Supplement to the Preliminary Official Statement dated April 14, 2022 (the "Preliminary Official Statement") relating to

\$25,135,000*
ARLINGTON HIGHER EDUCATION FINANCE
CORPORATION
EDUCATION REVENUE BONDS
(TGP PUBLIC SCHOOLS D/B/A THE
GATHERING PLACE) SERIES 2022A

\$180,000*
ARLINGTON HIGHER EDUCATION FINANCE
CORPORATION
TAXABLE EDUCATION REVENUE BONDS
(TGP PUBLIC SCHOOLS D/B/A THE
GATHERING PLACE) SERIES 2022B

This Supplement provides updated information relating to the above-captioned bonds (the "Bonds"). Capitalized terms which are used herein and not defined have the definitions that are set forth in the Preliminary Official Statement. Except as supplemented hereby, the Preliminary Official Statement has not been amended or supplemented.

The Preliminary Official Statement is hereby supplemented and amended as follows to (i) include the results of an appraisal report, (ii) correct an inconsistency in the definition of "Days Cash on Hand" in the Preliminary Official Statement and make conforming changes to TGP's projections, and (iii) include a sensitivity analysis relating to the projections.

1) The section "RISK FACTORS – Limitation of Appraisals" on page 24 of the Preliminary Official Statement is hereby amended and restated as follows:

Limitations of Appraisals

TGP engaged BBG, Inc. (the "Appraiser") to prepare an appraisal of the Charter School to estimate the market value of a fee simple interest in the appraised property. The appraisal report, dated April 14, 2022 (the "Appraisal"), concluded the "as-is" fee simple value of the Charter School, as of April 11, 2022, was \$22,350,000. The Appraisal employed a sales comparison approach and the income capitalization approach. A copy of the Appraisal may be obtained from the Underwriter upon request during the initial offering period for the Bonds.

Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations, qualifications and assumptions set forth therein. Potential investors should not assume that the appraised values represent a reliable estimate of what such facilities would bring in liquidation following an Event of Default. There can be no assurance that the value of the Charter School upon foreclosure would be likely to be sufficient to cover the debt service on the Bonds.

2) The subcaption "APPENDIX A – THE GATHERING PLACE – PROJECT – Appraisal Report" on page A-7 of the Preliminary Official Statement is hereby amended and restated as follows:

Appraisal Report

TGP engaged BBG, Inc. (the "Appraiser") to prepare an appraisal of the Facility to estimate the market value of a fee simple interest in the appraised property. The appraisal report, dated April 14, 2022 (the "Appraisal"), concluded the "as-is" fee simple value of the Facility, as of April 11, 2022, was \$22,350,000. The Appraisal employed a sales comparison approach and the income capitalization

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^{*} Preliminary, subject to change.

approach. A copy of the Appraisal may be obtained from the Underwriter upon request during the initial offering period for the Bonds. There can be no assurance that the value of the Facility upon foreclosure would be likely to be sufficient to cover the debt service on the Bonds.

3) The definition of "Days Cash on Hand" under the subcaption "SECURITY FOR THE BONDS – The Loan Agreement – Days Cash on Hand" on page 12 of the Preliminary Official Statement is hereby amended and restated as follows:

"Days Cash on Hand" means, as of any date of determination, the product obtained by multiplying three hundred and sixty-five (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 TGP (less cash restricted for debt service on Debt of TGP) as reported in TGP's most recent audited financial statements, by (b) the total Expenses (as defined in the Master Indenture) of TGP plus interest expense on Debt, in each case for the prior Fiscal Year.

4) The table of projections under the section "Projected Revenues and Expenditures" found on page A-31 of "APPENDIX A – THE CHARTER SCHOOLS" is hereby amended and restated as follows:

		Actual		Budgeted						Projected				
Year	L	20 - 21		21 - 22	_	22 - 23		23 - 24		24 - 25		25 - 26		26 - 27
Grades		K - 2		K - 3		K - 4		K - 5		K-6		K - 7		K - 8
EL Enrollment		350		501		676		728		780		780		780
MS Enrollment								104		260		468		624
Beginning Cash Balance	\$	-	\$	841,505	\$	974,270	\$	1,983,700	\$	2,690,122	\$	3,323,781	\$	3,878,486
Elementary School Revenue														
State Revenue		3,837,775	\$	5,328,500	\$	7,297,599	\$	7,976,837	\$	8,674,810	\$	8,804,932	\$	8,937,006
Grants	\$	-	\$	1,400,000	\$	663,294	•	005.004	\$	- 440 555	•	440 555	\$.	- 440 555
Federal Revenue Philantropy	\$ \$	988,480 344,000	\$	357,498	\$ \$	358,414	\$	385,984	\$ \$	413,555	\$ \$	413,555	\$	413,555
Local Revenue	\$	183,692	\$	136.113	\$	183.657	\$	197,785	\$	211,912	\$	211,912	\$	211,912
Total		5,353,948		7,222,111	\$,	\$	8,560,606		9,300,277	\$			9,562,473
Middle School Revenue	•	,				, ,		. ,		, ,		, ,		
State Revenue							\$	1,139,548	\$	2,891,603	\$		\$	7,163,520
Grants							\$		\$	312,000	\$	312,000	\$ -	
Federal Revenue							\$	55,141	\$	137,852	\$	248,133	\$	330,844
Philantropy Local Revenue							\$ \$	- 28,255	\$ \$	70,637	\$	- 127,147	\$	- 169,530
Total							\$	1,222,944	\$		φ \$			7,663,894
Total Revenue	\$ 5	5.353.948	\$	7,222,111	\$	8,502,964	\$	9,783,550	_	12,712,369	_	15,410,760	_	17,226,367
Expenses		, ,				-,,		-,,	•	, ,		-, -,		, .,
HQ														
Payroll	\$	227,401	\$	110,000	\$	150,000	\$	151,500	\$	224,422	\$	343,366	\$	346,799
Benefits	\$	28,240	\$	19,063	\$	25,995	\$	26,255	\$,	\$	59,505	\$	60,100
Department Budgets	\$	41,764	\$	133,792	\$	166,240		166,240	\$	166,240	\$,	\$	166,240
District Wide Budget Total HQ Expenses	\$ \$	234,110 531,515	\$ \$	147,824 410,679		175,280 517,515	\$	175,280 519,275	\$ \$	287,552 717,106	\$	327,488 896,599	\$ \$	367,424 940,563
Total Fig Expenses	Ψ	331,313	Ψ	410,075	Ψ	317,313	Ψ	319,273	φ	717,100	φ	030,333	φ	340,303
Elementary														
Payroll		1,952,102	\$	3,232,135	\$	3,560,500	\$	3,834,385	\$	4,405,506	\$		\$	4,510,178
Benefits	\$ \$	309,180 655,771	\$ \$	536,734 841,768	\$ \$	724,216 992,832	\$ \$	751,189 926,090	\$ \$	763,474 954,950	\$ \$	773,875 954,950	\$ \$	781,614 954,950
Department Budgets Facilities	φ \$	740,626	\$	1,483,238	\$	992,032	\$	920,090	\$	954,950	φ \$	954,950	\$	904,900
School Wide Budget	\$	346,276	\$	584,792	\$	680,160	\$	669,240	\$	669,240	\$	669,240	\$	669,240
Total Elementary Budget		4,003,955	\$	6,678,667	\$	5,957,708	\$	6,180,904	\$	6,793,170	\$	6,863,587	\$	6,915,982
Middle														
Payroll							\$	580,053	\$	1,492,236	\$	2,671,801	\$	3,517,596
Benefits							\$	113,637	\$	258,604	\$	463,023	\$	609,599
Team & Individual Budgets							\$	257,844	\$	470,525	\$	737,034	\$	909,438
Facilities							\$	-	\$	763,127	\$	1,465,054	\$	1,501,254
School Wide Budget Total Middle Budget							\$ \$	92,352 1,043,886	\$ \$	221,780 3,206,272	\$ \$	393,744 5,730,656	\$ \$	521,352 7,059,239
							Ψ	1,040,000					Ψ	7,000,200
Total Expenses	\$ 4	4,535,470	\$	7,089,346	\$	6,475,223	\$	7,744,065	\$	10,716,548	\$	13,490,842	\$	14,915,784
NET (Prior to Debt Service)	\$	818,477	\$	132,765	\$	2,027,741	\$	2,039,485	\$	1,995,821	\$	1,919,918	\$	2,310,583
Ending Cash Balance	\$	841,505	\$	974,270	\$	1,983,700	\$	2,690,122	\$	3,323,781	\$	3,878,486	\$	4,825,956
Revenue Avail for DS	\$ 1	1,559,104	\$	1,616,003	\$	2,027,741	\$	2,039,485	\$	2,758,948	\$	3,384,972	\$	3,811,837
Projected Annual DS	\$	-	\$	-	\$	1,018,312	\$	1,333,063	\$	1,362,163	\$	1,365,213	\$	1,363,113
Projected Lease Payments	\$	740,626	\$	1,483,238	\$	-	\$	-	\$	763,127	\$	1,465,054	\$	1,501,254
Lease-Adjusted DSCR						1.99		1.53		1.30		1.20		1.33
DSCR (Series 2022 Bonds Only)						1.99		1.53		1.47		1.41		1.70
DCOH (1)		68		50		97		108		101		96		108
Debt Burden		14%		21%		12%		14%		17%		18%		17%

⁽¹⁾ Denominator includes total Expenses of the Company plus interest expense on Debt. See "SECURITY FOR THE BONDS – The Loan Agreement – Days Cash on Hand" in the Official Statement.

Notes:

• TGP plans to expand to grade 5 at its existing Facility for the 2023-24 school year only, open a new Middle School to serve grades 5-6 for the 2024-25 school year, and add an additional grade each year until serving grades K-4 at the existing Facility and grades 5-8 at the Middle School.

Revenue Assumptions:

- Attendance rate is assumed to be 92%, the attendance rate for the 2020-2021 school year.
- ADA assumes an average of 1.5% increase in overall state funding based on last 10 years of historical data.
- Grants listed for the 2021-22 and 2022-23 school years represent ESSER funds from the federal government.
- Federal Revenue represents Title and IDEA funds awarded to all schools.
- Local revenue represents meal revenue from families that pay for meals.
- Grant revenue for the 2024-25 and 2025-26 years based on long-standing non-competitive grant program that the state has that offers funds to school based on new construction.
- The elementary school becomes fully enrolled in FY 2024-25. The planned middle school reaches full enrollment in FY 2026-27.

Expense Assumptions:

- Cost of living increase for all staff is incorporated at an average rate of 1%.
- Department and school-wide budgets decrease as an overall percentage of expenses each year through 2024 based on start-up costs associated with new enrollment.
- Assumed lease rates for new middle school facility commencing in FY 2024-25 are based on TGP's current lease rates.

Sensitivity Analysis

TGP estimates it can experience approximately 15% lower enrollment than a given year's projected enrollment without any material impact on its teaching model or ability to meet required covenants. This is due to expected corresponding reductions in expenses (staffing, salaries, benefits) resulting from enrollment decreases and the ability to reduce various supplemental services currently offered by TGP that are not required, including providing more mental health counselors than a traditional school, providing full time teaching coaches, and extensive use of teaching assistants.

Dated: April 26, 2022

IN THE OPINION OF SCHULMAN, LOPEZ, HOFFER & ADELSTEIN, LLP, HOUSTON, TEXAS, BOND COUNSEL, UNDER EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, CONTINUING COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE SERIES 2022A BONDS IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986 AND IS NOT INCLUDED IN THE FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. 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 SERIES 2022A BONDS. SEE "TAX MATTERS FOR SERIES 2022A BONDS" HEREIN

THE GATHERING PLACE

\$25,135,000*
ARLINGTON HIGHER EDUCATION
FINANCE CORPORATION
EDUCATION REVENUE BONDS
(TGP PUBLIC SCHOOLS D/B/A
THE GATHERING PLACE) SERIES 2022A

\$180,000*
ARLINGTON HIGHER EDUCATION
FINANCE CORPORATION
TAXABLE EDUCATION REVENUE BONDS
(TGP PUBLIC SCHOOLS D/B/A
THE GATHERING PLACE) SERIES 2022B

Dated: May 1, 2022 - Interest accrues from date of delivery

Due: August 15 (as shown on the inside cover page)

The Arlington Higher Education Finance Corporation (the "Issuer"), a non-profit corporation created and existing under Chapters 53 and 53A of the Texas Education Code (collectively, the "Act"), is issuing its \$25,135,000* Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022A (the "Series 2022 Bonds") and its \$180,000* Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022B (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Bonds"). The Bonds will mature on August 15 of the years as shown on the inside cover page. The Bonds will accrue interest from their date of delivery payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2023, until maturity or earlier redemption.

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 and any integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Bond Trustee, initially, UMB Bank, N.A., Dallas, Texas, as trustee (the "Bond Trustee"), to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The Bonds are subject to optional and mandatory redemption, as described herein. See "THE BONDS—Redemption Provisions."

The Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of Aprill, 2022 (the "Bond Indenture"), by and between the Issuer and the Bond Trustee, and a resolution of the Issuer (the "Resolution"). The proceeds of the Bonds will be loaned to TGP Public Schools d/b/a The Gathering Place ("TGP"), a Texas nonprofit corporation, to (i) finance, refinance, purchase, construct, renovate, improve and equip educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 (the "Project"), (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

The Bonds are special, limited obligations of the Issuer, payable solely from (i) payments to be made by TGP to the Issuer pursuant to a Loan Agreement dated as of May 1, 2022 (the "Loan Agreement"), between the Issuer and TGP and two promissory notes (the "Series 2022 Master Notes") each in an aggregate amount equal to the principal amount of the related Bonds delivered to the Issuer pursuant to the Loan Agreement and the Master Trust Indenture and Security Agreement, dated as of May 1, 2022, as supplemented by Supplemental Master Trust Indenture No. 1 dated as of May 1, 2022 (collectively, the "Master Indenture"), all between TGP and UMB Bank, N.A., Dallas, Texas, as master trustee (the "Master Trustee"), (ii) the money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) and (iii) in certain circumstances, out of amounts secured by the exercise of remedies provided in the Loan Agreement, the Bond Indenture, and the Master Indenture. The Series 2022 Master Notes are the initial obligations issued under the Master Indenture and shall be on parity with any additional promissory notes entitled to the benefit of the Master Indenture (collectively, the "Master Notes"). TGP will execute a deed of trust and security agreement dated as of the closing date (as supplemented from time to time, the "Deed of Trust"), in favor of the Master Trustee encumbering certain of TGP's property for the benefit of the holders of the Master Notes. See "SECURITY FOR THE BONDS."

The Bonds are subject to optional redemption, mandatory sinking fund redemption, mandatory redemption upon a determination of taxability and extraordinary optional redemption prior to maturity, as described herein. See "THE BONDS — Redemption Provisions."

THE BONDS ARE NOT OBLIGATIONS OF THE STATE, THE CITY OF ARLINGTON OR ANY ENTITY OTHER THAN THE ISSUER. NONE OF THE STATE, THE CITY OF ARLINGTON OR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY OF ARLINGTON, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

This cover page contains certain information for reference purposes only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves a significant degree of risk and is speculative in nature as described under "RISK FACTORS" herein and under other sections of this Preliminary Official Statement.

The Bonds are offered by the underwriter (the "Underwriter") shown below, subject to prior sale, when, as, and if issued by the Issuer and accepted by the Underwriter, subject, among other things, to the approval of the initial Bond by the Attorney General of Texas and the approval of certain legal matters by Schulman, Lopez, Hoffer & Adelstein LLP, Houston, Texas, Bond Counsel and counsel to TGP. Certain legal matters will be passed on by Locke Lord LLP, Houston, Texas, as counsel to the Issuer; and by Hunton Andrews Kurth LLP, Houston, Texas, as counsel to the Underwriter. Delivery of the Bonds through the facilities of DTC is expected on or about May 10, 2022.



^{*} Preliminary, subject to change.

MATURITY SCHEDULE*

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

\$25,135,000* EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022A

Term Bonds

\$1,245,000	%	Term Bond due August 15, 2032; ⁽¹⁾	Yield%; ⁽²⁾	CUSIP No.(3)
\$1,930,000	%	Term Bond due August 15, 2037; ⁽¹⁾	Yield%; ⁽²⁾	CUSIP No.(3)
\$2,475,000	%	Term Bond due August 15, 2042; ⁽¹⁾	Yield%; ⁽²⁾	CUSIP No.(3)
\$7,275,000	%	Term Bond due August 15, 2052; ⁽¹⁾	Yield%; ⁽²⁾	CUSIP No.(3)
\$12,210,000	%	Term Bond due August 15, 2062; ⁽¹⁾	Yield%; ⁽²⁾	CUSIP No.(3)

\$180,000* TAXABLE EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022B

Term Bonds

\$180,000 _	%	Term Bond due August 15, 2028; ⁽¹⁾	Yield	;%(²⁾	CUSIP No. ⁽³⁾
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^{*} Preliminary, subject to change.

⁽¹⁾ The Series 2022A Bonds maturing on or after August 15, 20__, are subject to optional redemption prior to scheduled maturity, in whole or in part, on August 15, 20__, and on any date thereafter, at the option of TGP at a redemption price of par, plus accrued interest to the date of redemption. The Series 2022B Bonds are subject to mandatory sinking fund redemption and extraordinary optional redemption but are not subject to optional redemption prior to maturity. See "THE BONDS – Redemption Provisions - Optional Redemption" herein. The Bonds are additionally subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption" herein.

⁽²⁾ The initial yields at which the Bonds are priced are established by and are the sole responsibility of the Underwriter and may be changed at any time at the discretion of the Underwriter. Yield shown is to maturity or the first optional redemption date, whichever produces a lower yield.

⁽³⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. CUSIP numbers have been included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Issuer, TGP, or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("Rule 15c2-12"), this document constitutes an Official Statement with respect to the Bonds that has been "deemed final" by the Issuer and TGP as of the date hereof, except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

References to or descriptions of financing documents, resolutions, contracts, and other related reports made herein are subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Issuer or from Herbert J. Sims & Co., Inc., 5956 Sherry Lane, 20th Floor, Dallas, Texas 75225.

The information set forth herein has been obtained from sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Issuer or the Underwriter. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the Bond Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice and neither the delivery hereof nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date hereof.

Except for any information provided by UMB Bank, N.A. concerning the Master Trustee and the Bond Trustee, UMB Bank, N.A., in each of its capacities, including, without limitation, as the Master Trustee and the Bond Trustee respectively, has no responsibility for any information herein or in the related documents or for any failure by the Issuer or TGP or any other party, to disclose events that may have occurred and may affect the significance or accuracy of such information. Neither the Issuer, TGP, nor the Underwriter makes any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use herein.

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

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

ANY INFORMATION AND EXPRESSIONS OF OPINION HEREIN CONTAINED ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY HEREOF NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, TGP, OR OTHER MATTERS DESCRIBED HEREIN

SINCE THE DATE HEREOF. THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTION IN WHICH THE BONDS HAVE BEEN QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final Official Statement.

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ARLINGTON HIGHER EDUCATION FINANCE CORPORATION \$25,135,000* EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022A **AND**

\$180,000* TAXABLE EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022B

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Arlington Higher Education Finance Corporation (the "Issuer") of its \$25,135,000 * Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022A (the "Series 2022A Bonds") and of its \$180,000* Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B (the "Series 2022B Bonds" and together with the Series 2022A Bonds, the "Bonds"). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Capitalized terms used but not defined in this Official Statement have the meanings provided in the Bond Indenture, the Master Indenture and the Loan Agreement, as applicable. Substantially final forms of those documents are attached hereto in APPENDIX F, G and H.

The following introductory material is only a brief description of and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein.

Issuer	The Issuer is a public nonprofit corporation created by the City of Arlington, Texas for the specific and limited purpose of issuing revenue bonds to finance or refinance "educational facilities" and "housing facilities" (as such terms are defined in Chapters 53 and 53A, Texas Education Code, as amended (collectively, the "Issuer Act")) and facilities which are incidental, subordinate or related thereto or appropriate in connection therewith. The Issuer has no material assets. Other than legal counsel, the Issuer has not engaged any consultant or other professional. The Issuer has no taxing power. See "THE ISSUER" herein.
The Bonds	The Issuer will issue the Bonds pursuant to (i) a resolution of the governing body of the Issuer, and (ii) a Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Bond Indenture"), between the Issuer and UMB Bank, N.A., Dallas, Texas (the "Bond Trustee"). See "PLAN OF FINANCE" and "THE BONDS" herein. The Bonds will be parity obligations secured under the Master Indenture (as defined herein). See "PLAN OF FINANCE" herein.
Use of Proceeds	The proceeds from the sale of the Bonds will be loaned by the Issuer to TGP Public Schools d/b/a The Gathering Place ("TGP"), a Texas nonprofit corporation, to (i) finance, refinance, purchase, construct, renovate, improve and equip the educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 (the "Project"), (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.
The Gathering Place	TGP is a nonprofit corporation incorporated in the State of Texas (the "State") in 2018 and is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). TGP operates one charter school campus located at 5818 NW

^{*} Preliminary, subject to change.

Loop 410, San Antonio, Texas 78238 (the "Charter School") under an open-enrollment charter contract (as amended, the "Charter") between TGP and the Texas Education Agency ("TEA") dated October 21, 2019, initially effective for a five-year term through July 31, 2025. The Charter School opened in August 2020 under the leadership of co-founders Asia Klekowicz and Ryan York. TGP emphasizes a whole child approach through project-based learning, daily art and hands-on projects. In its first year of operations (the 2020-2021 school year) TGP served 348 student in kindergarten through 2nd grade. As of April 1, 2022, TGP serves 501 students in kindergarten through 3rd grade. TGP expects to expand grade level offerings annually until it serves grades K-8. For more information see "APPENDIX A — THE GATHERING PLACE" herein.

