (h, as applicable), (j), (m), (n) and (o) of such definition, the Borrower acknowledges that it must make a determination whether such Listed Event is material under applicable federal securities laws in order to determine whether a filing is required.

Section 6. Means of Reporting Information. Information provided by the Borrower shall be transmitted to the MSRB through its EMMA system as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Borrower's obligations under this Agreement shall terminate at such time as all Bonds are paid and discharged or deemed paid and discharged for purposes of the Bond Indentures.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Borrower may amend this Agreement, and any provision of this Agreement may be revised if the Borrower and the Trustee has received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule. Any such amendment shall be described by the Borrower in the Annual Report next following the effective date of such amendment.

Section 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or providing notice of occurrence of events, in addition to that which is required by this Agreement. If the Borrower chooses to include any information in any Annual Report or provide notice of occurrence of events which are not Listed Events in addition to that which is specifically required by this Agreement, the Borrower shall have no obligation to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default; Remedies. Failure of the Borrower to perform any of its undertakings contained in this Agreement shall not constitute an event of default with respect to the Bonds. The right of the holders to enforce the provisions of this Agreement shall be limited to an action in mandamus and no money damages shall be recoverable under any circumstances.



Section 11. Beneficiaries. This Agreement shall inure solely to the benefit of the Borrower, the Underwriters and the holders and beneficial owners of the Bonds, and shall create no rights in any other person or entity.

Section 12. Governing Law. This Agreement, as it pertains to the Series 2020A Bonds, shall be governed by and interpreted in accordance with the laws of the State of Arizona; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Series 2020A Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

This Agreement, as it pertains to the Series 2020B Bonds, shall be governed by and interpreted in accordance with the laws of the State of California; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Series 2020B Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

Section 13. Severability; Counterparts. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and affect. This agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Continuing Disclosure Agreement, all as of the date first above written.

EQUITABLE SCHOOL REVOLVING FUND, LLC

By \_\_\_\_\_  
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION,  
as  
Trustee

By \_\_\_\_\_  
Trust Officer

## **APPENDIX H –KESTREL VERIFIERS’ SECOND PARTY OPINION**

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## SECOND PARTY OPINION

### SOCIAL BONDS

#### SUMMARY

Kestrel Verifiers is of the opinion that the National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds) conform with the four pillars of the Social Bond Principles 2020 (SBPs) as follows:

#### Use of Proceeds

Equitable School Revolving Fund (ESRF) intends to use the bond proceeds to offer low-cost, long-term, fixed-rate loans to high-performing public charter schools in predominantly low-income communities.

#### Process for Project Evaluation and Selection

Borrowers are selected for loans from the Equitable School Revolving Fund (ESRF) based on comprehensive and rigorous screening criteria. Loan recipients must be 501(c)(3) charter schools in good standing and have demonstrated track records of academic and operational success. Charter schools receiving ESRF loans must meet criteria that include addressing the needs of low-income students. Kestrel Verifiers evaluated the 2020 cohort of ESRF loans for conformance with the Social Bond Principles in the project categories of Access to Essential Services and Socioeconomic Advancement and Empowerment.

#### Management of Proceeds

Bond proceeds shall be allocated to loans through ESRF. Proceeds may be invested in short-term debt securities to increase funds available for lending to eligible schools.

#### Reporting

ESRF commits to posting continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) annually through the Electronic Municipal Market Access (EMMA) system. Annual reports and notices posted to EMMA provide metrics of positive social outcomes including school performance measurements, student enrollment and student body demographics.