Security for the Bonds.....

The Bonds and the interest thereon are special, limited obligations of the Issuer payable solely from (i) payments to be made by TGP to the Issuer pursuant to the Loan Agreement (as defined below) and two promissory note (the "Series 2022 Master Notes") each in an aggregate amount equal to the principal amount of the related Bonds delivered to the Issuer pursuant to the Loan Agreement and the Master Trust Indenture and Security Agreement, dated as of May 1, 2022 as supplemented by Supplemental Master Trust Indenture No. 1 dated as of May 1, 2022 (as supplemented, the "Master Indenture"), between TGP and UMB Bank, N.A., Dallas, Texas as master trustee (the "Master Trustee"), which Series 2022 Master Notes will be entitled to the benefit of the Master Indenture, (ii) the money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) and (iii) in certain circumstances, out of amounts secured by the exercise of remedies provided in the Loan Agreement, the Bond Indenture, and the Master Indenture. The Series 2022 Master Notes are the initial obligations issued under the Master Indenture and shall be on parity with any additional promissory notes entitled to the benefit of the Master Indenture (collectively, the "Master Notes"). TGP will execute and deliver a deed of trust and security agreement dated as of the closing date (as supplemented from time to time, the "Deed of Trust"), in favor of the Master Trustee encumbering certain of TGP's property for the benefit of the holders of the Master Notes. Lastly, TGP will execute a Deposit Account Control Agreement, providing a perfected security interest in its deposit account. See "SECURITY FOR THE BONDS" herein.

Limited Obligations of the Issuer

The Bonds are special, limited obligations of the Issuer payable solely from the Loan Payments to be made by TGP pursuant to the Loan Agreement, dated as of May 1, 2022 (the "Loan Agreement"), between the Issuer and TGP, and other funds pledged therefor under the Bond Indenture. The Bonds are not secured by or payable from any taxes, revenues or assets of the Issuer, except for the Issuer's interest in the revenues derived from the Loan Agreement and amounts held pursuant to the Bond Indenture as described herein. The Bonds are not obligations of the City of Arlington, Texas, the State of Texas (the "State") or any entity other than the Issuer. None of the State, the City of Arlington, nor any other political corporation, subdivision, or agency of the State shall be obligated to pay the Bonds or the interest thereon and neither the faith and credit nor the taxing power of the State, the City of Arlington, or any other political corporation, subdivision, or agency of the State is pledged to the payment of the principal of or interest on the Bonds.

Financial Covenants..... Debt Service Coverage Ratio. TGP has covenanted to maintain a ratio of Available Revenues to the Annual Debt Service Requirements of at least 1.1 to 1.0 for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2023, and annually thereafter until the Bonds have been paid in full. See "SECURITY FOR THE BONDS - The Loan Agreement" herein. Days Cash on Hand. TGP covenants to maintain, commencing with the Fiscal Year ending June 30, 2023 and for each fiscal year thereafter, fortyfive (45) Days Cash on Hand. "Days Cash on Hand" means, as of any date of determination, the product obtained by multiplying three hundred and sixty-five (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 Company (less cash restricted for debt service on Debt of the Company) as reported in the Company's most recent audited financial statements, by (b) the total Expenses of the Company plus interest expense on Debt, in each case for the prior Fiscal Year. See "SECURITY FOR THE BONDS - The Loan Agreement" herein. **Redemption Provisions.....** The Bonds are subject to optional redemption, extraordinary, and mandatory redemption prior to maturity. The terms and provisions regarding such prior redemption are set forth in "THE BONDS -Redemption Provisions" herein. Master Trustee, Bond Trustee and UMB Bank, N.A., Dallas, Texas, in each of its capacities, including but not limited to Bond Trustee, Master Trustee, registrar, paying agent and Paying Agent transfer agent, has not participated in the preparation hereof and assumes no responsibility for its contents. Payment Provisions The Bonds mature and bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the cover page hereof. Interest is payable on February 15 and August 15 of each year commencing February 15, 2023. Interest is payable by check or draft of the Bond Trustee to the persons who were the registered owners of the Bonds as of the last business day of the month preceding each interest payment date. Principal and premium, if any, will be payable at the principal corporate trust office of the Bond Trustee. See "THE BONDS" herein. Exchange and Transfer While the Bonds remain in book-entry only form, transfer of ownership by Beneficial Owners may be made as described in "THE BONDS" and "BOOK-ENTRY ONLY SYSTEM" herein. Risk Factors Purchase of the Bonds involves a high degree of risk, and the Bonds should be purchased only by persons who are able to evaluate and understand such risk and who can afford to assume such risk. Prospective purchasers are advised to read this entire Official Statement and the Appendices attached hereto in their entirety, particularly the section "RISK FACTORS" herein, for a discussion of certain risk factors, which should be considered in connection with an investment in the Bonds. Tax Status..... In the opinion of Schulman, Lopez, Hoffer & Adelstein, LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes

and is not included in the federal alternative minimum taxable income of

individuals. See "TAX MATTERS FOR THE SERIES 2022A BONDS" and "APPENDIX D — FORM OF BOND COUNSEL OPINION" herein. **Delivery Information.....** The Bonds are offered when, as, and if issued by the Issuer and accepted by Herbert J. Sims & Co., Inc., as underwriter for the Bonds (the "Underwriter"), subject to prior sale and the approving legal opinion of the Attorney General of the State of Texas and Bond Counsel and certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 10, 2022. **Continuing Disclosure** Pursuant to the requirements of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), TGP will enter into a Continuing Agreement Disclosure Agreement (the "Continuing Disclosure Agreement") and has agreed for the benefit of the Registered Owners and Beneficial Owners of the Bonds to provide certain financial information, other operating data and notices of material events. See "CONTINUING DISCLOSURE," and "APPENDIX E — FORM OF CONTINUING DISCLOSURE AGREEMENT" herein. TGP has not previously been an obligated person in connection with any continuing disclosure undertakings under Rule 15c2-12. Financial Statements TGP's audited financial statements for the 2021 fiscal year are included herein as APPENDIX C. These are the most recent audited financial

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statements available for TGP.

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

\$25,135,000* EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022A and \$180,000* TAXABLE EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022B

General

This Official Statement, including the cover page, the inside cover, the introductory statement and the schedules and appendices attached hereto, provides certain information in connection with the Arlington Higher Education Finance Corporation (the "Issuer"), a non-profit corporation created and existing under Chapters 53 and 53A of the Texas Education Code (collectively, the "Act"), is issuing its \$25,135,000* Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022 Bonds") and its \$180,000* Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022B (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Bonds"). The Bonds will mature on August 15 of the years as shown on the inside cover page. The Bonds will accrue interest from their date of delivery payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2023, until maturity or earlier redemption.

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 and any integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Bond Trustee, initially, UMB Bank, N.A., Dallas, Texas, as trustee (the "Bond Trustee"), to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The Bonds are subject to optional and mandatory redemption, as described herein. See "THE BONDS—Redemption Provisions."

The Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of May 1, 2022 (the "Bond Indenture"), by and between the Issuer and the Bond Trustee, and a resolution of the Issuer (the "Resolution"). The proceeds of the Bonds will be loaned to The Gathering Place ("TGP"), a Texas nonprofit corporation currently operating open-enrollment charter schools in the State of Texas (the "State"), to (i) finance, refinance, purchase, construct, renovate, improve and equip the educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 (the "Project"), (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds; See "PLAN OF FINANCE" herein.

The Bonds are special, limited obligations of the Issuer, payable solely from (i) payments to be made by TGP to the Issuer pursuant to a Loan Agreement dated as of May 1, 2022 (the "Loan Agreement"), between the Issuer and TGP and two promissory notes (the "Series 2022 Master Notes"), each in an aggregate amount equal to the principal amount of the related Bonds delivered to the Issuer pursuant to the Loan Agreement and the Master Trust Indenture and Security Agreement, dated as of May 1, 2022, as supplemented by Supplemental Master Trust Indenture No. 1 dated as of May 1, 2022 (collectively, the "Master Indenture"), all between TGP and UMB Bank, N.A., Dallas, Texas, as master trustee (the "Master Trustee"), (ii) the money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) and (iii) in certain circumstances, out of amounts secured by the exercise of remedies provided in the Loan Agreement, the Bond Indenture, and the Master Indenture. The Series 2022 Master Notes are the initial obligation issued under the Master Indenture and shall be on parity with any additional promissory notes entitled to the benefit of the Master Indenture (collectively, the "Master Notes"). TGP will execute a deed of trust and security agreement dated as of the closing date (as supplemented from time to time, the "Deed of Trust"), in favor of the Master Trustee encumbering certain of TGP's property for the benefit of the holders of the Master Notes. See "SECURITY FOR THE BONDS."

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^{*} Preliminary, subject to change.

The Bonds are subject to optional redemption, mandatory sinking fund redemption, mandatory redemption upon a determination of taxability and extraordinary optional redemption prior to maturity, as described herein. See "THE BONDS — Redemption Provisions."

This Official Statement includes descriptions of, among other items, the Bond Indenture, the Master Indenture, the Resolution, the Bonds, the Loan Agreement, the Series 2022 Master Notes, the Deed of Trust, the Issuer, TGP, and the system of charter schools under Texas law. All descriptions of documents contained herein are only summaries, with the form of the documents attached hereto, and are qualified in their entirety by reference to each document. Copies of the final versions of the Bond Indenture, the Master Indenture, the Loan Agreement, the Deed of Trust, the Resolution, and the Series 2022 Master Notes, as executed, are available from HJ Sims, 5956 Sherry Lane, Ste. 2020, Dallas, Texas 75225.

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

Forward-Looking Statements

This Official Statement contains statements relating to future results that are forward-looking statements of the type defined in the Private Litigation Reform Act of 1995, including statements regarding TGP's expectations, hopes, intentions, or strategies regarding the future. When used in this Official Statement, the words "estimate," "expect," "project," "intend," "anticipate," "believe," "may," "will," "continue" and similar expressions identify forward-looking statements. The forward-looking statements included herein are necessarily based on assumptions and estimates with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately, and many of which are beyond the control of TGP. Forward-looking statements are inherently subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur, including possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances or possible actions or omissions by third parties. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results, and that those differences could be material.

THE ISSUER

The Issuer is a public nonprofit corporation created by the City of Arlington, Texas for the specific and limited purpose of issuing revenue bonds to finance or refinance "educational facilities" and "housing facilities" (as such terms are defined in Chapters 53 and 53A, Texas Education Code, as amended (collectively, the "Issuer Act")) and facilities which are incidental, subordinate or related thereto or appropriate in connection therewith, all in accordance with and pursuant to Sections 53.35(b) and 53A.35(b) of the Issuer Act. The Issuer has no material assets. Other than legal counsel, the Issuer has not engaged any consultant or other professional. THE ISSUER HAS NO TAXING POWER.

The Issuer is receiving a fee of approximately \$25,000 in connection with the issuance of the Bonds, after provisions have been made for expenses of the Issuer.

Except for the issuance of the Bonds, the Issuer is not in any manner related to or affiliated with TGP. The Issuer has issued the Bonds and loaned the proceeds to TGP pursuant to the Loan Agreement solely to carry out the Issuer's statutory purposes. TGP has agreed to indemnify the Issuer for certain matters under the Loan Agreement.

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

The Issuer has limited recourse liability on the Bonds, and all payments to be made on the Bonds shall be provided for entirely from funds of TGP or other assets pledged as part of the Trust Estate.

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

NEITHER THE ISSUER NOR THE CITY OF ARLINGTON HAS ASSUMED ANY RESPONSIBILITY FOR THE MATTERS CONTAINED HEREIN EXCEPT, IN THE CASE OF THE ISSUER, SOLELY AS TO THE MATTERS SET FORTH IN THIS SECTION, AND IN THE SECTION "LEGAL MATTERS - PENDING AND THREATENED LITIGATION - NO PROCEEDINGS AGAINST ISSUER." ALL FINDINGS AND DETERMINATIONS BY THE ISSUER AND THE CITY, RESPECTIVELY, ARE AND HAVE BEEN MADE BY EACH FOR ITS OWN INTERNAL USES AND PURPOSES. NOTWITHSTANDING ITS APPROVAL OF THE BONDS FOR PURPOSES OF SECTION 147(F) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THE CITY DOES NOT ENDORSE IN ANY MANNER, DIRECTLY OR INDIRECTLY, GUARANTEE OR PROMISE TO PAY THE BONDS FROM ANY SOURCE OF FUNDS OF THE CITY OR ARLINGTON OR GUARANTEE, WARRANT OR ENDORSE THE CREDITWORTHINESS OR CREDIT STANDING OF TGP, OR IN ANY MANNER GUARANTEE, WARRANT, OR ENDORSE THE INVESTMENT QUALITY OR VALUE OF THE BONDS. THE BONDS ARE PAYABLE SOLELY AS DESCRIBED IN THIS OFFICIAL STATEMENT AND THE BOND INDENTURE AND ARE NOT IN ANY MANNER PAYABLE WHOLLY OR PARTIALLY FROM ANY FUNDS OR PROPERTIES OTHERWISE BELONGING TO THE ISSUER. BY ITS ISSUANCE OF THE BONDS, THE ISSUER DOES NOT IN ANY MANNER, DIRECTLY OR INDIRECTLY, GUARANTEE, WARRANT OR ENDORSE THE CREDITWORTHINESS OR CREDIT STANDING OF TGP OR THE INVESTMENT QUALITY OR VALUE OF THE BONDS.

NONE OF THE CITY OF ARLINGTON, THE ISSUER, THE STATE OF TEXAS (THE "STATE"), OR ANY STATE AGENCY, POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF ARLINGTON, THE STATE, OR ANY STATE AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

THE GATHERING PLACE

TGP Public Schools d/b/a The Gathering Place ("TGP") is a nonprofit corporation incorporated in the State of Texas (the "State") in 2018 and is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). TGP operates one charter school campus in San Antonio, Texas (the "Charter School") under an open-enrollment charter contract (as amended, the "Charter") between TGP and the Texas Education Agency ("TEA") dated October 19, 2019, initially effective for a five-year term through July 31, 2025 and subject thereafter to renewal for additional periods not to exceed ten years. TGP opened the Charter School in August 2020 under the leadership of co-founders Asia Klekowicz and Ryan York. TGP emphasizes a whole child approach through project-based learning, daily art and hands-on projects. In its first year of operations (the 2020-2021 school year) TGP served 348 student in kindergarten through 2nd grade. As of April 1, 2022, TGP serves 501 students in kindergarten through 3rd grade. TGP expects to expand grade level offerings annually until it serves grades K-8.

For more information regarding TGP and the Charter School, see "APPENDIX A — THE GATHERING PLACE."

PLAN OF FINANCE

Purpose

The proceeds of the Bonds are being loaned to TGP to (i) finance, refinance, purchase, construct, renovate, improve and equip the educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 comprising the Charter School (the "Project"), (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds.

The Project

The Charter School is located at 5818 NW Loop 410, San Antonio, Texas 78238. TGP currently leases the Project for operation of the Charter School pursuant to a Build to Suit Lease and Option, as amended (collectively, the "Lease"), between TGP and affiliates of Performance Charter School Development (the "Developer"). The Lease commenced in August 2020 for a 25-year term, with an option to purchase the Facility during the term of the Lease at a purchase price for each option period based on a percentage above final Developer costs. TGP will use a portion of the proceeds of the Bonds to exercise its option under the Lease to purchase the Project for a purchase price of \$22,340,949.

The Charter School consists of an approximately 61,862 square foot elementary school composed of 17 permanent modular buildings constructed in 2020, an approximately 4,000 square foot gymnasium/multipurpose building repurposed from a metal building originally constructed in 1994, and a 1,736 square foot storage building originally constructed in 1994, on 7.292 acres of land. The Charter School has a current physical capacity of approximately 936 students.

TGP entered into a bank loan from Texas Partners Bank dba The Bank of San Antonio in August 2021 in the aggregate principal amount of \$147,300.00, the proceeds of which were expected to be used to construct the Charter School's playground. A portion of the Bond proceeds will be used to repay the bank loan and complete construction of a large nature-based playground for the Charter School for a total cost of approximately \$300,000.

For more information regarding the Project, see "APPENDIX A – THE GATHERING PLACE - Project."

Future Growth

In anticipation of ultimately serving grades K-8 as permitted by its Charter, TGP is currently in discussions with the Developer regarding the potential acquisition of land and development of a middle school facility (the "Middle School") to serve grades 5-8 within the next 12-18 months, with a target of opening the middle school facility for the 2024-25 school year. TGP plans to expand to grade 5 at the existing Charter School facility for the 2023-24 school year only, open the Middle School with grades 5 and 6 for the 2024-25 school year, and add an additional grade each year until serving grades K-4 at the existing Facility and grades 5-8 at the Middle School. A site for the Middle School has not yet been selected, but TGP seeks to locate the Middle School within one mile of the existing Charter School facility, which will not require an expansion amendment to its Charter. As of the date of this Official Statement, TGP expects that it will lease the Middle School from the Developer or its affiliates pursuant to a build to suit lease with an option to purchase, but such lease has not been negotiated. TGP plans to serve 260 students in grades 5-6 at the Middle School for the 2024-25 school year, 468 students in grades 5-7 for the 2025-26 school year, and 624 students in grades 5-8 for the 2026-27 school year. TGP may incur future parity indebtedness in a subsequent bond financing in the next 3-5 years to acquire the planned Middle School. See "APPENDIX A—THE GATHERING PLACE - Projected Revenues and Expenditures."

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds related to the Bonds:

Sources	Series 2022A	Series 2022B	Total
Par Amount	\$	\$	\$
Original Issue Premium			
TOTAL	<u>\$</u>	<u>\$</u>	<u>\$</u>
Uses			
Construction Fund	\$	\$	\$
Debt Service Reserve Fund			
Costs of Issuance ⁽¹⁾	\$	\$	\$
TOTAL	<u>\$</u>	<u>\$</u>	<u>\$</u>

⁽¹⁾ Includes Underwriter's discount, legal fees, printing fees, and other costs of issuance.

THE BONDS

Description

The Bonds will be issued in the aggregate principal amounts, will mature on the dates and in the amounts, and will bear interest at the rates per annum set forth on the inside cover page hereof. Interest on the Bonds will accrue from the date of delivery of the Bonds, and be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest is payable on February 15, 2023, and on each August 15 and February 15 thereafter until the earlier of maturity or redemption.

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

The principal of, premium, if any, and interest on the Bonds are payable in lawful money of the United States of America. Amounts due on the Bonds that are not book-entry-only form will be paid by check mailed to the owner thereof at its address as it appears on the bond registration books at close of business on the last business day of the month preceding the principal and/or interest payment date (the "Record Date"). Upon written request of a registered owner of at least \$1,000,000 in principal amount of Bonds or all of any series of the Bonds, all payments of principal, premium, if any, and interest on Bonds will be paid by wire transfer (at the risk and expense of such registered owner) in immediately available funds to an account in the United States designated by such registered owner upon written notice 15 days before a Record Date to the Trustee. Notwithstanding the foregoing, while the Bonds are held in book-entry-only form, interest, principal, and redemption premium, if any, will be paid through the facilities of The Depository Trust Company ("DTC") as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption Provisions

The Series 2022A Bonds. The Series 2022A Bonds are subject to redemption as described below:

Optional Redemption. The Series 2022A Bonds maturing on or after August 15, 20__, are subject to optional redemption prior to scheduled maturity, in whole or in part, on August 15, 20__, and on any date thereafter, at the option of the Borrower at a redemption price of par, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Series 2022A Bonds maturing on August 15 in the year 20_ are subject to mandatory sinking fund redemption in part prior to maturity with funds from the Debt Service Fund, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the mandatory sinking fund redemption date, on the dates, and in the principal amounts shown in the following schedules:

SERIES 2022A TERM BOND MATURING AUGUST 15, 2032*			
Principal Amount*	Redemption Date*		
\$290,000 305,000 315,000 335,000	August 15, 2029 August 15, 2030 August 15, 2031 August 15, 2032 (1)		

^{*} Preliminary, subject to change.

(1) Final maturity.

SERIES 2022A TERM BOND MATURING AUGUST 15, 2037*			
Principal Amount*	Redemption Date*		
\$350,000	August 15, 2033		
365,000	August 15, 2034		
385,000	August 15, 2035		
405,000	August 15, 2036		
425,000	August 15, 2037 (1)		

^{*} Preliminary, subject to change. (1) Final maturity.

	M BOND MATURING 15, 2042*
Principal Amount*	Redemption Date*
\$445,000 470,000 495,000 520,000 545,000	August 15, 2038 August 15, 2039 August 15, 2040 August 15, 2041 August 15, 2042 (1)

^{*} Preliminary, subject to change. (1) Final maturity.

SERIES 2022A TERM BOND MATURING AUGUST 15, 2052*			
Principal Amount*	Redemption Date*		
\$570,000	August 15, 2043		
600,000	August 15, 2044		
635,000	August 15, 2045		
665,000	August 15, 2046		
700,000	August 15, 2047		
740,000	August 15, 2048		
780,000	August 15, 2049		
820,000	August 15, 2050		
860,000	August 15, 2051		
905,000	August 15, 2052 (1)		

^{*} Preliminary, subject to change.

⁽¹⁾ Final maturity.

SERIES 2022A TERM BOND MATURING AUGUST 15, 2062*			
Principal Amount*	Redemption Date*		
\$955,000	August 15, 2053		
1,005,000	August 15, 2054		
1,060,000	August 15, 2055		
1,115,000	August 15, 2056		
1,175,000	August 15, 2057		
1,240,000	August 15, 2058		
1,305,000	August 15, 2059		
1,375,000	August 15, 2060		
1,450,000	August 15, 2061		
1,530,000	August 15, 2062 (1)		

^{*} Preliminary, subject to change.