#### OBLIGOR

Equitable School Revolving Fund

#### OPINION ON

National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds)

#### SOCIAL CATEGORY

Access to Essential Services  
Socioeconomic Advancement and  
Empowerment

#### TARGET POPULATIONS

Living below the poverty line  
Undereducated  
Underserved  
Vulnerable Youth

#### EVALUATION DATE

July 6, 2020

#### KESTREL VERIFIERS CONTACTS

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## SECOND PARTY OPINION

**Issuers:** Arizona Industrial Development Authority  
California Infrastructure and Economic Development Bank

**Obligor:** Equitable School Revolving Fund

**Issue Description:** National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds)

**Project:** Equitable School Revolving Fund (ESRF)

**Social Category:** Access to Essential Services  
Socioeconomic Advancement and Empowerment

**Target Populations:** 1.) *Living below the poverty line*  
2.) *Undereducated*  
3.) *Underserved*  
4.) *Vulnerable Youth*

**Evaluation Date:** July 6, 2020

### SOCIAL BONDS SECOND PARTY OPINION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Social Bond Principles (June 2020) established by the International Capital Market Association.

This Second Party Opinion reflects our independent, external review of the uses and allocation of proceeds, and oversight and conformance of the bonds with the Social Bond Principles. Arizona Industrial Development Authority and California Infrastructure and Economic Development Bank, conduit issuers, will issue the 2020A and 2020B bonds, respectively, for Equitable School Revolving Fund. Loans made through the ESRF expand access to quality education for students from low-income families and under-educated communities. Access to education helps to disrupt cycles of poverty, and school facilities create spaces for student learning and empowerment. It is the opinion of Kestrel Verifiers that these bonds are in complete alignment with the Social Bond Principles in the eligible project category of Access to Essential Services and qualify for social bonds designation.

### ABOUT THE OBLIGOR

Equitable Facilities Fund (EFF) is a 501(c)(3) social impact fund that believes all children deserve a quality education. The Fund's mission is to empower high-performing public charter schools with low-cost, long-term financing by innovatively combining mission-related investments and capital markets. Modeled after revolving loan funds used by states and municipalities to maximize grants and other flexible capital sources, EFF created the Equitable School Revolving Fund (ESRF) to hold school loans in a Trust and issue bonds.

Public charter schools are publicly funded schools that operate under a contract with a state, district, or other entity that is referred to as an “authorizer.” This contract, called a “charter,” designates operational standards and describes specific goals. Most charter schools are managed by nonprofit organizations and have been particularly effective in supporting strong education and life outcomes for students in low-income communities. Unlike traditional public school districts, charter schools often do not have access to affordable financing options for facilities.

EFF offers low-cost, long-term financing to exceptional public charter schools. The Fund originates direct loans that typically save schools millions of dollars on their debt service expenses. Through ESRF, bonds are issued to recapitalize the fund and provide additional loans. In 2019, ESRF had a successful \$111 million bond offering secured by a first cohort of loans that represents 41 schools, 7 states and 20,518 students. This issue in 2020 will be the second of three offerings for EFF’s “Fund 1,” which will support approximately \$625 million of high-impact loans to schools serving over 60,000 students. The combined expertise of the EFF team in education and finance is unique and helps to ensure that EFF invests in and provides ongoing support to schools that have a long-term positive impact in low-income communities.

## THE BOND-FINANCED PROJECT

EFF’s mission is anchored by the belief that all students deserve access to a great education. Education is extremely important for social and economic development of communities. Lack of access to quality education is a major barrier to achieving greater equality and is one of the most certain ways of transmitting poverty from generation to generation. Greater access to education enables people to be more productive, can improve health and quality of life, and contribute to a country’s overall economic growth. However, a major challenge for education, is not just providing access, but also ensuring progress. This is where EFF’s charter school lending program and criteria drive positive social impact by combating these inequities and helping to shape a better future for students from low-income families and other target populations.

EFF seeks to improve the quality of education offered to children across the US by affordably financing long-term facilities for schools. Schools can then redirect more resources to teaching, learning, and other core programming. To meet this mission, EFF prioritizes support for schools that serve students for whom economic hardship poses a barrier to educational opportunity.

Bond proceeds will be used to offer loans through ESRF to support public charter schools using an established loan underwriting and approval process. Borrowers are selected based on rigorous screening criteria described below in the Process for Project Evaluation and Selection section. Screening criteria that prioritize underserved students and demand academic outcomes and accountability result in loans with strong positive social impacts.