The principal amount of the Series 2022A Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemptions is required to be reduced by the principal amount of any Series 2022A Bonds of the same maturity date which, at least 60 days prior to the mandatory sinking fund redemption date have been (i) purchased and delivered to the Bond Trustee for cancellation, (ii) purchased and cancelled by the Bond Trustee with funds furnished for such purpose, in each case at a purchase price not exceeding the principal amount of such Series 2022A Bonds plus accrued interest to the date of purchase thereof or (iii) redeemed pursuant to the optional redemption provision described above.

Mandatory Redemption Upon Determination of Taxability. The Series 2022A Bonds will be redeemed in whole prior to maturity on a date selected by the Borrower which is not more than 120 days following the receipt by the Bond Trustee of written notice of the occurrence of a Determination of Taxability at a redemption price equal to 100% of the principal amount thereof plus interest to the redemption date.

"Determination of Taxability," as used herein, means a determination that the interest income on any of the Series 2022A Bonds does not qualify as interest excluded from gross income of the recipient thereof for the purpose of federal income taxation ("exempt interest") under section 103 of the Code (in the case of a private activity bond, for a reason other than a registered owner is or a former registered owner was a substantial user within the meaning

⁽¹⁾ Final maturity.

of section 147 of the Code), which determination will be deemed to have been made upon the first to occur of any of the following: (i) the date on which the Bond Trustee is notified that an opinion of counsel is unable to be delivered to the effect that the interest on the Series 2022A Bonds qualifies as exempt interest; or (ii) the date on which the Bond Trustee is notified by or on behalf of the Issuer that a change in law or regulation has become effective or that the IRS has issued any public or private ruling, or technical advice memorandum or that there has occurred a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Series 2022A Bonds does not qualify as exempt interest; or (iii) the date on which the Borrower receives notice from the Bond Trustee in writing that the Bond Trustee has been notified by the IRS, or has been advised by the Issuer, the Borrower or any owner or former owner of a Series 2022A Bond that the IRS has issued a final determination (after the Issuer has exhausted all administrative appeal remedies and has determined not to pursue any remedies in a court of competent jurisdiction) which asserts that the interest on any of the Series 2022A Bonds does not qualify as exempt interest.

Extraordinary Optional Redemption. The Series 2022A Bonds are subject to extraordinary redemption, at the option of the Issuer upon the request of the Borrower, at a redemption price of par plus interest accrued thereon to the redemption date, without premium, on any date, if the Project is damaged, destroyed or condemned or threatened to be condemned, (i) in whole, if, in accordance with the terms of the Loan Agreement, the Project is not reconstructed, repaired or replaced upon the change or destruction thereof, from insurance or condemnation proceeds transferred from the Construction Fund established pursuant to the Bond Indenture to the Debt Service Fund established pursuant to the Bond Indenture which, together with an amount required to be paid by the Borrower pursuant to the Loan Agreement, will be sufficient to pay the Series 2022A Bonds in full, or (ii) in part, after reconstruction, repair, or replacement of the Project in accordance with the terms of the Loan Agreement, from excess insurance or condemnation proceeds transferred from the Construction Fund established pursuant to the Bond Indenture for such purpose.

The Series 2022B Bonds. The Series 2022B Bonds are subject to redemption as described below:

Optional Redemption. The Series 2022B Bonds are not subject to optional redemption prior to scheduled maturity.

Mandatory Sinking Fund Redemption. The Series 2022B Bonds are subject to mandatory sinking fund redemption in part prior to maturity with funds from the Debt Service Fund, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the mandatory sinking fund redemption date, on the dates, and in the principal amounts shown in the following schedules:

SERIES 2022B TERM BOND MATURING AUGUST 15, 2028*			
Principal Amount*	<u>t* Redemption Date*</u>		
\$30,000 35,000 35,000 40,000 40,000	August 15, 2024 August 15, 2025 August 15, 2026 August 15, 2027 August 15, 2028 (1)		

^{*} Preliminary, subject to change.

The principal amount of the Series 2022B Bonds required to be redeemed pursuant to the operation of such mandatory redemptions is required to be reduced by the principal amount of any Series 2022B Bonds which, at least 60 days prior to the mandatory sinking fund redemption date have been (i) purchased and delivered to the Bond Trustee for cancellation, (ii) purchased and canceled by the Bond Trustee with funds furnished for such purpose, in each case at a purchase price not exceeding the principal amount of such Series 2022B Bonds plus accrued interest to the date of purchase thereof or (iii) redeemed pursuant to the optional redemption provision described above.

⁽¹⁾ Final maturity.

Extraordinary Optional Redemption. The Series 2022B Bonds are subject to extraordinary redemption, at the option of the Issuer upon the request of the Borrower, at a redemption price of par plus interest accrued thereon to the redemption date, without premium, on any date, if the Project is damaged, destroyed or condemned or threatened to be condemned, (i) in whole, if, in accordance with the terms of the Loan Agreement, the Project is not reconstructed, repaired or replaced upon the change or destruction thereof, from insurance or condemnation proceeds transferred from the Construction Fund established pursuant to the Bond Indenture to the Debt Service Fund established pursuant to the Bond Indenture which, together with an amount required to be paid by the Borrower pursuant to the Loan Agreement, will be sufficient to pay the Series 2022B Bonds in full, or (ii) in part, after reconstruction, repair, or replacement of the Project in accordance with the terms of the Loan Agreement, from excess insurance or condemnation proceeds transferred from the Construction Fund established pursuant to the Bond Indenture to the Debt Service Fund established pursuant to the Bond Indenture for such purpose.

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

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

Notice of Redemption. At least 30 days prior to the date fixed for any redemption of the Bonds, but not more than 60 days prior to any redemption date, the Bond Trustee is required to cause a written notice of such redemption to be mailed by first class mail, postage prepaid, to the holders of the Bonds to be redeemed, at such holder's address appearing on the bond registration books on the date such notice is mailed by the Bond Trustee. Any notice mailed as provided herein will be conclusively presumed to have been given, irrespective of whether or not received. By the date fixed for any such redemption, due provision is required to be made with the Bond Trustee and the Paying Agent for the payment of the principal amount of the Bonds being redeemed, premium, if any, and interest accrued thereon. If such written notice of redemption is made, due provision for payment of the redemption price is made, and all conditions to the redemption have been fulfilled, all as provided above and in the Bond Indenture, the Bonds which are to be redeemed will become due and payable at the redemption price and after such date will cease to bear interest. Such Bonds will not be regarded as being outstanding except for the right of the Owner to receive the redemption price out of the funds provided for such payment. If any Bond is not paid upon the surrender thereof for redemption, such Bond will continue to be outstanding under the Bond Indenture and will continue to bear interest until paid at the interest rate borne by such Bond.

Defeasance

Under the provisions of the Bond Indenture, the Bonds shall be deemed to have been paid if (a) there has been deposited with the Bond Trustee in trust in a segregated account either (i) moneys in an amount, or (ii) obligations now or hereafter provided in Section 1207.062(b) of the Texas Government Code ("Defeasance Obligations"), the principal of and interest on which will, when due, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, (as established by a report of an independent certified public accountant setting forth the calculations upon which such report is based) provide moneys in an amount, which, together with any moneys deposited with or held by the Bond Trustee at the same time and available for such purpose pursuant to this Indenture, will be sufficient to pay when due and payable the principal, premium, if any, and interest due and payable and to become due and payable on and prior to the respective redemption dates or maturity dates on all of the Bonds, or (iii) a combination of (i) and (ii), and (b) in case any of such Bonds are to be redeemed on any date prior to their stated maturity, TGP has given to the Bond Trustee irrevocable written instructions instructing the Bond Trustee to effect the redemption of such Bonds on such date and to give notice of such redemption to Bondholders in accordance with the Bond Indenture; and (c) in the event such Bonds are not to be redeemed within the 60 days next succeeding the date of such deposit with the Bond Trustee, the Issuer has given irrevocable written instructions to the Bond Trustee to give notice to the Bondholders advising that the deposit required by clause (a) of this paragraph above has been made with the Bond Trustee and that the Bonds are deemed to have been paid in accordance with the Bond Indenture and stating such maturity or redemption date or dates upon which money is to be available for the payment of the principal, premium, if any, and interest on such Bonds.

DEBT SERVICE REQUIREMENTS

Set forth in the following table are the debt service requirements for the debt of TGP after issuance of the Bonds:

	The Bonds		<u> </u>
FYE		.	Total
<u>Jun 30</u>	<u>Principal</u>	<u>Interest</u>	Debt Service
2023			
2024			
2025	\$30,000		
2026	35,000		
2027	35,000		
2028	40,000		
2029	40,000		
2030	290,000		
2031	305,000		
2032	315,000		
2033	335,000		
2034	350,000		
2035	365,000		
2036	385,000		
2037	405,000		
2038	425,000		
2039	445,000		
2040	470,000		
2041	495,000		
2042	520,000		
2043	545,000		
2044	570,000		
2045	600,000		
2046	635,000		
2047	665,000		
2048	700,000		
2049	740,000		
2050	780,000		
2051	820,000		
2052	860,000		
2053	905,000		
2054	955,000		
2055	1,005,000		
2056	1,060,000		
2057	1,115,000		
2058	1,175,000		
2059	1,240,000		
2060	1,305,000		
2061	1,375,000		
2062	1,450,000		
2063	1,530,000		
	\$25,315,0000		

SECURITY FOR THE BONDS

General

The Bonds are special, limited obligations of the issuer, payable solely from revenues received pursuant to the Loan Agreement, the Series 2022 Master Note, the money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) and, in certain circumstances, out of amounts secured through the exercise of remedies provided in the Bond Indenture, the Loan Agreement, and the Series 2022 Master Notes. The Bonds are not obligations of the State, the City of Arlington or any entity other than the Issuer.

NONE OF THE STATE, THE CITY OF ARLINGTON OR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

The Bond Indenture

General. Under the Bond Indenture, the Issuer will grant to the Bond Trustee for the equal and ratable benefits of the Holders of the Bonds, all of the Issuer's right, title, and interest in and to, among other things, the following: (i) the Loan Agreement, including all amounts payable thereunder, including but not limited to the Loan Payments, the Series 2022 Master Notes, any and all security heretofore or hereafter granted or held for the payment thereof, and the present and continuing right to bring actions and proceedings under the Loan Agreement, the Master Notes and the other Bond Documents or for the enforcement thereof and to do any and all things that the Issuer is or may become entitled to do thereunder, but excluding certain amounts agreed to be paid by TGP noted in such Loan Agreement, (ii) all money and investments held for the credit of the funds and accounts established by or under the Bond Indenture (except the Rebate Fund) as described in the Bond Indenture, and (iii) any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Issuer or by anyone on its behalf, which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions that shall be set forth in a written instrument executed by the Issuer or the Person so acting on its behalf or by the Bond Trustee respecting the use and disposition of such property or the proceeds thereof. See "APPENDIX G -SUBSTANTIALLY FINAL FORM OF THE BOND INDENTURE."

<u>Construction Fund and Disbursements for Project Costs.</u> In the Bond Indenture the Issuer creates and establishes with the Bond Trustee a separate fund designated as the Construction Fund. Proceeds of the Bonds to be used to finance or refinance the Project will be deposited into the Construction Fund. The moneys in the Construction Fund shall be disbursed pursuant to requisition certificates submitted by TGP.

Debt Service Fund. The Bond Indenture establishes a Debt Service Fund for the Bonds. The money deposited into the Debt Service Fund, together with all investments thereof and investment income therefrom, will be held in trust and applied solely as provided in the Bond Indenture. On the date of issuance of the Bonds, the Bond Trustee is required to deposit into the Debt Service Fund any accrued interest and additional proceeds on such Bonds as may be set forth in an order of TGP, for the purpose of paying a portion of the interest coming due on such Bonds on their interest payment date. The Bond Trustee is required to deposit to the credit of the Debt Service Fund immediately upon receipt: (i) amounts due and payable by TGP pursuant to the terms of the Loan Agreement and the Series 2022 Master Notes, (ii) all income and profits on investments in the Debt Service Fund and (iii) any other amounts delivered to the Bond Trustee for deposit thereto. On each debt service payment date, the Bond Trustee will withdraw money from the Debt Service Fund to pay the principal and interest due on the Bonds. If there are insufficient funds in the Debt Service Fund to pay debt service on the Bonds by 12:00 noon (central time) four (4) business day prior to any debt service payment, the Bond Trustee shall contact the Master Trustee and request transfer from the Debt Service Reserve Fund to the appropriate account of the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund

The Loan Agreement

Payments Under the Loan Agreement; Assignment. The Bonds are payable from amounts payable by TGP to the Issuer under the Loan Agreement and secured by a pledge and assignment to the Bond Trustee of the Issuer's rights under the Loan Agreement and the rights of the Issuer to receive loan payments thereunder (excluding certain fees and expenses and certain indemnity payments payable to the Issuer). Pursuant to the Loan Agreement, TGP agrees to make loan payments to the Issuer sufficient to provide funds to make required payments of principal, premium, if any, and interest on the Bonds in full, which loan shall be evidenced by the Series 2022 Master Notes. All such loan payments are required to be made to the Bond Trustee by TGP. See "APPENDIX E – SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT."

<u>Financial Reports</u>. Under the Loan Agreement, TGP covenants cause an annual audit of its books and accounts to be made by Independent certified public accountants and delivered to it within six (6) months after the end of each Fiscal Year of the Company. At the same time said audit report is delivered to TGP, TGP shall deliver to the Trustee a copy thereof, a copy of the management letter of such accountants and a certificate signed by the Superintendent or President of the Governing Body of the TGP stating that such person has reviewed the obligations of TGP under the Loan Agreement, the Deed of Trust, the Series 2022 Note, the Master Indenture and the Indenture and the performance of the TGP hereunder and thereunder, and has consulted with such officers and employees of TGP as he or she deemed appropriate and necessary for the purpose of delivering such certificate, and based on such review and consultation, no Event of Default and no event that, with the giving of notice or the passage of time or both, would constitute an Event of Default has occurred and is continuing under the aforementioned documents. Commencing with the fiscal year ending June 30, 2023, such certificate shall also set forth the Debt Service Coverage Ratio as described in Section 5.09 and the Days Cash on Hand set forth in Section 5.12 of the Loan Agreement.

<u>Debt Service Coverage Ratio</u>. "Debt Service Coverage Ratio" means the ratio of (i) Available Revenues of the Company for each Fiscal Year to (ii) Annual Debt Service Requirements of the Company, as of the end of each Fiscal Year.

TGP covenants to maintain, commencing with the Fiscal Year ending June 30, 2023, and for each Fiscal Year thereafter, a Debt Service Coverage Ratio of at least 1.1 to 1.0. TGP shall provide a certificate to the Bond Trustee at the same time as the submission of the audit of TGP's financial statements for the applicable Fiscal Year within six (6) months after the end of each Fiscal Year evidencing that TGP's Debt Service Coverage Ratio met the requirement described above.

If TGP's Debt Service Coverage Ratio is less than 1.1 to 1.0 for the prior Fiscal Year, it is not an Event of Default under the Loan Agreement if (i) TGP timely engages (within 30 day) an independent Management Consultant, (ii) the independent Management Consultant deliver a report to TGP and the Bond Trustee within forty-five (45) days of its retention with recommendations for meeting the required Debt Service Coverage, and (iii) TGP, to the extent legally permissible, will consider any recommendations and, to the fullest extent practicable adopt and carryout such recommendations, within thirty (30) days of receipt of such recommendations. TGP must provide notice of its choice of independent Management Consultant to the holders of all outstanding Master Notes, and the holders of a majority in principal amount of outstanding Master Notes have the right to object to TGP's choice of Management Consultant.

So long as TGP is otherwise in full compliance with its obligations under the Bond Documents, including following, to the fullest extent practicable, the recommendations of the Management Consultant, it will not constitute an Event of Default if the Debt Service Coverage Ratio for any testing date is less than 1.1 to 1.0 for the prior Fiscal Year, except to the extent such Debt Service Coverage Ratio is less than 1.0 to 1.0 for any Fiscal Year. If the Debt Service Coverage Ratio falls below 1.0 to 1.0, it shall constitute an Event of Default.

<u>Days Cash on Hand</u>. "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) (less cash restricted for debt service on debt) as reported in TGP's most recent audited financial statements by (b) the total expenses of TGP for the prior Fiscal Year (excluding interest, depreciation, amortization, and certain extraordinary losses or expenses).

TGP covenants in the Loan Agreement to maintain, commencing with the Fiscal Year ending June 30, 2023 and for each fiscal year thereafter, not less than forty-five (45) Days Cash on Hand. TGP's Days Cash on Hand will be tested as of June 30 of each year, commencing June 30, 2023, and TGP shall provide a certificate to the Master Trustee within thirty (30) days of completion of the audit of TGP's financial statements for the applicable Fiscal Year evidencing that TGP's Days Cash on Hand met the requirement described above. The foregoing is subject to the qualification that if applicable State or federal laws or regulations, or the rules and regulations of the agencies having jurisdiction, shall not permit TGP to maintain such level of Days Cash on Hand, then TGP shall, in conformity with the then prevailing laws, rules or regulations, maintain its Days Cash on Hand equal to the maximum permissible level.

If TGP's Days Cash on Hand is less than the required number of days for the prior Fiscal Year, TGP is required to promptly (i.e., within forty-five (45) days) employ at its sole cost and expense an Independent Management Consultant to review and analyze the operations and administration of TGP, inspect TGP's facilities, and promptly submit to TGP and the Master Trustee written reports, and make such recommendations, as to the operation and administration of TGP as such Independent Management Consultant deems appropriate, including any recommendation as to a revision of the methods of operation and administration thereof. TGP agrees to consider any recommendations by the Independent Management Consultant and, to the fullest extent practicable, to adopt and carry out such recommendations.

So long as TGP is otherwise in full compliance with its obligations under the Bond Documents, including following, to the fullest extent practicable, the recommendations of the Independent Management Consultant, it will not constitute an Event of Default if the Days Cash on Hand for any testing date is less than the required number of days for the prior Fiscal Year, as applicable.

<u>Continuing Disclosure</u>. Under the Loan Agreement, TGP has agreed to enter into and fully perform its obligations under a Continuing Disclosure Agreement for the benefit of the holders of the Bonds. See "APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Series 2022 Master Notes and the Master Indenture

General. To evidence its obligations under the Loan Agreement, TGP will execute and deliver to the Bond Trustee, as the assignee of the Issuer, the Series 2022 Master Notes in principal amounts equal to the principal amounts of the related Bonds. Payments under the Series 2022 Master Notes are scheduled to be made at the times and in the amounts required to pay debt service on the Bonds and will be credited against the Loan Payments required to be made by TGP under the Loan Agreement. See "APPENDIX H – SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT."

The Series 2022 Master Notes issued by TGP to the Bond Trustee evidencing the obligation of TGP to make the payments required under the Loan Agreement are the duly authorized promissory notes of TGP issued pursuant to and secured by the Master Indenture. Under the Master Indenture, TGP unconditionally and irrevocably covenants that it will promptly pay the principal of, premium, if any, and interest and any other amount due on the Master Notes issued under the Master Indenture, subject to certain limitations relating to fraudulent conveyance, insolvency, and other considerations. Under the Master Indenture, all of the Master Notes are equally and ratably secured by the pledge and assignment of a security interest in the Trust Estate. See "APPENDIX F – SUBSTANTIALLY FINAL FORM OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1."

<u>The Trust Estate</u>. Under the Master Indenture the Trust Estate consists of the following:

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

- (b) all moneys and securities, if any, at any time held by the Master Trustee in the Revenue Fund and any other fund or account established under the terms of this Master Indenture or any Debt Service Reserve Fund established pursuant to any supplement hereto, or held by other banks or fiduciary institutions which are collaterally assigned to the Master Trustee as security for the Notes, including the depository account specified in a Deposit Account Control Agreement, and all securities, financial assets (as defined in Section 8.102(a)(9) of the UCC) and securities entitlements (within the meaning of Section 8.102(a)(17) of the UCC) and, with respect to Book-Entry Securities, in the applicable Federal Book-Entry Regulations, carried in or credited to such fund or account;
- (c) all accounts, deposit accounts holding any portion of the Adjusted Revenues, general intangibles and related rights of TGP (each as defined in the UCC), whether now owned or hereafter acquired or arising and wherever located;
- (d) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as additional security hereunder by TGP or by anyone on its behalf to the Master Trustee, subject to the terms thereof, including, without limitation, funds of the Company held by the Master Trustee as security for the Notes;
- (e) the real and personal property subject to the lien of the Deed of Trust (as hereinafter defined); and
- (f) proceeds of the foregoing, including cash proceeds and cash equivalents, products, accessions and replacements..

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

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

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

- (1) to the Master Trustee any fees or expenses which are then payable;
- (2) equally and ratably to the Holder of each instrument evidencing a Master Note on which there has been a default in the payment of principal of (premium, if any) or interest on any Master Note an amount equal to all defaulted principal of (or premium, if any) and interest and obligations on such Master Note;
- (3) to the Interest Account of the Revenue Fund of an amount necessary to accumulate in equal amounts the interest on the Master Notes due and payable on the next Interest Payment Date; provided, however, that to the extent available, each transfer made on the fifth Business Day before the end of the month immediately preceding each Interest Payment Date shall be in an amount to provide, together with amounts then on deposit in the Interest Account, the balance of the interest due on the Master Notes on the next succeeding Interest Payment Date. There shall be paid from the Interest Account equally and ratably to the Holder of each instrument evidencing a Master Note the amount of interest on each Note as such interest becomes due;
- (4) to the Principal Account of the Revenue Fund of the amount necessary to accumulate in equal periodic installments the principal of the Master Notes maturing or subject to mandatory sinking fund redemption on the next Principal Payment Date taking into account with respect to each such payment (i) any other money actually available in the Principal Account for such purpose and (ii) any credit against amounts due on each Principal Payment Date granted pursuant to other provisions of the Master Indenture; provided, however, that to the extent available, the transfer made on the fifth Business Day before the end of each month immediately preceding an Principal Payment Date shall be in an amount to provide, together with amounts then on deposit in the Principal Account, the balance of the principal maturing or subject to mandatory sinking fund redemption on such Principal Payment Date. There shall be paid from the Principal Account equally and ratably to the Holder of each instrument evidencing a Master Note the amount of principal payments due on each Master Note, whether at maturity or earlier mandatory redemption (other than by reason of acceleration of maturity or other demand for payment), as such principal becomes due;
- (5) to the Holder of any Master Note entitled to maintain a reserve fund for the payment of such Master Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in twelve equal monthly installments or otherwise in such amounts required by the applicable Related Bond Documents; and
- (6) to TGP, the amount specified in a Request as the amount of ordinary and necessary expenses of TGP for its operations for the following month.