Social benefits of the Equitable School Revolving Fund include:

### **1. Support of high caliber schools in underserved and vulnerable communities.**

EFF prioritizes investing in well established, high achieving schools. 100% of schools demonstrate higher Math and English Language Arts (ELA) proficiency or growth rates compared to their host school districts, and over 60% of students in EFF’s current school portfolio qualify as low-income.

## **2. Increased access to low-cost capital and affordable facilities, allowing schools to direct more resources for education of students.**

Charter schools face unique barriers to accessing capital for facilities. Typically, charter schools receive funding on a per-pupil basis from the state and/or district where they operate. On average, charter schools receive 30% less funding per pupil per year than conventional public schools. Additionally, these schools often lack the financial credit to access affordable financing and, thus, resort to high-cost, short-term, and/or variable-rate loans to support their facility needs. The long-term, low interest, fixed-rate loans provided by the ESRF allow schools to direct more resources to increasing student achievement in the classroom.

## **3. Prioritizing loans for schools that address target populations.**

Schools receiving ESRF loans serve a wide range of communities including populations living below the poverty line, under-educated and underserved communities, and vulnerable youth. Table 1 lists the percent of students that qualify for free and reduced-price lunches (FRL) or related metrics indicative of low-income status. Schools with at least 50% of students qualifying for FRL are considered “mid-high poverty” schools and those with more than 75% are “high poverty” schools” (National Center for Education Statistics).

Most ESRF borrower schools are in districts where a disproportionately high number of individuals have not completed high school. In 2017, 10.4% of the U.S. population older than age 25 had not completed high school (U.S. Census). In many of the school districts where ESRF borrower schools are located, this number can be double or sometimes more than quadruple the national average (National Center for Education Statistics).

All charter schools receiving loans from ESRF are nonprofits. Table 1 lists borrowers with loans that will be pledged to ESRF’s Series 2020 Bonds. There will likely be additional loans pledged to the Bonds that have yet to be identified. Through these 24 loans, EFF will have originated over \$325 million to 70 schools serving more than 35,000 students across 9 states. 62% of students enrolled in schools receiving these loans live in low income households and 67% are Black or Hispanic (weighted by project size).




## **ALIGNMENT WITH THE UN SDGS**



By identifying high-performing charter schools and saving them valuable financial resources through the ESRF funding model, the 2020 Bonds are helping to achieve multiple goals of the United Nation’s Sustainable Development Goals (UN SDGs). A comprehensive list of targets and background on UNSDGs 1, 4 and 8 are available on the United Nation’s website:

<https://www.un.org/sustainabledevelopment/>



SDG	SBP Project Categories	Example Indicators*
	<ul style="list-style-type: none"> <li>• Access to Essential Services (Target 1.4)</li> <li>• Socioeconomic Advancement and Empowerment (Targets 1.2, 1.3, 1.4)</li> </ul>	<ul style="list-style-type: none"> <li>• Number of students enrolled in ESRF borrower schools</li> <li>• Number of people benefitting from improved local school facilities</li> <li>• Student body demographics</li> <li>• Number of enrolled students that would otherwise attend a local lower-performing public school</li> </ul>
	<ul style="list-style-type: none"> <li>• Access to Essential Services (Targets 4.1, 4.4, 4.5, 4.6, 4a)</li> <li>• Socioeconomic Advancement and Empowerment (Targets 4.4, 4.5)</li> </ul>	<ul style="list-style-type: none"> <li>• Number of students enrolled</li> <li>• Number of students attaining standard for education level</li> <li>• Employment rates of graduating students</li> <li>• Education facilities for inclusive and effective learning environments</li> <li>• School performance metrics</li> </ul>
	<ul style="list-style-type: none"> <li>• Access to Essential Services (Targets 8.3, 8.6, 8.10)</li> <li>• Socioeconomic Advancement and Empowerment (Targets 8.3, 8.5, 8.6)</li> </ul>	<ul style="list-style-type: none"> <li>• Employment rates of graduating students</li> <li>• Number of students moving upward in income quartiles later in life</li> <li>• Amount of low-interest financing made available to high-performing schools</li> </ul>

Several example indicators included above are from the ICMA's reference, Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals.

The 2020 Bonds primarily support the Quality Education goal of the SDGs but also support achievements in the No Poverty and Decent Work and Economic Growth goals. Charter schools offer free education to all children and admit students using a lottery system. All schools selected for ESRF loans are nonprofit charters. These schools improve access to high quality education in educationally underserved areas. Charter schools may offer alternatives to low performing public schools or may even be the only local school in a community where public schools have been shut down or merged. Schools selected to receive ESRF loans must have demonstrated high achievements in Math, English Language Arts, and other standard student outcomes relative to their respective districts.

Many schools in ESRF's cohorts serve minority and vulnerable communities. On average, 62% of students enrolled in ESRF borrower schools are considered to be low-income. Students enrolled in the loan recipient schools represent minority populations (35% Hispanic, 32% black). (Metrics are based on 2020 pledged loans listed in Table 1 at the time of Kestrel's review).

Table 1: ESRF loans pledged to the 2020 bonds. Two additional loans will be pledged but have yet to be named. English Language Arts = ELA; FRL = Free and Reduced-price Lunch (an indicator of a school's low-income population).

Borrower	Location	Loan Amount	Students	% FRL / Low Income	ELA / Math Proficiency Relative to District**	Expected Use of Proceeds
The Soulesville Charter School	Memphis, TN	\$10,330,106	669	92%	103% / 99%	Refinancing
Village Tech	Duncanville, TX	\$8,385,000	1,224	41%	112% / 102%	Construction
Arizona School for the Arts	Phoenix, AZ	\$10,620,000	844	12%	368% / 308%	Refinancing
Choices in Learning	Winter Springs, FL	\$9,199,407	687	21%	139% / 148%	Advance Refunding
KIPP Northern California	Bay Area, CA	\$16,000,000	989	77%	158% / 178%	Refinancing
Arlington Classics Academy	Arlington, TX	\$15,635,234	1,561	20%	174% / 130%	Advance Refunding
Blackstone Valley Prep	Cumberland, RI	\$16,000,000	2,095	62%	158% / 197%	Acquisition
KIPP Nashville	Nashville, TN	\$10,500,000	2,337	73%	109% / 184%	Refinancing
Rocketship United Academy	Nashville, TN	\$7,282,964	544	85%	121% / 114%	Acquisition
James Irwin Charter Schools	Colorado Springs, CO	\$24,580,313	2,090	37%	123% / 173%	Refinancing
Itineris Early College High School	West Jordan, UT	\$7,965,982	414	27%	144% / 203%	Refinancing
Alliance College Ready Public Schools	Los Angeles, CA	\$26,916,709	8,151	95%	120% / 144%	Refinancing
Caliber: Changemakers Academy	Richmond, CA	\$14,219,046	754	71%	146% / 193%	Refinance & Renovation
KIPP NJ: Team	Newark, NJ	\$21,500,000	4,754	88%	130% / 106%	Acquisition & Renovation
Renaissance Arts Academy	Los Angeles, CA	\$16,121,412	540	65%	169% / 138%	Refinancing
NYOS	Austin, TX	\$25,295,892	1,063	30%	124% / 111%	Construction
Scuola Vita Nuova	Kansas City, MO	\$8,885,903	279	95%	185% / 340%	Refinance & Construction
KIPP Nashville (2 <sup>nd</sup> deal)	Nashville, TN	\$16,991,883	see above	73%	109% / 184%	Refinance & Construction
Arizona School for the Arts (2 <sup>nd</sup> deal)	Phoenix, AZ	\$8,536,764	see above	12%	368% / 308%	Advance Refunding
Brookside Academy	Kansas City, MO	\$5,655,705	705	100%	186% / 227%	Refinance & Acquisition
Sarasota School of Arts and Sciences	Sarasota, FL	\$8,935,316	752	40%	118% / 106%	Refinancing
Dayspring Academy for Education and the Arts*	Port Richey, FL	\$10,682,688	911	51%	172% / 195%	Refinance & Construction
Public Preparatory Charter School Academies (Boys Prep)*	Bronx, NY	\$6,200,000	643	92%	200% / 299%	Refinancing
IDEA Baton Rouge*	Baton Rouge, LA	\$16,300,000	861	100%	77% / 63%***	Acquisition
<b>Total/Average</b>		<b>\$322,740,325</b>	<b>32,867</b>	<b>61%</b>	<b>159% / 177%</b>	