Any balance remaining in the Revenue Fund, on the day following the end of the month in which all Events of Default in the payment of the principal of (premium, if any) or interest or any other amount due on any Master Note under the Master Indenture have been cured or waived or the termination of which has been acknowledged pursuant to the Master Indenture, will be paid to TGP for deposit at its depository bank and subject to a Deposit Account Control Agreement upon request to be used for any lawful purpose.

Debt Service Reserve Fund. The Supplemental Master Trust Indenture No. 1 establishes a Debt Service Reserve Fund for the Bonds. The Debt Service Reserve Fund serves as a common reserve fund for the Bonds. There will initially be deposited with the Master Trustee in the Debt Service Reserve Fund from the proceeds of the Bonds an amount certified by the Company to the Master Trustee to be equal to the least of (a) the Maximum Annual Debt Service on the Bonds, (b) one hundred twenty-five percent (125%) of the average annual Debt Service on the Bonds, or (c) ten percent (10%) of the initial principal amount of the Bonds (or sale proceeds in the event that the amount of original issue discount exceeds two percent (2%) multiplied by the stated redemption price at maturity of the Bonds); provided, that the amount funded by the Series 2022A Bonds shall not exceed ten (10%) percent of the initial principal amount of the Series 2022A Bonds; provided further that, if the Series 2022A Bonds are sold with more than a de minimis amount of original issue discount or premium, the issue price will be used to measure the ten percent (10%) limit (the "Reserve Fund Requirement").

Except as otherwise provided in the Bond Indenture, the Debt Service Reserve Fund at all times will be maintained at an amount equal to the Reserve Fund Requirement. If the Master Trustee receives notification from a Bond Trustee that there are insufficient funds in the Debt Service Fund to pay the debt service on the Bonds, the Master Trustee shall immediately transfer from the Debt Service Reserve Fund to the Bond Trustee for deposit into such deficient Debt Service Fund under its control amounts necessary to make such payments. If the amount in the Debt Service Reserve Fund is less than the Reserve Fund Requirement because the Master Trustee has applied funds in the Debt Service Reserve Fund to pay Debt Service on the Bonds, the Master Trustee will promptly notify TGP in writing that a deficiency in the Debt Service Reserve Fund exists, and TGP will (a) within 30 days of receipt of such notice, pay to the Master Trustee the full amount needed to restore the amount in the Debt Service Reserve Fund to the Reserve Fund Requirement; or (b) in 12 consecutive equal monthly installments, the first of which shall be made within 30 days from the date of withdrawal, pay such deficiency to the Master Trustee for deposit into the Debt Service Reserve Fund to restore the amount in the Debt Service Reserve Fund to equal the Reserve Fund Requirement; provided that if any additional decline occurs prior to the restoration of any decline, such additional decline shall be restored in equal monthly installments over the remainder of the restoration period for the initial decline. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund may be applied to pay Debt Service during the 12 months immediately preceding and including the final maturity of the Bonds without violating the requirement to maintain the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement.

Upon any redemption or defeasance of all or any portion of the Bonds, moneys no longer required to remain on deposit in the Debt Service Reserve Fund may be used for the purposes of such redemption or for any other purpose for which the Bond proceeds might be used. At final maturity of the Bonds, the Master Trustee will transfer the balance on deposit in the Debt Service Reserve Fund to the Bond Trustee for deposit in the Debt Service Fund of the Bond Indenture.

So long as any Bonds are outstanding, TGP will have not right, title, or interest in or to the funds in the Debt Service Reserve Fund.

TGP may satisfy all or any part of the Reserve Fund Requirement by obtaining for the benefit of the Debt Service Reserve Fund one or more Reserve Fund Surety Policies. A Reserve Fund Surety Policy shall be a guaranty agreement issued by the Texas Public Finance Authority pursuant to Section 53.351(e) of the Texas Education Code, in a principal amount equal to the portion of the Reserve Fund Requirement to be satisfied. In the event TGP elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any Bond proceeds thereby released, including investment earnings on the Bon proceeds, to any purposes for which the Bonds were issued and any other funds thereby released to any purposes for which such funds may lawfully be used. In the event the Debt Service Reserve Fund contains on or more Reserve Fund Surety Policies, the Master Trustee shall not draw on a Reserve Fund Surety Policy unless no other cash or investments are otherwise available in the Debt Service Reserve Fund. If more than one Reserve Fund Surety Policy is held in the Debt Service Reserve Fund, the Master Trustee shall draw on such policies on a proportionate basis. Whenever amounts have been drawn on one or more Reserve Fund Surety Policy, amounts subsequently transferred to the Debt Service Reserve Fund shall be used to reimburse the provider (or if more than one, to the providers on a proportionate basis) of such Reserve Fund Surety Policy in accordance with the terms thereof, for the amounts advanced, interest thereon and any associated fees. The issuer(s) of such Reserve Fund Surety Policy or Policies shall be secured with respect to such reimbursement obligations by a lien on the Adjusted Revenues, subject and subordinate to the lien securing the Bonds and the reimbursement obligations and the required deposits to the Debt Service Fund of the Bond Indenture, and shall further be secured by a lien on amounts from time to time on deposit in and required to be deposited to the Debt Service Reserve Fund, which lien shall be subject and subordinate to the lien securing the Bonds.

Additional Debt. Subject to certain conditions described below, TGP has reserved the right to issue additional Debt secured on parity with the Series 2022 Master Notes. Assuming satisfaction of the applicable requirements of Section 212 of the Master Indenture, such additional parity Debt may be issued if the following conditions are met:

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

- (2) Parity Pledge. Such Debt shall be secured on a parity with respect to the Trust Estate and shall be payable by TGP solely from the Adjusted Revenues and other amounts paid out of moneys attributable to the proceeds derived from the sale of the additional Debt or to income from the temporary investment thereof; provided that the terms of any Supplemental Master Indenture may expressly relinquish any right to any of the collateral provided in the Trust Estate (in which case it shall only be entitled to its pro rata share of the collateral which has not been relinquished);
- (3) Additional Debt Coverage. Sufficient funds are evidenced as follows:
 - a. <u>Historical Coverage on Outstanding Debt</u>. Delivery of an Officer's Certificate stating that, (i) for TGP's most recently completed Fiscal Year immediately preceding the issuance of the additional Debt or (ii) for any consecutive 12 months out of the most recent 18 months immediately preceding the issuance of the additional Debt, TGP achieved a Debt Service Coverage Ratio equal to at least 1.1:1.0; and
 - b. Projected Coverage for Additional Debt. Delivery of a written report of an Independent Management Consultant or certified public accountant selected by TGP stating that the projected Adjusted Revenues for the Fiscal Year following completion of the project being financed with the proposed additional Debt are equal to at least 1.20 times the sum of (without duplication) Maximum Annual Debt Service for all Debt then Outstanding and the proposed additional Debt for such Fiscal Year and for the second Fiscal Year immediately following the issuance of the proposed additional Debt. The report shall take into account (i) the audited results of operations and verified enrollment of the project for the most recently completed Fiscal Year (if available) and (ii) the projected enrollment for the Fiscal Year immediately following the completion of the new project, and shall assume that the proposed additional Debt shall have been outstanding for the entire year.
- (4) Alternative Coverage for Additional Debt. In lieu of the requirements described in clause (3) above, TGP may deliver an Officer's Certificate stating that, based on the audited results of the operations for the most recently completed Fiscal Year, the Available Revenues equal at least 1.10 times Maximum Annual Debt Service on all parity Debt then Outstanding plus the proposed additional Debt.
- (5) *Title Insurance*. So long as the Debt is secured by the lien of any Deed of Trust upon any real property of TGP, TGP shall obtain and provide to the Master Trustee an endorsement of the title insurance policy, if permitted by the laws of the State, or a new title policy issued in connection with the Debt increasing the coverage thereunder by an amount equal to the aggregate principal amount of the additional Debt which is secured by such Deed of Trust;

If additional Debt is being issued for the purpose of refunding any Outstanding Debt, the reports required by clause (3) or (4) above to be delivered shall not apply so long as TGP delivers an Officer's Certificate to the Master Trustee confirming that both the total and Maximum Annual Debt Service Requirements on all Outstanding Debt after issuance of the additional Debt will not exceed both the total and the Maximum Annual Debt Service Requirements on all Outstanding Debt prior to the issuance of such additional Debt.

In the event such additional Debt is being issued or incurred for the purpose of completing any project (as that term is defined from time to time in connection with the issuance of additional Debt) for which additional Debt is issued or incurred, such additional Debt may be issued in amounts not to exceed 10% of the principal amount of the Debt last issued for such project without complying with the above coverage provisions upon delivery of an Officer's Certificate that such additional Debt is required to fund the costs of completion; provided that such additional Debt must comply with any applicable requirements imposed by the related bond indenture and related loan documents.

TGP reserves the right to issue Debt that is not secured by a lien on either Available Revenues or Adjusted Revenues or any part of the Trust Estate; such non-revenue debt may be secured by a lien on all or any portion of the assets financed therewith.

TGP also reserves the right to incur indebtedness secured by the lien of the Master Indenture subordinated to the Series 2022 Notes and other Master Notes on parity with the Series 2022 Note; provided that the issuance of such subordinated debt does not result in a Debt Service Coverage Ratio less than 1.1:1.0.

The Series 2022 Master Notes are not considered additional Debt and are not subject to the additional Debt provisions of the Master Indenture. Furthermore, TGP reserves the right to enter into a lease with the option to purchase in connection with a new middle school campus that shall not be considered additional Debt subject to the provisions of the additional Debt provisions of the Master Indenture provided no Event of Default has occurred and is continuing under the Master Indenture.

For all requirements relating to the issuance of additional Debt, see Sections 202 and 212 of the Master Indenture in "APPENDIX F – SUBSTANTIALLY FINAL FORM OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1."

Negative Pledge. TGP has covenanted in the Master Indenture that it will not take or permit any action that would create or allow any liens to exist, except any Permitted Encumbrances (as defined in the Deed of Trust), on any real property, personal property or equipment included in the Deed of Trust other than a lien arising in connection with the issuance of Debt as permitted by Section 212 or as otherwise permitted by the Deed of Trust. The Company will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral described in the Granting Clauses hereunder that ranks prior to or on parity with the lien granted hereunder, or file any financing statement describing any such pledge, assignment, lien or security interest, or knowingly take any other action that will impair the lien of this Master Indenture on the Trust Estate, in each of such cases except as expressly permitted by the Related Bond Documents.

<u>Limitation on the Disposition of Assets</u>. TGP has covenanted in the Loan Agreement that it will not sell or otherwise dispose of its property, plant, and equipment ("PP&E") unless the PP&E is obsolete or worn out, fair market value is received in return, or the market value of all PP&E disposed of in any fiscal year does not exceed five percent (5%) of the total market value of all PP&E of TGP.

Deed of Trust

In connection with the issuance of the Bonds, TGP will execute the Deed of Trust covering its real and personal property constituting the Project, including all future improvements thereon, in favor of the Master Trustee for the benefit of the of the holders of Master Notes, including the Series 2022 Master Notes. Pursuant to the Master Indenture and in connection with the execution and delivery of the Deed of Trust, TGP has covenanted to obtain an ALTA or Texas equivalent title insurance policy or policies in an aggregate amount not less than the aggregate principal amount of the Bonds, insuring the liens of the Deed of Trust held by the Master Trustee, subject only to Permitted Liens.

RISK FACTORS

Investment in the Bonds involves a significant degree of risk and is speculative in nature. The following are certain investment considerations and risk factors that have been identified by TGP and that should be carefully considered by prospective purchasers of the Bonds. The following list is not, and is not intended to be, exhaustive. Inclusion of certain factors below is not intended to signify that there are no other investment considerations or risks associated with the Bonds. The investment considerations and risks discussed below are not necessarily presented in the order of importance or magnitude. The Bonds should not be purchased by any potential investor who, because of financial condition, investment policies, or otherwise, does not desire to assume, or have the ability to bear, the risks inherent in an investment in the Bonds.

Special Limited Obligations

The Bonds are special and limited obligations of the Issuer. They are secured by and payable solely from funds payable by TGP under the terms and conditions of the Loan Agreement and as otherwise described herein. The obligations of the Issuer under the Bond Indenture are not general obligations of the Issuer and neither the Bond Trustee nor the registered or beneficial owners of the Bonds will have any recourse to any property, funds, or assets

of the Issuer (other than the property granted the Bond Trustee as part of the Trust Estate) with respect to such obligations. See "SECURITY FOR THE BONDS" herein.

The Bonds will never be payable out of any funds of the Issuer except with such revenues and in such amounts described above. NONE OF THE STATE OF TEXAS, ANY STATE AGENCY OR ANY POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY STATE AGENCY OR POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF ARLINGTON, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Limited Operating History of TGP

TGP was incorporated in May 2018 and has only operated the Charter School since 2020. Therefore, limited historical operating and financial information of TGP and the Charter School is available and provided herein. Furthermore, prior to opening the Charter School, the leadership of TGP had not previously operated a charter school. For more information, see "APPENDIX A – THE GATHERING PLACE." Potential investors should be aware that the Charter School is subject to all the risks incident to the creation and development of a new business, including the absence of a history of operations upon which to initially evaluate performance and upon which to based projections.

Sufficiency of Revenues

The Bonds are payable solely from certain payments, revenues and other amounts derived by the Issuer pursuant to the Loan Agreement and the Series 2022 Master Notes and are secured only by such revenues and a pledge of certain funds and accounts created under the Bond Indenture. Based on present circumstances, and based on its projections regarding enrollment, TGP believes it will generate sufficient revenues for payment of debt service on the Bonds. However, TGP's charter contract may be revoked or fail to be renewed, or the bases of the assumptions used by Borrower to formulate its beliefs may otherwise change. No representation or assurance can be made that Borrower will generate sufficient revenues to make payments under the Master Notes and thus debt service on the Bonds and other bonds issued for the benefit of TGP.

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

State charter schools such as the Charter School operated by TGP may not charge tuition and have no taxing authority. Payments from the State that TGP receives for educating students comprise the primary source of revenue generated by TGP (approximately 68% for TGP's fiscal year ending June 30, 2020). The amount of such State payments TGP receives is based on a variety of factors, including enrollment at the Charter School. The overall amount of education aid provided by the State in any year is also subject to appropriation by the State Legislature. The Legislature may base its decisions about appropriations on many factors, including the State's economic performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change. As a result, the Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, for TGP to generate sufficient revenue to meet its operating expenses and to make payments under the Master Notes sufficient to pay debt service on the Bonds and other bonds that could be issued for the benefit of TGP. No liability would accrue to the State in such event, and the State would not be obligated or liable for any future payments or any damages. Failure by the State to appropriate funds or to withhold payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, could result in failure of TGP to make timely payments under the Series 2022 Master Notes representing debt service on the Bonds or could result in TGP being forced to cease operations.

Student Enrollment; Reliance on Projections

TGP receives state funding based on student enrollment. The timely payment of principal and interest on the Bonds depends on the operations of TGP attracting and retaining the number of students that are needed to provide sufficient revenues to make timely payments under the Series 2022 Master Notes representing debt service on the Bonds. TGP's 2020-2021 total student enrollment was 348. As of April 1, 2022, the 2021-2022 enrollment is

501. Currently, TGP's charter provides for a maximum enrollment of 1,458 students. TGP has projected increases in its enrollment through the 2026-2027 school year to a total enrollment of 1,404 students. See "APPENDIX A – THE GATHERING PLACE – Financial Projections." The basis for such projections are, in part, applications for admissions for the grades currently in operation (K-3) and a strategy to add additional grade levels and increase student enrollment each year through 8th grade, including opening a new middle school facility for the 2024-2025 school year. There can be no assurance that the actual enrollment for TGP will be consistent with the projections contained in APPENDIX A. Failure to obtain necessary approvals or to attract and retain students in amounts projected by TGP may adversely affect TGP's ability to provide sufficient revenues to make timely payment under the Series 2022 Master Notes representing debt service on the Bonds. See "APPENDIX A – THE GATHERING PLACE AND THE CHARTER SCHOOL."

The projections of revenues and expenses contained in APPENDIX A were prepared by TGP. TGP has prepared its projections based on its limited operating history and its assumptions about future State funding levels and future operations of the Charter School, including grade levels, student enrollment and expenses. TGP's projections of enrollment and revenue growth involve known and unknown risks, uncertainties, and other factors, which may cause the actual results, performance, and achievements to be different from the future results, performance, or achievements expressed or implied by such forward-looking statements. Potential investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. Refer to "INTRODUCTION — Forward-Looking Statements," above, for qualifications and limitations applicable to forward-looking statements.

NO INDEPENDENT FEASIBILITY STUDIES HAVE BEEN CONDUCTED WITH RESPECT TO THE OPERATIONS OF THE GATHERING PLACE OR ASSUMPTIONS UPON WHICH THE GATHERING PLACE'S PROJECTIONS ARE BASED. THE UNDERWRITER MAKES NO REPRESENTATION AND GIVES NO ASSURANCES THAT SUCH PROJECTIONS OR THE ASSUMPTIONS UNDERLYING THEM, ARE COMPLETE OR CORRECT. FURTHER, THE PROJECTIONS RELATE ONLY TO A LIMITED NUMBER OF FISCAL YEARS AND CONSEQUENTLY DO NOT COVER THE ENTIRE PERIOD THAT THE BONDS WILL BE OUTSTANDING.

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

Competition for Students

Unlike traditional school districts, TGP must attract students from other schools, both public and private. No students are required to attend the Charter School, and students at the Charter School may subsequently transfer to other public or private schools at will. There are numerous public and private schools in the San Antonio area, many of which may be closer to the homes of present or prospective students of the Charter School. Furthermore, failure by TGP to provide facilities or academics at a level acceptable to students and their parents would presumably cause TGP to fail to attract or maintain students. There can be no assurance that TGP will continue to attract and retain the number of students that are needed to generate revenues sufficient to make payments under the Series 2022 Master Notes representing debt service on the Bonds.

Key Personnel

TGP's curriculum, educational philosophy and operations depend on the vision and commitment of a few, key personnel who comprise the senior leadership of TGP. See "APPENDIX A — THE GATHERING PLACE

AND THE CHARTER SCHOOL — Senior Leadership." Loss of any such key personnel could adversely affect TGP's growth plans, operations, ability to attract and retain students and ultimately its financial results. Of particular importance to TGP are co-CEOs Asia Klekowicz and Ryan York, whose contributions to TGP's development and whose ongoing responsibilities are significant. For more information regarding TGP's key personnel, see "APPENDIX A — THE GATHERING PLACE AND THE CHARTER SCHOOL — Senior Leadership."

Charter Schools Generally

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

Factors Associated with Education in General

There are a number of factors affecting schools in general that could have an adverse effect on TGP's financial position and ability to generate sufficient revenues to make payments under the Series 2022 Master Notes representing debt service on the Bonds. These factors include, but are not limited to, increasing costs of compliance with federal, State, or local regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety, and accommodating persons with disabilities; any unionization of TGP's work force with consequent impact on wage scales and operating costs of TGP; the ability to attract a sufficient number of students and to maintain faculty meeting appropriate standards; and changes in existing statutes pertaining to the powers and minimum funding levels for charter schools. School operations also present significant risks and operational and management issues not encountered in other enterprises. While Texas law provides that TGP is immune from liability to the same extent as a school district, and that its employees and volunteers are immune from liability to the same extent as employees and volunteers of a school district, a potential investor should anticipate that, because TGP provides services to children, any failure in TGP's operation and management could result in liability risks to TGP which would not be present for other enterprises not engaged in providing such services. Further, any change in the reputation of TGP in the communities it serves could negatively impact TGP's enrollment and its ability to make timely debt service payments.

Limited Assets of Borrower

If TGP does not generate sufficient revenues to pay all of TGP's debt obligations and operating expenses, TGP may have no other source of funds to make such payments. Further, while the payments of debt service on the Bonds occur prior to payments of TGP's operating expenses, a failure to make such operating payments would presumably ultimately result in the inability of TGP to attract students or maintain sufficient revenues for payment under the Series 2022 Master Notes representing debt service on the Bonds.

State Financial Difficulties

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

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

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

Revocation or Non-Renewal of Charter

TGP initially entered into its Charter in 2020 for a five-year period through July 31, 2025, which is prior to the maturity of the Bonds. See "APPENDIX A — THE GATHERING PLACE AND THE CHARTER SCHOOL — Charter Contract."

Under Texas law, the Commissioner of Education (the "Commissioner") may revoke the charter of, or modify the governance of the holder of a charter, of an open-enrollment charter school, or reconstitute the governing body of the charter holder, if the Commissioner determines that the charter holder: (i) committed a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter; (ii) failed to satisfy generally accepted accounting standards of fiscal management; (iii) failed to protect the health, safety, or welfare of the students enrolled at the school; (iv) failed to comply with any applicable law or rule, (v) failed to satisfy the performance framework standards adopted under Section 12.1181 of the Texas Education Code, or (vi) is imminently insolvent as determined by the Commissioner in accordance with Commissioner Rule.

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

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

There can be no assurance TGP will be able to satisfy the academic and/or financial accountability standards described above in the future. If TGP's Charter is revoked or if the Charter is not renewed, TGP may be forced to cease operations. The taking of any such actions by the Commissioner could have a material adverse effect on the ability of TGP to pay the Master Notes and thus to make payment of debt service on the Bonds and other bonds issued for the benefit of TGP.

Related procedures provide an opportunity for a hearing for the charter holder and parents, which must be held at the charter school's facility. See "APPENDIX A — THE GATHERING PLACE AND THE CHARTER SCHOOL — Charter Contract — Revocation, Nonrenewal and Modification of Governance" and "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW — GENERAL — CHARTER REVISION, REVOCATION AND NON- RENEWAL." If TGP's charter contracts are revoked or if the charter contracts are not renewed in the future, TGP could be forced to cease operations.

Required Approvals for Charter Amendments

Not more than once a year, an open-enrollment charter school may request approval from TEA to revise its maximum allowable student enrollment, geographic boundaries and number of campuses. TGP's charter currently authorizes a maximum student enrollment of [1,458]. Although TGP does not anticipate the need to increase its current enrollment cap to pay the debt service requirement of the Bonds, TGP may choose to request an amendment to its existing charter in the future. See "APPENDIX A – THE GATHERING PLACE AND THE CHARTER SCHOOL – Charter Contract."

Changes in the School Finance System

Because Texas charter schools are ultimately funded from the same sources as Texas public school districts, changes in the system of school finance could significantly affect how charter schools are funded. Neither the Issuer nor TGP can make any representation or prediction concerning how or if the State Legislature may change the current public school finance system, and how those changes may affect the funding or operations of charter schools. See "STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS" and "LITIGATION RELATED TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM" herein.

Since 1989, State funding of education has been challenged on constitutional grounds requiring the Texas Legislature to enact several funding programs, each of which differed in the manner in which State and local funds have been allocated to school districts. On May 13, 2016, the current school funding program was ruled constitutional by the Texas Supreme Court. The Issuer, TGP and the parties cannot predict and provide no assurance regarding: (i) whether the Texas Legislature will act to change the current Texas school funding program; (ii) what effect any such legislative changes would have on the existing Texas school funding program, including the distribution of funds under the current school funding system; and (iii) what effect any action or inaction by the Texas Legislature relating to the current Texas school funding program will have on the ability to receive, continue to receive or timely receive the money that is the primary source of payment for the Bonds. See "STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS" and "LITIGATION RELATED TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM" herein.

Future Changes to Charter School Laws

The law applicable to charter schools in the State has frequently changed, including changes to the school funding system and relating to revocation and non-renewal and the respective rights of the parties. See "STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS" and "STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS" below. The law affecting charter schools is subject to additional changes. Changes to applicable law by the State Legislature could be adverse to the financial interests of TGP and could adversely affect the ability of TGP to generate sufficient revenues to pay the Master Notes and to pay debt service on the Bonds and other bonds issued for the benefit of TGP. There can be no assurance that the Legislature will not change such laws in the future in a manner which is adverse to the interests of the registered owners of the Bonds. Adverse State budget considerations could increase the likelihood that the State Legislature would change the laws governing charter schools, and in particular charter school funding provisions. Further, State budget considerations may adversely affect appropriations for charter school funding. See "STATE FUNDING FOR OPEN- ENROLLMENT CHARTERS" and "LITIGATION RELATED TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM."

Risks of Real Estate Development and Ownership

Development, ownership and operation of real estate, such as the Charter School, involves certain risks, including the risk of adverse changes in general economic and local conditions, including population decreases; uninsured losses; operating deficits and mortgage foreclosure; lack of attractiveness of the property to students/parents; cyclical nature of the real estate market; adverse changes in neighborhood values; and adverse changes in zoning laws and other laws and regulations; and real property tax rates (to the extent such taxes are applicable to the Charter School). Such losses also include the possibility of fire or other casualty or condemnation. If the Charter School, or any portion thereof, were not available for any significant length of time, such unavailability could adversely affect the ability of TGP to generate sufficient revenues to make payments under the Series 2022 Master Note representing debt service on the Bonds. Changes in general or local economic conditions

and changes in interest rates and the availability of mortgage funding may render the sale or refinancing of the Charter School difficult or unattractive.

Limitations of Appraisals

TGP has engaged BBG, Inc. to prepare an appraisal of the Charter School to estimate the market value of a fee simple interest in the appraised property. The appraisal report (the "Appraisal") is not yet available, but is expected to be delivered by the appraiser prior to the sale of the Bonds.

Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the appraised values represent a reliable estimate of what such facilities would bring in liquidation following an Event of Default. There can be no assurance that the value of the Charter School upon foreclosure would be likely to be sufficient to cover the debt service on the Bonds.

Value of Facilities May Fluctuate

Under the Deed of Trust, TGP will grant to the Mortgage Trustee (as defined in the Deed of Trust) a first lien on and security interest in the Charter School. There is no guarantee that the foreclosure value of the land and/or improvements covered by the Deed of Trust will be adequate in the event of any foreclosure to pay debt service on the Bonds. Additionally, the value of the land and improvements may be less than comparable commercial properties in the area, especially in light of the special nature of the land and improvements as educational facilities and their limited use.

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

Inability to Liquidate or Delay in Liquidating the Project

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

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

Damage, Destruction or Condemnation

Although TGP will be required to obtain certain insurance against damage or destruction as set forth in the Master Indenture, there can be no assurance that any portion of the properties pledged to the Deed of Trust will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which TGP, as a result of damage or destruction to properties pledged to the Deed of Trust, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the properties pledged to the Deed of Trust, or any portion thereof, is damaged or destroyed, or is taken in a condemnation proceeding, the proceeds of insurance or any such condemnation award for the properties pledged to the Deed of Trust, or any portion thereof, must be applied restore or rebuild the applicable property or to redeem the Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the property, or any portion thereof, or to redeem Bonds will be sufficient for that purpose, or that any remaining portion of the property will generate revenues sufficient to pay the to pay debt service on the Bonds remaining outstanding.

Environmental Regulation

There are potential 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, owners of such property 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 Charter School or any portion thereof. In the event environmental enforcement actions were initiated, TGP could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the site of the Charter School, or any portion thereof. In addition, under certain environmental statutes, in the event an enforcement action is initiated, a lien could be attached to the Charter School, or a portion thereof, that would adversely affect TGP's ability to generate revenues from the operation of the Charter School sufficient to meet its obligations under the Loan Agreement and the debt service requirements on the Bonds. In the event of a foreclosure on a Deed of Trust, TGP may be held liable for costs and other liabilities relating to hazardous substances, if any, on the Charter School, or any portion thereof, on a strict-liability basis, and such costs might exceed the value of such property.

TGP's properties are and will be subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to such properties, whether arising from pre-existing conditions or conditions arising as a result of activities conducted in connection with the ownership of and operations at the properties. Costs incurred with respect to environmental remediation or liability could adversely affect TGP's financial condition and the ability to generate revenues sufficient to make payments under the Master Notes and thus debt service on the Bonds and other bonds issued for the benefit of TGP. Excessive costs in connection with any such environmental remediation or any such liability to third parties could also make it difficult to successfully re-let TGP's facilities.

TGP engaged AEI Consultants to prepare a Phase I Environmental Site Assessment for the Project site. AEI Consultants did not identify evidence of any recognized environmental conditions, any controlled recognized environmental conditions, or any historical recognized environmental conditions during the course of the assessment.

The intent of the Environmental Reports was to identify the potential for recognized environmental conditions; however, no environmental assessment can completely eliminate the uncertainty regarding the potential for recognized environmental conditions. In addition, observations and conclusions pertaining to environmental conditions are necessarily limited to the conditions observed, and/or materials reviewed at the time the assessment was performed.

Pledge of Adjusted Revenues to Master Trustee

The Master Indenture provides that all of TGP's Adjusted Revenues, including State Revenues, will be deposited into a deposit account pledged to the Master Trustee pursuant to the Deposit Account Control Agreement. Upon the occurrence of an payment default under the Master Indenture, the Master Trustee is entitled to, at the direction of the Holders of not less than 25% in principal amount of the Notes Outstanding, (i) issue a Notice of

Exclusive Control under the Deposit Account Control Agreement, and (ii) collect and receive all of TGP's Adjusted Revenues to be applied as specified in the Master Indenture. While the Holders of not less than 25% in principal amount of Notes Outstanding are entitled to direct the Master Trustee in the exercise of remedies following an Event of Default, such percentage may be composed wholly or partially of the holders of Notes other than the Series 2022 Master Notes.

Further, TGP has covenanted in the Master Indenture that if an Event of Default has occurred under the Master Indenture TGP will, without demand by the Master Trustee, deliver or cause to be delivered to the Master Trustee within five (5) Business Days from the day of receipt all of its Adjusted Revenues, including amounts subject to the Deposit Account Control Agreement for which a Notice of Exclusive Control has been delivered, for credit to the Revenue Fund. If TGP were to fail to deliver such Adjusted Revenues, either before or after an Event of Default, the only remedy available to the Master Trustee and/or Registered Owners would be a suit against TGP to enforce the provisions of the Master Indenture.

Enforcement of Remedies

The remedies available to registered owners of the Bonds upon an Event of Default depend in many respects upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Bond Indenture, the Loan Agreement and the Master Indenture may not be readily available, may be limited, and may prove to be expensive, time-consuming and difficult to enforce. Further, as noted above, the Bonds are special and limited obligations of the Issuer and the existence of any remedy does not guarantee sufficient assets of TGP pledged to payment of the Master Notes to secure such payment. See " – Special, Limited Obligations" above. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the sovereign powers of the State and the constitutional powers of the United States of America, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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

Limitation on Security

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

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

Risk of Additional Debt

Subject to certain conditions provided in the Master Indenture, TGP has reserved the right to issue additional Debt which is secured under the Master Indenture on parity with the Bonds. The issuance of additional

Debt may adversely affect the investment security of the Bonds. For a description of the circumstances under which additional Debt may be issued, see "SECURITY FOR THE BONDS – The Series 2022 Master Notes and the Master Indenture – Additional Debt" and "APPENDIX F – SUBSTANTIALLY FINAL FORM OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1."

No Rating

None of the Underwriter, the Issuer, or TGP has applied to any credit rating agency for a rating on the Bonds. No assurance can be given with respect to how obtaining (or failing to obtain) such rating would impact the liquidity of the Bonds.

Failure to Provide Ongoing Disclosure

TGP will enter into a Continuing Disclosure Agreement in the Loan Agreement for the benefit of the holders and beneficial holders in connection with the issuance of the Bonds. Failure to comply with the Continuing Disclosure Agreement in the future may adversely affect the liquidity of the affected Bonds and their market price in the secondary market. See "CONTINUING DISCLOSURE AGREEMENT" and "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Secondary Market

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

Risk of Loss from Nonpresentment upon Redemption

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

Risk of Amendment

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

Litigation

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

Infectious Disease Outbreak – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA (defined herein)) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at http://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

For the 2021-22 school year, the Governor announced that virtual learning would not be allowed for public schools in Texas. The Governor also prohibited mandating masks on public school campuses. After the start of the 2021-22 school year, public schools were reporting high enrollment but lower overall attendance due to COVID-19. In response, the Texas Legislature passed SB 15, which authorizes school districts and charter schools with academic performance ratings of "C" or higher to establish or continue local remote learning (virtual learning) programs and provides attendance funding for students enrolled in such programs until September 2023 for no more than 10% of the student population, so long as the students meet certain academic performance and attendance criteria. Official guidance from TEA clarified that schools, like TGP, that did not have a prior academic performance rating, would also be eligible to offer virtual learning, but will be subject to the performance rating constraint once a rating is assigned in a future school year.

In March 2020, the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law, providing multiple fund sources for K-12 education. The CARES Act dedicated \$13.2 billion for K-12 schools through the Elementary and Secondary School Emergency Relief (ESSER) Fund ("ESSER I"). The USDOE awarded ESSER grants to state educational agencies for the purpose of providing local educational agencies, including charter schools, with emergency relief funds to address the impact of COVID-19. The Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSA") was signed into law in December 7, 2020, and provided an additional \$54.3 billion to the Elementary and Secondary School Emergency Relief (ESSER) Fund ("ESSER II"). In March 2021, the American Rescue Plan ("ARP") dedicated \$122 billion to the Elementary and Secondary School Education Relief (ESSER) Fund ("ESSER III"). In addition, nonprofit charter schools were eligible to participate in the Paycheck Protection Program ("PPP") funded in the CARES Act. TGP obtained a \$48,000 loan under the PPP, which was forgiven on January 19, 2021 in accordance with the CARES Act. TGP has also been allocated ESSER I, ESSER II, and ESSER III funding by TEA, in the amounts of \$82,772, \$635,528, and \$1,427,766, respectively. TGP has used ESSER funds to provide additional instructional staff to help with loss of learning resulting from the COVID-19 pandemic, to pay contractor expenses for special education services and to pay salaries for existing staff.

TGP commenced operations and classroom instruction for the 2020-2021 school year during the Pandemic and opened fully enrolled. For the 2021-2022 school year, fall 2021 enrollment was negatively impacted after the start of the school year by the initial inability of TGP to offer virtual learning options during the spread of the Delta variant of COVID-19 prior to the passage of SB 15. Upon passage of SB 15 and guidance from TEA, TGP was able to recover enrollment by re-enrolling departed students and admitting new students. Management continues to take

steps to minimize the impact of COVID-19 on the operating and financial performance of TGP, and to monitor the situation and make necessary changes to accommodate students and to comply with TEA requirements.

While the potential impact of the Pandemic on TGP cannot be quantified at this time, TGP does not anticipate any negative operational or financial impacts as a result of the Pandemic for Fiscal Year 2022. The full extent of the ongoing impact of the Pandemic on TGP's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of mitigation strategies, the duration, severity and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. Furthermore, TGP's operations and finances in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets. See "STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS."

Campus Security

Schools are generally subject to risks related to campus security, including, but not limited to bullying, abuse, and, in extreme cases, physical violence. While TGP's management believes that the Charter School is secure, instances of breaches of campus security in the future may have a material adverse effect on TGP's operations and reputation, and may result in litigation, any of which could adversely affect TGP's financial condition and its ability to pay debt service on the Bonds.

Cybersecurity

TGP relies on a technological environment to conduct its operations and potentially faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). While TGP mitigates this Systems Technology risk by using the digital data storage services of third party providers that maintain cybersecurity protection policies and maintains a cyber insurance policy, as a recipient and provider of personal, private, or sensitive information, TGP may be the target of cybersecurity incidents that could result in adverse consequences to TGP and its Systems Technology, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to TGP's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. Cybersecurity breaches could cause material disruption to TGP's finances or operations. The costs of remedying any such damage or obtaining insurance related thereto, or protecting against future attacks could be substantial, and insurance (if any can be obtained) may not be adequate to cover such losses or other resultant costs and expenses. Further, cybersecurity breaches could expose TGP to material litigation and other legal risks, which could cause TGP to incur material costs related to such legal claims or proceedings.

Tax-Exempt Status of the Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied in order for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that issuers file an information report with the Internal Revenue Service (the "IRS"). TGP has agreed that it will comply with all such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings, and policies may result in the treatment of the interest on the Series 2022A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See also "TAX MATTERS FOR SERIES 2022A BONDS" herein.

In December 1999, as a part of a larger reorganization of the IRS, the IRS commenced operation of its Tax-Exempt and Government Entities Division (the "TE/GE Division") as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. The number of tax-exempt bond examinations has increased significantly under the TE/GE Division. Neither the Issuer nor TGP has sought to obtain a private letter ruling from the IRS with respect to the Series 2022A Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that any

IRS examination of the Bonds will not adversely affect the market value of the Bonds. See "TAX MATTERS FOR SERIES 2022A BONDS" herein.

If a Determination of Taxability (as defined in the Bond Indenture) were to occur, the Series 2022A Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date not more than 120 days following receipt of notice by the Bond Trustee of such determination, subject to certain conditions and notice requirements. See "THE BONDS — Redemption Provisions — Mandatory Redemption Upon Determination of Taxability."

Future Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Series 2022A Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Series 2022A Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Series 2022A Bonds. Prospective purchasers of the Series 2022A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations. Bond Counsel expresses no opinion regarding any pending or proposed federal or State legislation, regulations or litigation and its impact.

Tax-Exempt Status of TGP

The tax-exempt status of the Series 2022A Bonds presently depends upon maintenance by TGP of its status as an organization described in section 501(c)(3) of the Code. The maintenance of this status depends on compliance with general rules regarding the organization and operation of tax-exempt entities, including operation for charitable and educational purposes and avoidance of transactions that may cause earnings or assets to inure to the benefit of private individuals, such as the private benefit and inurement rules.

Tax-exempt organizations are subject to scrutiny from and face the potential for sanction and monetary penalties imposed by the IRS. One primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in inurement or unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of non-profit organizations, it could do so in the future. Loss of tax-exempt status by TGP could result in loss of tax exemption of the Series 2022A Bonds and defaults in covenants regarding the Bonds and other obligations would likely be triggered. Loss of tax-exempt status by TGP could also result in substantial tax liabilities on its income. For these reasons, loss of tax-exempt status of TGP could have material adverse consequences on the financial condition of TGP.

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

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

TGP may be audited by the IRS. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest, and penalties. An IRS audit ultimately could affect the tax-exempt status of TGP, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2022A Bonds and any other tax-exempt debt issued for TGP.

Risk of Failure to Comply with Certain Covenants

Failure of the Issuer to comply with certain covenants contained in the Bond Indenture or of TGP with certain covenants in the Loan Agreement on a continuing basis prior to the maturity of the Bonds could result in interest on the Series 2022A Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS FOR THE SERIES 2022A BONDS" herein.

State and Local Tax Exemption

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

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

Unrelated Business Income

The IRS and State, county, and local tax authorities may undertake audits and reviews of the operations of tax-exempt organizations with respect to the generation of unrelated business taxable income ("UBTI"). TGP may participate in activities that generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest, and penalties with respect to UBTI and, in some cases, ultimately could affect the tax-exempt status of TGP as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2022A Bonds.

Risk of Bankruptcy

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

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

STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS

Overview

The following is a description of the system of State funding for traditional school districts in the State (the "Finance System") and not for open-enrollment charter schools. *However, it is necessary to understand the Finance System in order to understand the system of State funding applicable to open-enrollment charter schools.* During the

2019 legislative session, the Texas Legislature made numerous changes to the Finance System, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). In some instances, the provisions of HB 3 and SB 2 will require further interpretation by TGP and TEA. TGP is still monitoring the on-going guidance provided by TEA relating to HB 3. The information contained herein reflects TGP's understanding of the Finance System based on information available to TGP as of the date of this Official Statement, which is subject to change.

The following language constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program," as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts.

Local Funding for School Districts

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

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal to a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to \$0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to \$0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between \$1.04 and \$1.17 per \$100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

During the 2019 Legislative Session, the State Legislature made several significant changes to the funding methodology for school districts (the "2019 Legislation"). The 2019 Legislation orders a school district's M&O tax rate into two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate", which is any local M&O tax effort in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption

"STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" is a statutorily-defined percentage of the rate of \$1.00 per \$100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage was set at 93% per \$100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

The State Compression Percentage compares the extent to which statewide property value growth exceeds 2.5%. The general appropriations act set statewide average property value growth at 4.01% for the 2020-2021 school year. In the 2020-2021 school year, the State Compression Percentage declined to 91.64% (0.93 * (1.025/1.0401), effectively setting the fiscal year 2020-2021 Tier One Tax Rate for most school districts at \$0.9164 cents. The State Compression Percentage will decline further in future years if statewide average property values grow at a rate that is greater than 2.5%.

Maximum Compressed Tax Rate. Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by \$1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Texas Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2021-2022 school year. It established \$0.9134 as the maximum rate and \$0.8220 as the floor.

<u>Tier One Tax Rate</u>. Beginning in the 2020-2021 school year, a school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

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

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

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier

One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "*Tier One*" funding or "*Tier Two*" funding, respectively, to fund the difference between the school district's entitlements and the actual M&O revenues generated by the school district's respective M&O tax rates.

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

The current Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,323,444,300 for the EDA, IFA, and NIFA.

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

<u>Tier One</u>. Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by \$6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

For the 2021-2022 school year, the fast growth allotment weight is 0.45 for school districts in the top 40% of school districts for growth, 0.30 for school districts in the middle 30% of school districts for growth and 0.15 for school districts in the bottom 30% of school districts for growth. After the 2021-2022 school year, the fast growth allotment weights change to 0.48 for school districts in the top 40% of school districts for growth, 0.33 for school districts in the middle 30% of school districts for growth and 0.18 for school districts in the bottom 30% of school

districts for growth. The fast growth allotment is limited to \$270 million for the 2021-2022 school year, \$310 million for the 2022-2023 school year and \$315 million for the 2023-72024 school year.

<u>Tier Two</u>. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$98.56 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2020-2021 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the State Legislature for the 2020-2021 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2020-2021 State fiscal biennium on new bonds issued by school districts in the 2020-2021 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. In the 2019 Legislative Session the State Legislature appropriated funds in the amount of \$100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

The Commissioner may adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year.

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Notwithstanding the foregoing, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open-enrollment charter schools are entitled for a school year exceeds \$400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement." Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in ADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately \$3.6 billion during the 2020-2021 State fiscal biennium.

Options for Local Revenue Levels in Excess of Entitlement

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

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

2021 Legislative Session

The Legislature meets in regular session in odd-numbered years for 140 days. On January 12, 2021, the 87th Texas Legislature convened in general session, which adjourned on May 31, 2021. During the legislative session, the Legislature approved a general appropriations act and legislation affecting the finance system affecting charter districts, among other legislation affecting charter districts and the administrative agencies that oversee charter districts. Of note, House Bill 1525 contained a number of technical modifications to the Finance System established under HB 3 during the 86th Legislative Session. TGP is in the process of evaluating legislation passed during the 87th Texas Legislature and how it may impact TGP. TGP can make no representations or predictions regarding the impact of legislation passed at this time.