\*Loans have not closed at the time of Kestrel review. Loan closure is not guaranteed.

\*\*Based on highest grade tested and SAT/ACT when necessary, i.e., insufficient test data.

\*\*\*While IDEA Baton Rouge proficiency rates lag the host district's, students typically enter the school far behind academically and demonstrate very strong academic progress while at IDEA.

## ALIGNMENT WITH SOCIAL BOND PRINCIPLES


*Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bond Principles (International Capital Market Association definition).*

### Use of Proceeds

The 2020 Bonds will be used to finance loans to high-performing public charter schools exclusively. The projects are eligible social projects as defined by the Social Bond Principles in the project category of Access to Essential Services targeting undereducated and vulnerable youth that are living below the poverty line.

More than 35,000 students are expected to be positively affected by the loans that EFF has offered to high achieving schools. Low interest loans offered through the ESRF will improve access to essential services by supporting public charter schools that have a significant positive impact on academic and life outcomes for low-income students. Based on the loans shown in Table 1, the expected savings from ESRF loans compared to typical financing routes for charter schools is approximately \$1 to \$9 million. These savings represent additional financial resources that can be directed to meet the educational needs of underserved students and communities.

The project conforms with the Social Bond Principles:

BOND LABEL	ELIGIBILITY CRITERIA
	<p>Access to Essential Services – Education</p> <p>Socioeconomic Advancement and Empowerment</p>

### Process for Project Evaluation and Selection

EFF's Board of Directors and evaluation team include finance experts and charter school veterans who are qualified to evaluate all aspects of charter school. Borrowers are selected based on comprehensive and rigorous screening criteria. Loan recipients must be 501(c)(3) public charter schools in good standing and have demonstrated track records of academic and operational success. To select borrowers, EFF thoroughly analyzes enrollment, academic performance, leadership, governance, and teacher quality.

### Target Population in Underwriting Criteria

Selection criteria require that each loan cohort must have at least 60% of students qualify for FRL or meet a similar low-income metric (weighted by project size). Benchmarks are used to confirm that schools are providing strong educational options for students as demonstrated by academic performance and/or growth compared to surrounding schools. The criteria specifically target students living below the poverty line, undereducated, underserved, and vulnerable youth.

## **Management of Proceeds**

EFF is the direct lender in all transactions and funding activities in the charter school program. Proceeds from the 2020 bonds will only be allocated toward loans to public charter schools that have been vetted through the underwriting process. EFF may temporarily invest bond proceeds in short-term debt securities to increase funds available for lending to eligible schools.

## **Reporting**

The issuer has committed to reporting on a range of metrics related to both management of proceeds and social impacts. EFF will submit continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) through the Arizona Industrial Development Authority and the California Infrastructure and Economic Development Bank for as long as the 2020 Bonds are outstanding. EFF will also provide reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Annual Reports posted to EMMA provide updated information about each borrower. Metrics in these reports include student enrollment, waitlists, and school performance measures such as math and ELA proficiencies.

In addition to annual reports, voluntary filing occurs for each new loan acquisition event. These notices provide detail about each obligor such as the charter contract, management and governance of the school, enrollment, academic performance, and the intended use of proceeds. Profiles of each charter school and the savings resulting from the low-interest loan offered by EFF are available on EFF's website ([eqfund.org](http://eqfund.org)).