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. As of the date of this Official Statement, the Governor has called three special sessions to address issues on agendas set by the Governor, the first commenced July 8, 2021 and ended August 6, 2021, the second commenced August 7, 2021 and ended September 2, 2021, and the third commenced September 20, 2021 and ended October 19, 2021. The Governor's agenda for the 87th Legislature's special sessions did not specifically address the Finance System, but the agenda for the second special session addressed strategies for public school education during the COVID-19 pandemic. On August 31, 2021, the Legislature approved Senate Bill 15 ("SB 15"), a bill authorizing school districts and charter schools with academic performance ratings of "C" or higher to create local remote learning (virtual learning) programs and provides attendance funding for students enrolled in such programs until September 2023 for no more than 10% of the student population, so long as the students meet certain academic performance and attendance criteria. During the third special session, the Legislature passed Senate Joint Resolution 2, which proposed a constitutional amendment to increase the residence homestead exemption from ad valorem taxation for public schools from \$25,000 to \$40,000, and its enabling legislation Senate Bill 1. Senate Joint Resolution 2 will be presented to the voters in May 2022. TGP can make no representations or predictions concerning the substance or the effect of any legislation that may pass during any future sessions of the Legislature.

STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS

Background on State Funding for Open-Enrollment Charter Schools

State funding for open-enrollment charter schools is an adaptation of the Finance System described above under "STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS." Open-enrollment charter schools

are entitled to funding from both Tier One and Tier Two of the Foundation School Program in accordance with the funding formulas for school districts generally described above under "STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS."

Tier One Funding for Charter Schools

Beginning in the State fiscal year ending in 2020, a charter holder is entitled to receive for an open-enrollment charter school Tier One funding equal to the amount of Tier One funding per student in weighted average daily attendance, excluding (i) the adjustment under Section 48.052 of the Texas Education Code, as amended, (ii) the funding under Section 48.101, 48.111, and 48.112 of the Texas Education Code, as amended, and (iii) enrichment funding under Section 48.202(a) of the Texas Education Code, as amended, to which the charter holder would be entitled if the open-enrollment charter were a school district without a Tier One local share for purposes of calculating the distribution of the Foundation School Fund. For open-enrollment charter schools, the Tier One program allocations are determined by substituting the statewide average adjusted allotment in place of a school district's calculated adjusted allotment. The state average adjusted allotment is computed by averaging the adjusted allotment for each school district in the state for the relevant school year.

Tier Two Funding for Charter Schools

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

Student-Based Allotments

A charter holder of an open-enrollment charter school is entitled to receive an allotment per student in average daily attendance in an amount equal to the difference between (1) \$125, and (2) the product of (A) the quotient of (i) the total amount of funding provided to eligible school districts under Section 48.101(b) or (c) of the Texas Education Code, as amended, and (ii) the total number of students in average daily attendance in school districts that receive an allotment under Section 48.101(b) or (c) of the Texas Education Code, as amended, and (B) the sum of one and the quotient of (i) the total number of students in average daily attendance in school districts that receive an allotment under Section 48.101(b) or (c) of the Texas Education Code, as amended, and (ii) the total number of students in average daily attendance in school districts statewide. In addition, a charter holder of an openenrollment charter school is entitled to receive funding related to the (i) College Career, or Military Readiness Outcomes Bonus (Section 48.112 of the Texas Education Code, as amended), and (ii) Teacher Incentive Allotment (Section 48.112 of the Texas Education Code, as amended), if the charter holder would be entitled to such funding if the open-enrollment charter school were a school district.

State Facilities Funding for Charter Schools

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

Additional Funding for Open-Enrollment Charter Schools

A charter holder of an open-enrollment charter school is entitled to receive additional funding allotments, if the charter holder would be entitled to such funding allotments if the open-enrollment charter school were a school district, including the: (i) Transportation Allotment (Section 48.151 of the Texas Education Code, as amended); (ii)

Dropout Recovery School and Residential Placement Facility Allotment (Section 148.153 of the Texas Education Code, as amended); and (iii) Tuition Allotment for Districts not Offering All Grade Level (Section 148.154 of the Texas Education Code, as amended).

Timing of State Funding

Generally, open-enrollment charter schools receive State funding payments monthly in approximately even amounts (i.e., either 8.3% or 8.4% of its overall annual entitlement). Open-enrollment charter schools that have experienced a 10% or greater increase in enrollment from the prior year have the option of an accelerated payment of Foundation School Program funding according to a payment scheduled prescribed by law. Eligible charter schools that choose the accelerated payment schedule will receive such accelerated payments for three school years and then must reestablish eligibility.

COVID-Related Changes to ADA

For the 2020-21 school year, TEA allowed for certain Remote Synchronous Instruction and Remote Asynchronous Instruction to count towards ADA. "Remote Synchronous Instruction" is two-way, real-time/live, virtual instruction between teachers and students when students are not on campus. In this method, the required amount of instructional time is scheduled each day, and funding is generated when attendance is recorded daily at a locally selected snapshot time. Synchronous instruction is provided through a computer or other electronic device or over the phone. The instructional method must address the required curriculum, per TEC, §28.002. More information on calculating ADA during COVID can be found here: https://tea.texas.gov/sites/default/files/covid/SY-2020-21-Attendance-and-Enrollment.pdf.

For the 2021-22 school year, the Governor announced that virtual learning would not be allowed for public schools in Texas. In response, the Texas Legislature passed SB 15, which authorizes school districts and charter schools with academic performance ratings of "C" or higher to establish or continue local remote learning (virtual learning) programs and provides attendance funding for students enrolled in such programs until September 2023 for no more than 10% of the student population, so long as the students meet certain academic performance and attendance criteria.

LITIGATION RELATED TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the "Court") has issued decisions assessing the constitutionality of the Finance System. The litigation has primarily focused on whether the Finance System, as amended by the Legislature from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to "establish and make suitable provision for the support and maintenance of an efficient system of public free schools," or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court's previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, Morath, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al., No. 14-0776 (Tex. May 13, 2016) ("Morath"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In addition, a suit that was consolidated with Morath added additional grounds that relate to the unique and varied circumstances of charter schools as a basis for holding the Finance System unconstitutional, including that charter schools at the time received no funding for facilities and that the statutory cap on charter schools is unconstitutionally arbitrary. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Furthermore, the Texas Supreme Court affirmed the District Court's finding that funding charter schools differently from other public schools and imposing a statutory cap on enrollment is within the discretion of the Legislature.

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in the name of its nominee. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, TGP, the Bond Trustee, the Master Trustee, and the Underwriter take no responsibility for the accuracy or completeness thereof and cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described herein. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities 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 bookentry 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 Borrower 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 a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, and redemption 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 Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices,

as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Issuer and Underwriter believe to be reliable, but none of the Issuer and Underwriter take responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections hereof

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections hereof to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

LEGAL MATTERS

Legal Proceedings

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the Issuer are subject to the approval of the Attorney General of the State and the legal opinion of Schulman, Hoffer, Lopez & Adelstein LLP, Houston, Texas, Bond Counsel, in substantially the form of the opinions set forth in "APPENDIX D — FORM OF BOND COUNSEL OPINION." The opinion of Bond Counsel will express no opinion and make no comment with respect to the sufficiency of the security for, or the marketability of, the Bonds.

Bond Counsel was not requested to participate and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information appearing herein: (i) under the captions "LEGAL MATTERS," "TAX MATTERS FOR THE SERIES 2022A BONDS," "TAX MATTERS FOR THE SERIES 2022B BONDS," "STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS," "STATE FUNDING FOR OPEN-ENROLLMENT CHARTER SCHOOLS" and "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and is of the opinion that the information therein is correct as to matters of law; and (ii) under the captions "THE BONDS," "SECURITY FOR THE BONDS," "CONTINUING DISCLOSURE OF INFORMATION," "APPENDIX D – FORM OF BOND COUNSEL OPINION," "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT," "APPENDIX F – SUBSTANTIALLY FINAL FORM OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1," "APPENDIX G – SUBSTANTIALLY FINAL FORM OF THE BOND INDENTURE," and "APPENDIX H – SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT" and is of the opinion that the information therein fairly summarizes the documents referred to therein.

Certain legal matters will be passed upon by Locke Lord LLP, Dallas, Texas, as counsel to the Issuer; by Schulman, Hoffer, Lopez & Adelstein LLP, Houston, Texas, as counsel to TGP; and by Hunton Andrews Kurth LLP, Houston, Texas, as counsel to the Underwriter.

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

Pending and Threatened Litigation

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

No Proceedings Against Borrower. In connection with the issuance of the Bonds, TGP will deliver a certificate or certificates which will state that, as of the date of issuance of the Bonds, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or, to the best of its knowledge, threatened against or affecting TGP, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bond Indenture, the Master Indenture, the Loan Agreement, the bond purchase agreement (referred to in "SALE AND DISTRIBUTION OF THE BONDS — Underwriting") or this Official Statement, or the validity and enforceability of the Bond Indenture, the Loan Agreement, the Master Indenture, the bond purchase agreement, the Bonds, the Series 2022 Master Notes or the operations (financial, operational or otherwise) of TGP.

TAX MATTERS FOR THE SERIES 2022A BONDS

Tax Exemption

Delivery of the Series 2022A Bonds is subject to the opinion of Schulman, Lopez, Hoffer & Adelstein, LLP, Houston, Texas, Bond Counsel, that interest on the Series 2022A Bonds will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals.

The opinion of Bond Counsel is based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Series 2022A Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Series 2022A Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinion, Bond Counsel has assumed continuing compliance by the Issuer and the Borrower with certain covenants contained in the Bond Indenture and Loan Agreement and has relied on representations by the Issuer and the Borrower with respect to matters solely within the knowledge of the Issuer and the Borrower, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Series 2022A Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, the maintenance of the Borrower's status as an organization described in Section 501(c)(3) of the Code, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the Issuer file an information report with the IRS. If the Issuer and the Borrower should fail to comply with the covenants in the Bond Indenture and Loan Agreement or if their representations relating to the Series 2022A Bonds that are contained in the Bond Indenture and Loan Agreement should be determined to be

inaccurate or incomplete, interest on the Series 2022A Bonds could become taxable from the date of delivery of the Series 2022A Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Series 2022A Bonds.

Bond Counsel's opinion is not a guarantee of a result. It represents a legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer and Borrower described above. No ruling has been sought from the IRS with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2022A Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Series 2022A Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2022A Bonds, the Issuer and the Borrower may have different or conflicting interests from the owners of the Series 2022A Bonds. Public awareness of any future audit of the Series 2022A Bonds could adversely affect the value and liquidity of the Series 2022A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Series 2022A Bonds, received or accrued during the year.

Prospective purchasers of the Series 2022A Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2022A Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Series 2022A Bonds.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Series 2022A Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Series 2022A Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Series 2022A Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Series 2022A Bonds. Prospective purchasers of the Series 2022A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations. Bond Counsel expresses no opinion with respect to pending or proposed federal or state tax legislation, and its impact.

Tax Accounting Treatment of Original Issue Discount on the Series 2022A Bonds

Some of the Series 2022A Bonds may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Series 2022A Bonds. If a substantial amount of any maturity of the Series 2022A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Series 2022A Bonds of that maturity (a "Discount Bond") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such

Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bond under the caption "TAX MATTERS FOR THE SERIES 2022A BONDS – Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Discount Bond at the initial offering price in the initial public offering of the Series 2022A Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Bond must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX MATTERS FOR THE SERIES 2022A BONDS – Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only. It and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the Issuer or the Borrower. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Discount Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Discount Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

Tax Accounting Treatment of Original Issue Premium on Series 2022A Bonds

Some of the Series 2022A Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Series 2022A Bonds. If a substantial amount of any maturity of the Series 2022A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Series 2022A Bonds of such maturity (a "Premium Bond") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Premium Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium with respect to a Premium Bond. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Premium Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Premium Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Series 2022A Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

TAX MATTERS FOR THE SERIES 2022B BONDS

The following is a general summary of United States federal income tax consequences of the purchase and ownership of the Series 2022B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. This summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Series 2022B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokerdealers, and persons who have hedged the risk of owning the Series 2022B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Series 2022B Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series 2022B Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Series 2022B Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and the discussion below is not binding on the IRS.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2022B BONDS.

Stated Interest on the Series 2022B Bonds

The stated interest on the Series 2022B Bonds will be included in the gross income, as defined in Section 61 of the Code, and in the net investment income, for purposes of the 3.8% Medicare tax imposed by Section 1411 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when paid or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Disposition of the Series 2022B Bonds

A beneficial owner of the Series 2022B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Series 2022B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Series 2022B Bond. Generally, the beneficial owner's adjusted tax basis in a Series 2022B Bond will be the beneficial owner's initial cost, increased by any original issue discount previously included in the beneficial owner's income to the date of disposition and reduced by any amortized bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Series 2022B Bond.

Backup Withholding

Under Section 3406 of the Code, a beneficial owner of the Series 2022B Bonds who is a United States person, as defined in Section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" with respect to current or accrued interest on the Series 2022B Bonds or with respect to proceeds received from a disposition of the Series 2022B Bonds. This withholding applies if such beneficial owner of the Series 2022B Bonds: (i) fails to furnish to the payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report property

interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Series 2022B Bonds. Beneficial owners of the Series 2022B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding On Payments To Nonresident Alien Individuals And Foreign Corporations.

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such beneficial owners of the Series 2022B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2022B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a bank receiving interest on the Series 2022B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2022B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

Reporting Of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to the Series 2022B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series 2022B Bond for U.S. federal income tax purposes.

CONTINUING DISCLOSURE AGREEMENT

TGP will enter into and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with respect to the Bonds for the benefit of the registered and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12. See "APPENDIX E — FORM OF CONTINUING DISCLOSURE AGREEMENT." TGP has not previously been an obligated person under Rule 15c2-12.

TGP has not previously been an obligated person in connection with any continuing disclosure undertakings under Rule 15c2-12.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by the Underwriter, pursuant to a bond purchase agreement with the Issuer, as approved by TGP, at a price of \$______, which reflects the par amount of the Bonds, [plus][minus] a net

original issue [premium][discount] of \$______, less an underwriting discount of \$______. The Underwriter's obligation to purchase the Bonds is subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Issuer has no control over the price at which the Bonds are subsequently sold and the initial yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Underwriter.

Prices and Marketability

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

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

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

Securities Laws

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will in fact be used as investments or security by any entity.

FINANCIAL STATEMENTS

The audited financial statements of TGP for the fiscal year ending June 30, 2021 are included in this Official Statement in "APPENDIX C — FINANCIAL STATEMENTS." The financial statements in Appendix C have been audited by Gomez & Company, Houston, Texas to the extent and for the periods indicated in their report thereon. TGP has not sought or obtained the consent of its auditors for inclusion of the audited financial statements.

MISCELLANEOUS

Sources and Compilation of Information

The financial data and other information contained herein have been obtained primarily from TGP and sources other than the Issuer. All of these sources are believed to be reliable, but no representation or guarantee is made by the Issuer as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation or guarantee on the part of the Issuer to such effect.

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

The summaries of the agreements, reports, statutes, resolutions, documents, and other related information set forth herein are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents in all respects for further information.

Certification

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

By:	
Co-CEO	

THE GATHERING PLACE



APPENDIX A THE GATHERING PLACE



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APPENDIX A

THE GATHERING PLACE

General

TGP Public Schools ("TGP") is a nonprofit corporation incorporated in the State of Texas (the "State") and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). TGP was incorporated in 2018 and organized exclusively for charitable and educational purposes. In particular, TGP is organized to provide students in historically underserved communities a high quality education that fosters academic performance, creativity, and healthy social and emotional development. TGP operates a public, tuition-free open-enrollment charter school known as "The Gathering Place" pursuant to a charter contract with the Texas Education Agency dated October 19, 2019 (as amended, the "Charter"). The Charter is initially effective for a five-year term through July 31, 2025 and subject thereafter to renewal for additional periods not to exceed ten years. TGP emphasizes a whole child approach through project-based learning, daily art and hands-on projects. The Charter School opened for the 2020-2021 school year in the "Near Northwest" area of San Antonio, Texas, serving 348 students in grades K-2. As of April 1, 2022 the Charter School serves 501 students in grades K-3. TGP expects to expand grade level offerings annually until it serves grades K-8.

Mission

TGP's mission is to nurture and celebrate each child's inner-brilliance.

Vision

TGP's vision is to be a diverse gathering place of people and ideas with limitless collective potential.

History of the Charter School

The Charter School opened in August 2020 under the joint leadership of Joanna (Asia) Klekowicz and Ryan York. After successful careers teaching, coaching, and leading schools, Asia and Ryan built and scaled a project-based computer science curriculum and teacher training program that grew to serve over 10,000 students in public schools across the country. Inspired by a vision of what could be and driven by the belief that kids, especially in historically underserved neighbors, do not receive a complete education, Asia and Ryan established the Charter School in the Near-Northwest side of San Antonio, Texas. The primary geographic zone of the Charter School straddles two socioeconomic worlds and includes historically segregated parts of the community, providing TGP with a unique opportunity to create a gathering place of diverse students with different socioeconomic and racial backgrounds. Rooted in their belief that children are remarkable and capable of equally remarkable work, the design principles for TGP and the Charter School are built on three freedoms:

- (1) The freedom to be through restorative practices and social-emotional learning,
- (2) The <u>freedom of expression</u> through daily creative arts, and
- (3) The freedom to explore individual passions and curiosities through student-driven projects.

Educational Program

The Model

TGP prioritizes social-emotional development and restorative practices in order to create a school environment where children have the freedom to be. To feel that you belong is liberating. It means that your identity is validated and affirmed, that you can build healthy relationships, and that you are secure within the

community. These principles are the foundation of TGP's culture. TGP's inclusive educational model is designed to meet the needs of all students.

TGP celebrates and builds upon what makes us diverse, works in relentless pursuit of equity, and facilitates inclusivity to create a community where people feel an authentic sense of belonging. Instead of trying to force students to share a set of common societal beliefs, TGP focuses on understanding and encouraging the things that make us different.

The culture of TGP is built on restorative practices. While most schools respond to breaches of school culture with retributive punishment, TGP focuses on accountability through repairing the harm that was done. Restorative practices are rooted in a core belief that learning to understand the effects of one's behavior on others will influence future behavior, instead of the core belief that the fear or dislike of the pain of punishment will deter future offenses.

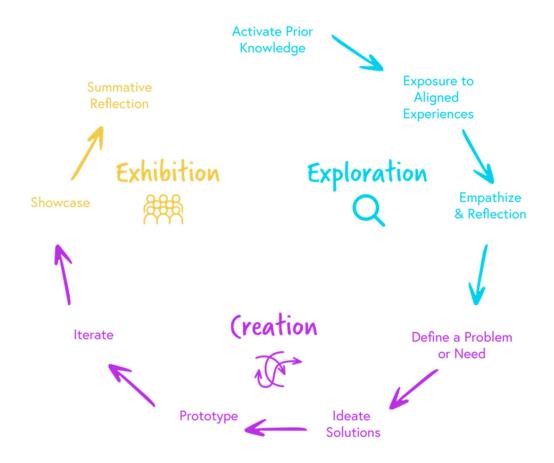
Lastly, through a social-emotional curriculum, students at TGP learn to deeply understand and manage emotions, establish and maintain positive relationships, and develop empathy and resolve conflict. TGP supports social and emotional learning (SEL) through a research-based SEL curriculum, play infused into the daily school schedule, and by leveraging a Director of SEL who oversees programming with a team of SEL counselors, social workers, and behavior interventionists. Structurally, each day begins with circle, where students proactively learn social-emotional skills aligned to five competencies: self-awareness, self-management, social-awareness, relationship skills, and responsible decision-making.



Project-Based Learning

TGP's educational model immerses students in project-based learning (PBL) to enable them to explore their passions through instruction that prioritizes real-world experiences and provides students with agency over how they approach their work. TGP's model addresses all Texas Essential Knowledge and Skills (TEKS) standards through PBL so that students master core content, while also fulfilling the community's expressed need for a different and innovative approach to instruction that is not found at their local public schools.

Overall, PBL has been shown to be an effective and rigorous instructional method of mastering state standards, and a comparatively stronger teaching approach than traditional methods of teaching. What students learn in school should not be separated from how it appears in the real-world. Instead of moving through topics that are disconnected from the very things that matter to students and jumping from one unrelated skill to another as is often the case in traditional methods, PBL does the opposite. Through PBL, students explore relevant problems, create plans to build potential solutions or answers, and reflect throughout the learning process. As problems have not been isolated from how they appear in the real-world, projects are by nature interdisciplinary and weave together multiple skills. Each student's project is different and reflects their personal interests and passions.



Arts and Creativity

TGP students have the freedom to express themselves through daily creative arts, which include music, dance, theater, and visual art, which serve as an outlet for emotion and expression, and provide meaningful benefits unique to our students.

Art is at the center of what it means to be human. The arts are often an outlet for emotion and expression, an elemental method of communication, and a way to connect deeply and explore perception. TGP believes that the arts are a fundamental way of interacting with the world and support students in answering the question of "Who am I?" The arts also provide meaningful benefits that are unique to the students TGP aims to serve. Students build motivation and self-confidence through active learning that embraces diverse cultures and inspires creative thinking to develop the skills needed to succeed in San Antonio's changing economy and diverse workplaces.



Immersion Art
Children explore different mediums
of creativity and expression, working
on projects tied to all art forms.



Performance Art
Each year students have music,
visual art, dance, and theatrical
performances.



Modern Art
Students choose from a large offering
of modern art classes including
screen printing, breakdancing,
recording, and film production.