## **CONCLUSION**

School loans offered through ESRF offer far-reaching social benefits. The program aligns with the four components of the Social Bond Principles and contributes to targets of UN SDG 1, 4, and 8. By offering low-cost loans to high-performing schools in underserved and vulnerable communities, EFF improves access to high-quality education and encourages opportunities for socioeconomic empowerment and advancement.

## ABOUT KESTREL VERIFIERS

For 20 years Kestrel has been a trusted name in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit [www.kestrelverifiers.com](http://www.kestrelverifiers.com)

## DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Social Bond Principles based on the information which was available to us during the time of this engagement (July 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Social Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Social Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.



## SOCIAL BOND REVIEW SUMMARY FORM

### SECTION 1. BASIC INFORMATION

**Obligor name:** Equitable School Revolving Fund  
**Bond Name:** National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds)  
**Completion date of this form:** July 15, 2020  
**Publication date of review publication:** Week of July 20, 2020

### SECTION 2. REVIEW OVERVIEW

#### Scope of Review

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds                              | <input checked="" type="checkbox"/> Management of Proceeds |
| <input checked="" type="checkbox"/> Process for Project Evaluation and Selection | <input checked="" type="checkbox"/> Reporting              |

#### Role(s) of Independent External Review Provider

- ☒ Second Party Opinion

#### Executive Summary of Review

Kestrel Verifiers is of the opinion that the National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds) issued by conduit issuers for the Equitable School Revolving Fund, conform with the four pillars of the Social Bond Principles (2020). The loans made through the ESRF expand access to quality education for students from low-income families and under-educated communities.

### SECTION 3. DETAILED REVIEW

#### 1. Use of Proceeds

Overall comment on section:

The 2020 Bonds will be used to finance the Equitable School Revolving Fund (ESRF) exclusively. The ESRF has not been nominated for other social bonds.

*Use of proceeds categories as per SBP:*

- ☒ Access to essential services  
☒ Socioeconomic advancement and empowerment

## **2. Process for Project Evaluation and Selection**

Borrowers are selected for loans from the Equitable School Revolving Fund (ESRF) based on comprehensive and rigorous screening criteria. Charter schools receiving ESRF loans are among the highest rated in the U.S. and meet criteria ensuring they address low-income student needs.

### *Evaluation and selection*

- ☒ Credentials on the issuer's social objectives
- ☒ Documented process to determine that projects fit within defined categories
- ☒ Defined and transparent criteria for projects eligible for Social Bond proceeds

### *Information on Responsibilities and Accountability*

- ☒ In-house assessment

## **3. Management of Proceeds**

Bond proceeds shall be allocated to loans through ESRF. Proceeds may be invested in short-term debt securities to increase funds available for lending to eligible schools.

### *Tracking of proceeds:*

- ☒ Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

### *Additional disclosure:*

- ☒ Allocations to both existing and future investments
- ☒ Allocation to individual disbursements

## **4. Reporting**

ESRF commits to posting continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) done annually on the Electronic Municipal Market Access (EMMA) system. Annual reports and notices posted to EMMA provide metrics of positive social outcomes including school performance measurements, student enrollment and student body demographics.

*Use of proceeds reporting:* ☒ *Project-by-project on an annual basis*

### *Information reported:*

- ☒ Allocated amounts
- ☒ Other (please specify):  
Notices of new loan acquisition

*Impact reporting:* ☒ *Project-by-project on an annual basis*

### *Information reported (expected or ex-post):*

- ☒ Number of beneficiaries
- ☒ Target population
- ☒ Other ESG indicators (please specify): Tracked and reported metrics include but are not limited to school performance indicators, student demographics, and changes in enrollment.

### *Means of Disclosure*

- ☒ Information published in financial report
- ☒ Information published in ad hoc documents
- ☒ Other (please specify): Annual reports and notices of new loan acquisitions posted to EMMA

**Useful Links**

[www.kestrelverifiers.com](http://www.kestrelverifiers.com)

<https://eqfund.org/>

<https://eqfund.org/whatwedo/partners/>

<https://www.esrfinvestors.org/equitable-school-revolving-fund-investors-ny/i3548>

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For 20 years Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.