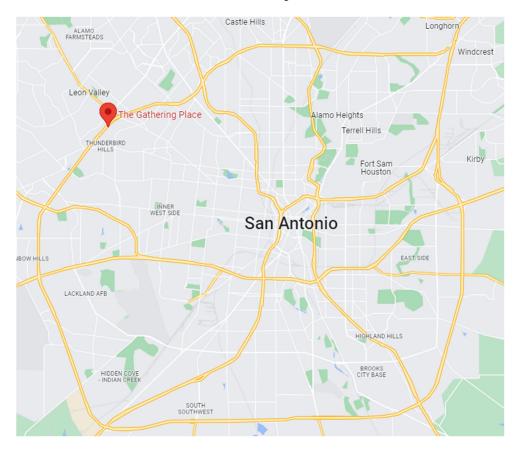
Original Art
Students choose the medium of art they are most passionate about and focus on creating new pieces of art.

Facilities

The Charter School is located at 5818 NW Loop 410, San Antonio, Texas 78238. TGP currently leases the Charter School property and facilities (collectively, the "Facility") pursuant to a Build to Suit Lease and Option, as amended (collectively, the "Lease"), between TGP and affiliates of Performance Charter School Development (the "Developer"). The Lease commenced in August 2020 for a 25-year term, with an option to purchase the Facility during the term of the Lease at a purchase price for each option period based on a percentage above final Developer costs. TGP paid monthly rent of \$73,987 for the first year of the Lease term (with two months deferred) and currently pays monthly rent of \$129,733. TGP expects to exercise its purchase option under the Lease for the purchase price of \$22,340,949.

The Facility consists of an approximately 61,862 square foot elementary school composed of 17 permanent modular buildings constructed in 2020 and 2021, an approximately 4,000 square foot gymnasium/multipurpose building repurposed from a metal building originally constructed in 1994, and a 1,736 square foot storage building originally constructed in 1994, on 7.292 acres of land. The Facility has a current physical capacity of approximately 936 students.

Area Map



Photographs of Facility











Project

The proceeds of the sale of the Bonds will be used by TGP to (i) exercise its option under the Lease to purchase the Facility for a purchase price of \$22,340,949, (ii) refinance and construct a large nature-based playground for the Charter School, (iii) fund a debt service reserve fund, and (iv) pay costs of issuance of the Bonds.

TGP currently has an outstanding bank loan from Texas Partners Bank dba The Bank of San Antonio, in the aggregate principal amount of \$147,300.00 maturing on November 11, 2024, the proceeds of which were expected to be used to construct the Charter School's playground. TGP partnered with internationally renowned playground designer and author Rusty Keeler to design San Antonio's largest nature-based

playground. TGP chose not to build the playground as a part of the initial construction of the Facility because they wanted to involve their students in the final design, which is shown below:



A portion of the Bond proceeds will be used to repay the bank loan and to complete the playground project for a total cost of approximately \$300,000.

Environmental Site Assessment

AEI Consultants (the "Environmental Consultant") performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E1527-2013 of the site comprising the Facility. TGP received a Phase I Report from the Environmental Consultant dated April 7, 2022 (the "Phase I Report") detailing the results of the Phase I Environmental Site Assessment. The Phase I Report concluded that there is no evidence of recognized environmental conditions, controlled recognized environmental conditions, or historical recognized environmental conditions at the assessed site, and the Environmental Consultant recommended no further investigation for the subject property.

Appraisal Report

TGP has engaged BBG, Inc. to prepare an appraisal of the Facility to estimate the market value of a fee simple interest in the appraised property. The appraisal report (the "Appraisal") is not yet available, but is expected to be delivered by the appraiser prior to the sale of the Bonds. There can be no assurance that the value of the Facility upon foreclosure would be likely to be sufficient to cover the debt service on the Bonds.

Future Plans

In anticipation of ultimately serving grades K-8 as permitted by its Charter (see "Charter Contract" below), TGP is currently in discussions with the Developer regarding the potential acquisition of land and development of a new middle school facility (the "Middle School") to serve grades 5-8 within the next 12-18 months, with a target of opening the Middle School for the 2024-25 school year. TGP plans to expand to

grade 5 at the existing elementary Facility for the 2023-24 school year only, open the Middle School with grades 5 and 6 for the 2024-25 school year, and add an additional grade each year until serving grades K-4 at the existing Facility and grades 5-8 at the Middle School. A site for the Middle School has not yet been selected, but TGP seeks to locate it within one mile of the existing Facility, which will not require an expansion amendment to its Charter. As of the date of this Official Statement, TGP expects that it will lease the Middle School from the Developer or its affiliates pursuant to a build to suit lease with an option to purchase, but such lease has not been negotiated. TGP plans to serve 260 students in grades 5-6 at the Middle School for the 2024-25 school year, 468 students in grades 5-7 for the 2025-26 school year, and 624 students in grades 5-8 for the 2026-27 school year. TGP may incur future parity indebtedness in a subsequent bond financing in the next 3-5 years to acquire the planned Middle School. See "**Projected Revenues and Expenditures**" herein.

Charter Contract

General

TGP entered into its charter contract (as amended, the "Charter") with the Texas Education Agency ("TEA") on October 21, 2019 under Chapter 12 of the Texas Education Code, Section 12.001 et seq. (the "Charter Schools Act") to operate open-enrollment charter schools in Texas. The Charter Schools Act provides for the creation of charter schools in order to improve student learning, to increase the choice of learning opportunities within the public school system, to create professional opportunities that will attract new teachers to the public school system, to establish a new form of accountability for public schools and to encourage different and innovative learning methods. The Charter Schools Act provides for three kinds of charter contracts: home-rule school district charters, campus or campus programs charters, and open-enrollment charters. See "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW - GENERAL." A charter contract governs such matters as the recipient's authority to operate, student admissions and performance, financial management, and governance and operations. The term of an open-enrollment charter contract is not specifically provided under State law. The current practice of the Texas Education Agency (the "TEA") is to grant open-enrollment charters for a five-year period and then to renew such charters for additional ten-year periods. At the end of each charter contract, each charter holder is required to submit a charter renewal application to the TEA. Charter schools are required to provide periodic reports to the TEA, including financial data, an annual governance report, and an annual financial audit report. Additionally, charter schools must report enrollment data to TEA every six weeks.

The Charter was initially issued on October 21, 2019 for a five-year period through July 31, 2025. The Charter provides that it may be renewed, subject to timely application and approval by the TEA, for additional periods not to exceed ten years. TGP is authorized under the Charter to serve a maximum of 1,458 students in Pre-K through 8th grade.

Revocation, Nonrenewal, and Modification of Governance

Under the Charter Schools Act and the terms of TGP's charter contracts, the Commissioner of Education (the "Commissioner") shall revoke the charter of, or modify the governance of the holder of a charter, of an open-enrollment charter school, or reconstitute the governing body of the charter holder, if the Commissioner determines that the charter holder:

- (i) committed a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter;
 - (ii) failed to satisfy generally accepted accounting standards of fiscal management;
 - (iii) failed to protect the health, safety, or welfare of the students enrolled at the school;

- (iv) failed to comply with any applicable law or rule;
- (v) failed to satisfy the performance framework standards adopted under Section 12.1181 of the Texas Education Code; or
- (vi) is imminently insolvent as determined by the Commissioner in accordance with Commissioner rule.

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

The Commissioner is required to revoke the charter of an open-enrollment charter school if for the three preceding school years:

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

The Commissioner is required to deny renewal of the charter of an open-enrollment charter school if:

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

The Commissioner may temporarily withhold funding, suspend the authority of an open-enrollment charter to operate or take any other reasonable action the Commissioner determines necessary to protect the health, safety or welfare of students enrolled at the school based on evidence that conditions at the school present a danger to the health, safety or welfare of the students. If the Commissioner takes such action, the open-enrollment charter school may not receive funding and may not resume operating until a determination is made that:

- (i) despite initial evidence, the conditions at the school do not present a danger of material harm to the health, safety, or welfare of students, or
- (ii) the conditions at the school that presented a danger of material harm to the health, safety, or welfare of students have been corrected.

Not later than the third business day after the date the Commissioner takes action, the Commissioner must provide the school an opportunity for a hearing, after which the Commissioner must take action or cease any temporary sanctions. Texas law provides that relevant provisions of the Texas Government Code do not apply to a hearing related to a revocation or modification of governance of an open-enrollment charter school. A decision by the Commissioner to revoke a charter is, however, subject to review by the State Office of Administrative Hearings. Subject to Chapter 2001, Government Code, the administrative law judge shall uphold a decision by the Commissioner to revoke a charter unless the judge finds the decision is arbitrary and capricious or clearly erroneous; and a decision of the administrative law judge under this subsection is final and may not be appealed. If the Commissioner revokes the charter of an open-enrollment charter school, the Commissioner may manage the school until alternative arrangements are made for the school's students; and assign operation of one or more campuses formerly operated by the charter holder who held the revoked charter to a different charter holder who consents to the assignment. For additional information, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW — GENERAL — BACKGROUND — Charter Revision, Revocation, Non-Renewal and Modification of Governance."

TGP has not yet received Accountability Ratings or First Ratings. TGP expects to receive Accountability Ratings and FIRST Ratings commencing with the 2021-2022 school year. See "STUDENT PERFORMANCE AND ACCOUNTABILITY RATINGS – State Accountability" below.

Governance, Administration and Employees

Board of Directors

TGP operates as a nonprofit corporation under the Texas Business Organizations Code, and is governed by applicable law and its articles of incorporation and bylaws. TGP is governed by a volunteer board of directors (the "Board") currently consisting of three members, but which may be increased to 15 members. Under TGP's governance plan, TGP intends to add one additional board member in May 2022 and two additional board members in July 2022. New Board members are selected and appointed by the Board. All corporate powers are exercised by or under the authority of the Board and the affairs of TGP are managed under the direction of the Board. The Board currently consists of the following individuals:

Jennifer Parpacen-Smith. Jennifer Parpacen-Smith is a pediatric occupational therapist with 18 years' experience working with children and adolescents of varying abilities. She has worked in camps, ABA clinics, the NICU, home health, schools, and rehab settings. She currently runs a small private practice and works part-time as an early intervention therapist with Easter Seals. Her areas of specialization include neurodivergence, sensory processing and feeding. She has a B.A. in Interdisciplinary Studies with a focus in special education from UTSA and earned her B.S. in Health Sciences and a MSOT, both from the UT Health Science Center.

Adriana Segundo El-Farrah. Adriana Segundo El-Farrah is an immigration attorney at the Law Office of Christina Neville. Her practice area is focused on family-based immigration, both in the United States and abroad through U.S. Embassies and Consulates around the world. Adriana currently serves on the San Antonio Bar Association, Immigration and Nationality section as Vice President, and was formerly a member of the State Bar of Texas Immigration and Nationality Section as chair of the communication and publications committee and chair of refugee and asylee issues. Adriana is an alumna of Leadership San Antonio, Class 44, Latina Leadership Institute Class 3, and the City of San Antonio's Neighborhood Leadership Academy. Through the San Antonio Hispanic Chamber, she also served as the co-chair for Class 5 of the Latina Leadership Institute. She holds a bachelor's degree in government from the University of Texas at Austin and a juris doctorate from St. Mary's University.

Javier Paredes. Javier Paredes is a Mexican Architect leading a humanistic approach to Urbanism and Design that focuses on cultural diversity, in pursuit of a blended cultural expression that fully reflects a universal reality. His design experience ranges from small urban infill to large public projects, and has recently focused on the cultural exchange in South Texas along the US/Mexico Border including downtown masterplans in Brownsville, Laredo, Roma, and San Antonio. Javier is exploring the potential for smart cities and innovation districts along the South Texas/ Mexico Region as a model for Transit Oriented Development. Currently Javier is an Associate Principal at Alta Architects, the largest minority owned design firm in Texas, where he serves as the Development Director for the firm. In this role, Javier has secured over a billion dollars in public commissions and is charged with shaping the Firm's design pipeline focusing on projects of Social Impact and cultural relevance. He is in a unique position to cultivate ideas, broker partnerships, and steer design impact. In summary, Javier has chosen to focus his work at the intersection of infrastructure, culture, and people. Javier received his Masters of Architecture from The University of Texas-San Antonio, where he focused on Innovation Districts, Open Source Urbanism, and Algorithmic design. His Thesis project "Necropolis Espiral" a proposal for vertical cemeteries in Mexico City, was selected for the "2015 National AIA Emerging Professionals Exhibit".

Administration

Listed below are select members of TGP's senior leadership, including biographical information pertaining to each.

Asia Klekowicz, M. Ed., Co-Chief Executive Officer. Asia Klekowicz joined the movement for educational equity after witnessing the injustice of the school-to-prison pipeline while tutoring inmates in Boston. She joined Teach for America-Memphis and led her students to achieve 2.5 years of growth, ranking in the highest percentiles across the state. She transitioned to developing high school math teachers across Chicago where she was the only coach in her organization to be recognized for excellence by every teacher in her cohort. She later ventured into the financial sector where she worked as an investment consultant managing a \$536 million book and became the fastest promoted employee in the region. Asia and Ryan began working together when the teamed up with RePublic Schools, an open-enrollment network of public charter schools, to create a middle and high school computer science curriculum and teacher training program. Asia scaled the project-based computer science program from 250 students to 10,000+ students across 8 states. Her work also resulted in the largest district-charter partnership in Nashville history, bringing RePublic's computer science program to all district middle schools. Asia has a Bachelor of Science in Psychology with as concentration in Neuroscience and a Bachelor of Arts in Sociology from Boston College, and a Master of Education from Christian Brothers University.

Ryan York, M. Ed., Co-Chief Executive Officer. Ryan York's career started by co-founding a nonprofit that served hundreds of children each year through its flagship program "Southern Girls Rock and Roll Camp" and opening a 6,000 sq. ft. after-school arts facility outside of Nashville. Transitioning into the classroom at a public school district in Nashville, he was awarded the district All Star teacher award and developed a blended learning software management platform that led to the highest math growth in the district by enrolled teachers. Based on these successes, Ryan become an instructional coach, and ultimately a principal. As principal, Ryan led a school turnaround that ended with the highest staff retention, math scores, and 5th grade reading growth in one of the top performing school systems in Tennessee. Ryan and Asia began working together when the teamed up with RePublic Schools, an open-enrollment network of public charter schools, to create a middle and high school computer science curriculum and teacher training program. After six months, Ryan was promoted to CIO and won the National Sally Ride & Deloitte Award for Innovation. Later, he became the Director of Academics at Caliber Schools in California, where he managed principals and oversaw all K-8 academic programming, including special education. Ryan has a Bachelor of Science in Audio Production Engineering and a Master of Education from Middle Tennessee State University.

Financial Management and Backoffice Services

TGP contracts with YYY Accounting, LLC, led by Ymelda Y'Herrera, for financial and accounting (backoffice) services. Ms. Y'Herrera has 22+ years of accounting experience and 17+ years of progressive leadership experience with public and provide companies, previously holding titles such as Public Accounting Auditor, Controller, and Director of Finance. Prior to establishing her own firm, Ms. Y'Herrera served as Chief Financial Service Officer at Charter School Success, a charter school financial service consulting company, where she had primary financial oversight of eight different charter schools ranging from 1-5 campuses and managing budgets between \$3M-\$23M in local, state, and federal revenue. Ms. Y'Herrera was also the former Chief Financial Officer of a charter school. She attended college at St. Mary's University and obtained her B.B.A in Accounting and a B.A. in Multi-Organizational Studies in Spanish. She is a Certified Public Accountant, certified in Not-for-Profit Management & Leadership, and is also one of the of first graduates of the Texas Charter School Business Officer Certification Program.

Employees

The following table provides information regarding the number of professional staff and faculty that TGP employs.

Table 1: Professional Staff and Faculty

Table 1. I Tolessional Staff and Pacuity									
Faculty & Staff	2020-21	2021-22							
Teachers	20.6	31							
Professional Support	5.0	6							
Campus Administration	2.0	9							
Central Administration	1.0	1							
Educational Aides	17.5	22.5							
Auxiliary Staff	1.8	2.5							
Total	48.0	72							
Faculty	2020-21	2021-22							
Beginning Teachers	82.4%	26%							
1-5 Years' Experience	17.6%	39%							
6-10 Years' Experience	0.0%	23%							
11-10 Years' Experience	0.0%	6%							
Over 20 Years' Experience	0.0%	6%							
Students Per Teacher	16.9	16.1%							

Source: For 2020-21, Texas Academic Performance Report. For 2021-2022, TGP.

All of TGP's teachers, support staff and other employees are at-will employees and held to high standards. TGP believes that the faculty, administration and the Board of Directors have a strong and collaborative working relationship. TGP maintains and develops positive relationships with its teachers and considers its relationship with its teachers to be very good.

Table 2: Teacher Retention

From 2020-21 to 2021-22 School Year

94%(1)

Source: TGP

(1) Represents the percentage of teachers employed at the end of the prior school year returning for the identified school year.

Enrollment, Waitlist, Student Retention and Student Demographics

Enrollment

Enrollment in the Charter School is open to all State residents subject to compliance with State law, which prohibits discrimination in admission policy on the basis of sex, national origin, ethnicity, religion, disability, academic, artistic, or athletic ability, or the district the applicant would otherwise attend. State law requires that open-enrollment charter schools, such as the Charter School, must (i) require applicants to complete and submit an application not later than a reasonable deadline established by the school, and (ii) upon receipt of more acceptable applications for admission than available positions in the school, fill the available positions either by lottery, or if the school has published a notice of the opportunity to apply, the school may fill available positions in the order in which applications were received before the application deadline. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW – GENERAL – ADMISSION AND EVALUATION – Admission."

Under its general admissions policy, TGP accepts applications for admission from November 1st to March 31st each year. If the number of applications exceeds the seats available, students are selected through a public lottery process conducted within three weeks of the application deadline. A lottery is first held for students within the primary attendance boundary. After all students in the primary boundary have been admitted, and if any enrollment seats remain unfilled, the remaining seats are filled with student applications from the secondary boundary in the order received, or, if any student applications from the secondary boundary exceed the number of remaining seats, the remaining seats will be filled using a lottery system. Returning students, siblings of returning students, and children of TGP staff and school founders are exempt from the lottery.

The following table sets forth data provided by TGP regarding its historical, current, and projected enrollment by grade level. Historical enrollment data is provided as of October 31 of the applicable school year and current year information is provided as of April 1, 2022. For 2022-23 and thereafter, data presented represents projected enrollment as estimated by TGP, and is subject to the general qualifications and limitations described under "INTRODUCTION – Forward-Looking Statements" in the Official Statement. The provided enrollment projections assume the opening of the separate Middle School facility for the 2024-25 school year, and gradual expansion of enrollment through 8th grade. See "Project – Future Plans" herein.

Table 3: Historical, Current Year and Future Projected Enrollment

	<u>Histo</u>	orical_	<u>Projected</u>								
<u>Grade</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	2023-24	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>				
Kindergarten	148	121	156	156	156	156	156				
1st Grade	107	156	156	156	156	156	156				
2nd Grade	93	120	156	156 156		156	156				
3rd Grade	-	104	104	156	156	156	156				
4th Grade	-	-	104	104	156	156	156				
5th Grade	-	-	-	$104^{(1)}$	130	156	156				
6th Grade	-	-	-	-	$130^{(1)}$	156	156				
7th Grade	-	-	-	-	-	$156^{(1)}$	156				
8th Grade			-				156 ⁽¹⁾				
Total	348	501	676	832	1040	1248	1404				

Source: TGP

Waitlist

After the lottery mentioned above, any students who are not awarded a seat in the lottery are placed on a wait list in the order in which their names were drawn. If there are additional students who apply after the lottery has been conducted, they are added to the waitlist in the order in which their applications are received. If seats open during the school year, waitlist families are notified in the order in which they appear. Each year, students wishing to enroll must reapply, a new lottery is conducted, and a new waiting list prepared.

TGP opened the Charter School fully enrolled for the 2020-21 school year. For the 2021-2022 school year, TGP maintained a minimal waitlist. As of the date hereof, the initial 2022-23 waitlist has not been finalized. The table below shows the applications for the 2022-2023 school year as of March 22, 2022. More applications have been received than seats available at all grade levels.

Table 4: Lottery Results

	Current Enrolled	Target for Next Year	Open Seats	Applications	Overage
Rising	Emonou	1001	open seats	rippireutions	o verage
Kindergarten	0	156	156	272	116
Rising 1st	121	156	35	71	36
Rising 2nd	156	156	0	46	46
Rising 3rd	120	104	-16	44	60
Rising 4th	104	104	0	28	28

Source: TGP

⁽¹⁾ TGP anticipates expanding to grade 5 at the existing Facility for the 2023-24 school year only, opening the Middle School to serve grades 5-6 for the 2024-25 school year, and adding an additional grade each year until serving grades K-4 at the existing Facility and grades 5-8 at the Middle School. See "PROJECT – Future Plans" and "Projected Revenues and Expenditures" herein.

Student Retention

Set forth in the table below is information compiled by TGP concerning the historical retention of students at the Charter School over the applicable school years. The table expresses, as a percentage, the number of TGP students that finished the school year in a given year who returned for the following year based on data calculated by TGP. TGP management notes that average retention in surrounding schools is approximately 80%.

Table 5: Student Retention

School Year	2020-21 to 2021-22						
Aggregate Retention	82%						

Source: TGP.

Student Demographics

The following table details additional demographic information about the composition of TGP's student body for the last two school years.

Table 6: Student Demographics

	2020-21	2021-22
Ethnicity:		
African American	6.9%	18%
Hispanic	60.9%	40%
White	24.1%	25%
American Indian	0.6%	5%
Asian	0.9%	2%
Pacific Islander	0.9%	1%
Two or More	6.6%	4%
Socio-Economic		
Economically Disadvantaged	60.3%	69%

Source: For 2020-21, Texas Academic Performance Reports. For 2021-

2022, TGP.

Student Performance and Accountability Ratings

State Accountability

The Student Assessment Division of the Texas Education Agency manages and oversees the development, administration, scoring, and analysis of the State's assessment program, which is designed to measure the extent to which a student has learned and is able to apply the defined knowledge and skills at each tested grade level. Beginning in the spring of 2012, the State of Texas Assessments of Academic Readiness ("STAAR") assessments replaced the Texas Assessment of Knowledge and Skills ("TAKS"). The STAAR program at grades 3-8 assesses the same subjects and grades that were previously assessed on TAKS. In high school, STAAR replaced grade-specific assessments with 5 end-of-course assessments ("EOCs"). The State of Texas Assessments of Academic Readiness Modified ("STAAR Modified") is no longer offered to students with disabilities as of the 2014-2015 school year, as a result of requirements from the U.S. Department of Education. Testing accommodations have been made for students with disabilities who meet specific eligibility requirements. The Student Assessment Division oversees the administration of the State of Texas Assessments of Academic Readiness Alternate 2 ("STAAR Alternate 2") for the purpose of assessing students in grades 3-8 and high school who have significant cognitive disabilities and are receiving special education services. The Student Assessment Division also oversees the administration of STAAR Spanish for students in grades 3-5 for whom a Spanish version of STAAR is the most appropriate measure of their academic progress, and

provides for the administration of the Texas English Language Proficiency Assessment System ("TELPAS") assessments, which are designed to assess the progress that limited English proficient students make in learning the English language.

Accountability Ratings

The State's academic accountability system assigns ratings to every campus and district in the public education system each year. The ratings are based on performance on state standardized tests; graduation rates; and college, career, and military readiness outcomes. In the 2017-2018 and 2018-2019 school years, the State revised its accountability rating system to better align federal funding with priorities within TEA's strategic plan. See "RISK FACTORS – Federal Accountability System" in the forepart to this Official Statement.

Currently, the overall design of the accountability system evaluates performance according to three domains:

- (a) Student Achievement Domain. Evaluated performance across all subjects for all students, on both general and alternate assessments, College, Career, and Military Readiness (CCMR) indicators, and graduation rates.
- (b) School Progress Domain. Measured district and campus outcomes in two areas: the number of students that grew at least one year academically (or were on track) as measured by STAAR results and the achievement of all students relative to districts or campuses with similar economically disadvantaged percentages.
- (c) Closing the Gaps Domain. Used disaggregated data to demonstrate differentials among racial/ethnic groups, socioeconomic backgrounds and other factors. The indicators included in this domain aligned the state accountability system with the Every Student Succeeds Act (ESSA).

Districts and campuses received an overall rating, as well as a rating for each respective domain described above. The current accountability ratings are as follows:

- (a) A (Exemplary Performance), B (Recognized Performance), C (Acceptable Performance), or D (In Need of Improvement): Assigned for overall performance and for performance in each domain to districts (including those evaluated under alternative education accountability (AEA)) that meet the performance target for the letter grade.
- (b) F (Unacceptable Performance). Assigned for overall performance and for performance in each domain to districts (including AEAs) that do not meet the performance target to earn at least a D.
- (c) Not Rated. Assigned to districts that—under certain, specific circumstances—do not receive a rating.
- (d) Not Rated: Data Integrity Issues. Indicates data accuracy or integrity have compromised performance results, making it impossible to assign a rating. The assignment of a Not Rated: Data Integrity Issues label may be permanent or temporary, pending investigation.
- (e) *Not Rated: Annexation.* Indicates that the campus is in its first school year after annexation by another district and, therefore, is not rated, as allowed by an annexation agreement with TEA.

(f) Not Rated: Declared State of Disaster. Indicates that extraordinary public health and safety circumstances inhibited the ability of the state to accurately measure district and campus performance.

Campuses and open-enrollment charter schools are rated based on the performance of their students beginning with the first year they report fall enrollment. For purposes of assigning accountability ratings, campuses that do not serve any grade level for which the STAAR assessments are administered (3-12) are paired with campuses in their district that serve students who take STAAR. Districts without any students enrolled in the grades for which STAAR assessments are administered are assigned the rating label of *Not Rated*.

Due to COVID-19, all campuses and districts received a rating label of *Not Rated: Declared State of Disaster* for both the 2019-2020 and 2020-2021 school years. Because the Charter School's first year of operation was 2020-2021, the Charter School has not yet received an accountability rating from the State.

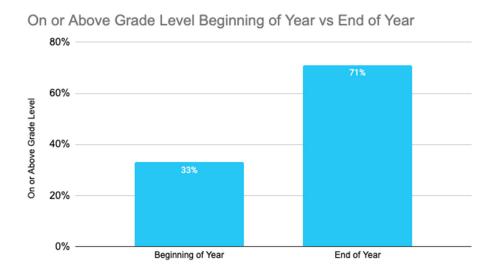
As noted above, STAAR testing begins in grade 3. Because the Charter School enrolled students in grades K-2 during its initial year of operation (2020-2021), TGP did not administer STAAR testing during the 2020-2021 school year. The Charter School currently enrolls students in grades K-3 for the 2021-2022 school year, and thus will administer STAAR testing for the first time in the spring of 2022 to students in grade 3. As of March 2022, statewide assessments are expected to take place in spring 2022 for the 2021-2022 school year. According to draft guidance from the United States Department of Education published in December 2021, all accountability and school identification requirements under ESEA section 1111 are in effect for the 2021-2022 school year. Therefore, TGP anticipates that it will receive an accountability rating from the State based on data from the 2021-2022 school year.

TEA's Accountability System Reset plan, updated in fall 2021, provides that districts and campuses will receive accountability ratings of A-C or "Not Rated" for the 2021-2022 school year. Texas Senate Bill 1365 ("SB 1365"), which went into effect on September 1, 2021, requires TEA to assign districts or campuses the label of "Not Rated" for 2022 unless the district or campus earns a C rating or higher. SB 1365 also provides that scaled scores will be displayed even if a "Not Rated" label is applied, and that scaled scores will be used to determine special provisions. TEA's Accountability System Reset plan further provides that the State's accountability system reset framework will be released in May 2022 for implementation in the 2022-2023 school year, and that for the 2022-2023 school year, districts and campuses will be evaluated under the updated A-F system.

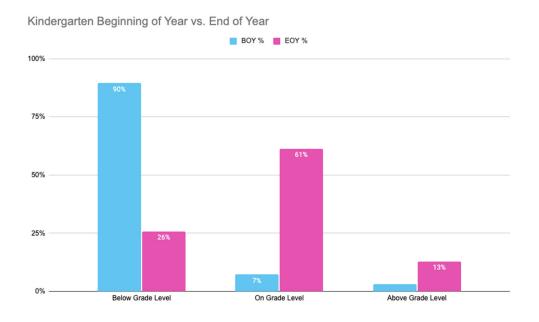
For more information regarding the effects of accountability ratings on TGP, see "RISK FACTORS—Dependence on the State—Public School System Accountability" herein.

In the absence of state standardized testing for its initial year of charter school operations, TGP has closely monitored student academic progress. Utilizing "mCLASS Texas," a state-recognized literacy assessment instrument, TGP noted the following literacy gains in the 2020-2021 school year for the grades then served:

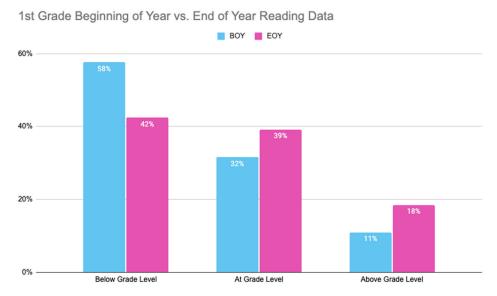
- For all students (grades K-2):



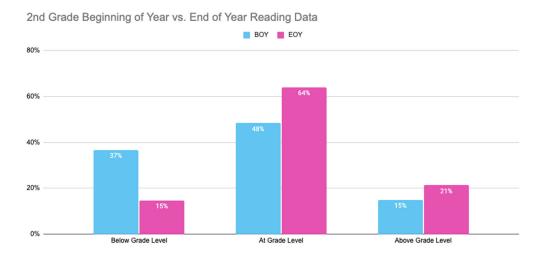
- For kindergarten students:



- For 1st grade students:



- For 2nd grade students:



Federal Accountability

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

Under the Texas Plan, the TEA will maintain rigorous, yet achievable goals for all student groups; create stronger alignment between all State and federal program areas; shift the proficiency level for students from the "Approaches" label on STAAR to the "Meets" label; and better align federal funding with priorities within TEA's strategic plan. Certain information regarding State assessments, including accountability and transparency metrics, is set forth above under "— STUDENT PERFORMANCE AND ACCOUNTABILITY RATINGS."

Any failure of TGP to meet the requirements of ESSA or the Texas Plan may have a material adverse effect on the ability of TGP to generate revenues sufficient to make payments under the Master Notes representing debt service on the Bonds and other bonds issued for the benefit of TGP.

On March 27, 2020 the U.S. Department of Education waived several federal accountability and assessment requirements for Texas schools due to the COVID-19 pandemic. On April 6, 2021 the USDOE granted a waiver for various accountability and reporting provisions relating to accountability for the 2020-2021 school year due to the COVID-19 pandemic. According to draft guidance from the United States Department of Education published in December 2021, all accountability and school identification requirements under ESEA section 1111 are in effect for the 2021-2022 school year.

FIRST Financial Ratings

The purpose of the financial accountability rating system (Texas Administrative Code ("TAC"), Title 19, §109.1001), also known as the Financial Integrity Rating System of Texas ("FIRST"), is to ensure that openenrollment charter schools are held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes.

The FIRST Ratings for a particular year are based on the complete and audited financial data from the previous fiscal year. The current FIRST Rating system assigns districts one of four possible letter grades: A - Superior, B - Above Standard Achievement, C - Meets Standard Achievement, and F - Substandard Achievement.

Because the Charter School has only been in operation one year, TGP has not received a FIRST Rating. TGP expects to receive a FIRST Rating commencing with the 2021-2022 school year. The following table reflects how the TEA evaluates charters for purposes of determining the FIRST Rating and shows TGP's projections regarding scores for the 2021-2022 school year (based on Fiscal Year 2021 data).

	CRITICAL INDICATORS	PASS	FAII
	Was the complete annual financial and compliance report (AFR) and the charter school financial data submitted to TEA within 30	11100	11111
1	days of the November 27 or January 28 deadline depending on the charter school's fiscal year end date of June 30 or June 30, respectively?	YES	
2	Was there an unmodified opinion in the AFR on the financial statements as a whole? The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.	YES	
3	Was the charter school in compliance with the payment terms of all debt agreements at fiscal year end? (If the charter school was in default in a prior fiscal year, an exemption applies in following years if the charter school is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)	YES	
4	Did the charter school make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	YES	
5	Was the total net asset balance in the Statement of Financial Position for the charter school greater than zero? (If the charter school's change of students in membership over 5 years was 7% or more, then the charter school passes this indicator).	YES	
	SOLVENCY INDICATORS	POI	NTS
6	Was the average change in total net assets over 3 years less than a 25 percent decrease or did the current year total net asset balance exceed 75 days of operational expenditures [(total expenditures less depreciation)/365]*75 days?	Pa	iss
7	Was the number of days of cash on hand and current investments for the charter school sufficient to cover operating expenses? The calculation will use expenses, excluding depreciation. For government charter schools, pension expense will be excluded.	1	0
8	Was the measure of current assets to current liabilities ratio for the charter school sufficient to cover short-term debt?	1	0
9	Did the charter school's revenues equal or exceed expenses, excluding depreciation? If not, was the charter school's number of days cash on hand greater than or equal to 40 days? The calculation will use expenses, excluding depreciation.	4	5
10	Did the charter school average less than a 10 percent variance (90%-110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?	1	0
11	Was the ratio of long-term liabilities to total assets for the charter school sufficient to support long-term solvency? (If the charter school's change of students in membership over 5 years was 7% or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator	1	0
12	Was the debt service coverage ratio sufficient to meet the required debt service?	1	0
13	Did the charter school have a debt-to-capitalization percentage that was reasonable for the charter school to continue operating?	4	5
14	Was the charter school's administrative cost ratio equal to or below the threshold ratio?	1	0
15	Did the charter school not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the charter school will automatically pass this indicator.)	1	0
	FINANCIAL COMPETENCE INDICATORS	POI	NTS
16	Was the charter school's actual average daily attendance (ADA) within 10 percent of the charter school's annual estimated ADA?	5	5
17	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the charter school's AFR result in a total variance of less than 3% of all expenses by function?	Pa	iss
18	Did the external independent auditor indicate the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)	Pa	iss
19	Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, laws related to local, state, or federal funds? (The AICPA defines material noncompliance.) Did the charter school post the required financial information on its website in accordance with Government Code, Local	1	0
20	Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the charter school's fiscal year end?	4	5
21	Did the charter school serve students that reside within its approved geographic boundaries?	Pa	ISS
	DETERMINATION OF CHARTER SCHOOL RATING		
	Weighted Sum	10	00
	Multiplier Sum]	1
	Score	10)0
	FINAL RATING		
	Did the charter school fail any of the critical indicators 1,2,3,4,5 If so, the charter school's rating is F for Substandard Achievement, regardless of points earned.		
	Determine rating by applicable number of points.	POI	NTS
	A = Superior Achievement	90 throu	
	B = Above Standard Achievement		ough 89
	C = Meets Standard Achievement	70 thro	ugh 79
	F = Substandard Achievement (The charter school receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, 4, or 5, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted	0 thro	ugh 69

Competition; Service Area

The Charter School campus is located in Near-Northwest San Antonio in Bexar County, Texas. According to the terms of its Charter, the Charter School is open to all students in the independent school districts ("ISDs") of Alamo Heights ISD, East Central ISD, Edgewood ISD, Ft. Sam Houston ISD, Harlandale ISD, Judson ISD, Lackland ISD, Medina Valley ISD, North East ISD, Northside ISD, Randolph ISD, San Antonio ISD, Schertz-Cibolo Universal City ISD, Somerset ISD, South San Antonio ISD, Southside ISD, and Southwest ISD. The Charter School's primary attendance boundary limited to five contiguous zip codes covering an approximate 5-mile radius that encompasses the edges of the boundaries of San Antonio ISD, North East ISD, Northside ISD, and Edgewood ISD. For the 2021-22 school year, TGP's students resided primarily in the following ISDs:

Table 7 – Student Resident Districts

District	Percentage
Northside ISD	51.40%
North East ISD	15.91%
San Antonio ISD	15.05%
Southwest ISD	4.73%
Judson ISD	3.01%
Edgewood ISD	2.80%
Medina Valley ISD	2.58%
Other	4.52%

The Charter School competes for students with school districts and charter schools within the Charter School's service area described above and, to a limited extent, with private schools operating in the Charter School's service area. There are numerous charter school networks and campuses that operate in the general area served by the Company. Such charter school networks and campuses also may be pursuing enrollment growth and campus expansion initiatives. There can be no assurance that TGP will continue to attract and retain the number of students that are needed to generate sufficient revenues for TGP to make payments representing debt service on the Bonds. See "RISK FACTORS – Competition for Students."

Financial Information

TGP prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP"). The accounting system is organized under the Special Supplement to Financial Accounting and Reporting - Nonprofit Charter School Chart of Accounts, a module of the Texas Education Agency Financial Accountability Resource Guide ("Guide").

Management of TGP is responsible for establishing and maintaining effective internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements. In addition to a Report of Independent Auditors containing an audit opinion on TGP's financial statements, TGP annually receives a report of independent auditors on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards and a report of independent auditors on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

The audited financial statements for TGP for the fiscal year ending in 2021, the Charter School's first year of operation and the only year for which audited financial information is available, are included herein as APPENDIX C.

Statement of Financial Position

Set forth in the table below is a historical summary of selected financial position data of TGP as of the end of its past fiscal year, the Charter School's first year of operation. The information in the table below has been extracted from the audited financial statements of TGP for the fiscal years ended June 30, 2021. For more complete information, reference is made to the annual financial statements of TGP from which this information was extracted, copies of which are attached as Appendix C.

Table 8: Statement of Financial Position

Year Ended June

	30, 2021 (Audited)
<u>ASSETS</u>	
Current Assets	
Cash	\$841,505
Due from TEA	703,896
Other Receivables	9,362
Deposits Prepaid Expenses	25,000 28,802
Total Current Assets	\$1,608,565
	<u>\$1,008,303</u>
Other Assets Property and Equipment, net	\$8,447
Total Other Assets	ψ0,117
	\$8,447
TOTAL ASSETS	\$1,617,012
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$45,242
Accrued Wages Payable Payroll Deductions and Withholdings	183,086
1 ayron Deductions and Withholdings	62,104
Accrued Expenses	5,292
Other Current Liabilities Total Current	219,207
Liabilities	\$514,931
Total Liabilities	\$514,931
Net Assets With Donor Restrictions	\$776,120
Without Donor Restrictions	325,961
Total Net Assets	\$1,102,081
TOTAL LIADILITIES AND MET	
TOTAL LIABILITIES AND NET ASSETS	\$1,617,012
A-24	

Set forth in the table below is a historical, comparative summary of selected financial position data of TGP as of February 28, 2021 and February 28, 2022. The following is derived from TGP's unaudited financial statements for the nine-month periods ended February 28, 2021 and February 28, 2022.

Table 9: Comparative Statement of Financial Position – 8-Month Period

	8-Month Period	8-Month Period
	Ended February 28, 2021 (Unaudited)	Ended February 28, 2022 (Unaudited)
<u>ASSETS</u>		
Current Assets		
Cash & Cash Equivalents	\$771,566	\$997,882
Due from State - Federal	550,411	522,081
Other Receivables	13	13
Prepaid Expenses Total Current Assets	68,075	53,291
	<u>\$1,696,380</u>	\$1,573,267
Other Assets		
Property and Equipment, net Total Other Assets	-	8,447
Total Other Fisses	-	<u>\$8,447</u>
TOTAL ASSETS	<u>\$1,696,380</u>	<u>\$1,581,714</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred Revenue	-	\$237,505
Other Current Liabilities Total Current	\$20,646	337,956
Liabilities	\$20,646	\$575,461
Non-Current Liabilities	<u> </u>	<u> </u>
Notes Payable - SBA	\$48,000	-
Notes Payable – Bank of San Antonio	-	17,488
Total Non-Current Liabilities	<u>\$48,000</u>	\$17,488
TOTAL LIABILITIES	<u>\$68,646</u>	\$592 , 949
Net Assets	ф1 (OZ Z2 4	ф. с. с. с. с. т
Without Donor Restrictions With Donor Restrictions	\$1,627,734	\$662,805 325,961
Total Net Assets	_	525,701
	\$1,627,734	\$988,766
TOTAL LIABILITIES AND NET		
ASSETS	\$1,696,380	\$1,581,714

Statements of Activities

Set forth in the table below is a summary of the revenues, expenses, and changes in net assets of TGP for the past fiscal year, the Charter School's first year of operation. The information in the table below has been extracted from the audited financial statements of TGP for the fiscal years ended June 30, 2021. For more complete information, reference is made to the annual financial statements of the Company from which this information was extracted, copies of which are attached as Appendix C.

Table 10: Statement of Activities

	Year Ended June 30, 2021 (Audited)
DEVIENILIEC	
REVENUES	Φ 527 (02
Local Revenue	\$527,693
State Program Revenue	3,837,775
Federal Program Revenue	988,480
Total Revenues	\$5,353,948
EXPENSES	
Instruction	\$2,990,347
Instructional Resources and Media	2,061
Services	,
Curriculum Development and	178,863
Instructional Staff Development	,
Instructional Leadership	77,564
School Leadership	319,983
General Administration	314,064
Guidance and Counseling	115,555
Social Work Services	67,826
Health Services	2,893
Food Services	107,471
Facilities Maintenance and	296,637
Operations	
Security and Monitoring	27,375
Data Processing	4,251
Community Service	7,921
Debt Service	22,460
Fundraising	200
Total Expenses	\$4,535,471
Change in Net Assets	\$818,477
Net Assets – Beginning of year	\$283,604
Net Assets – End of year	\$1,102,081
The or year	ψ1,102,001

Set forth in the table below is a historical, comparative summary of the revenues, expenses, and changes in net assets of TGP as of February 28, 2021 and February 28, 2022. The following is derived from TGP's unaudited financial statements for the twelve-month periods ended February 28, 2021 and February 28, 2022.

Table 11: Comparative Statement of Activities – 8-Month Period

	8-Month Period Ended February 28, 2021 (Unaudited)	8-Month Period Ended February 28, 2022 (Unaudited)
REVENUES		
Local Revenue	\$441,746	\$44,696
State Program Revenue	2,482,797	3,031,305
Federal Program Revenue	789,386	1,331,232
Total Revenues	\$3.713.929	\$4.407.233
Total Revenues	<u> </u>	<u> </u>
EXPENSES		
Instruction	\$1,669,133	\$3,053,431
Library Resources	553	-
Curriculum Development and	137,897	207,390
Instructional Staff Development	,	,
Instructional Leadership	46,974	76,422
School Leadership	181,868	241,287
Guidance, Counseling, &	52,976	233,683
Evaluation Services		·
Social Work	39,622	6,011
Health Services	572	39,514
Food Service	68,896	107,523
General Administration	203,695	271,101
Plant Maintenance and Operations	166,374	254,288
Security Services	3,030	-
Data Processing Services	1,276	5,559
Community Services	6,191	58,035
Debt Service	22,460	305
Total Expenses	<u>\$2,601,516</u>	<u>\$4,554,549</u>
Change in Net Assets	\$1,112,413	\$(147,316)

Impact of COVID-19

TGP commenced operations and classroom instruction for the 2020-2021 school year during the Pandemic and opened fully enrolled. For the 2021-2022 school year, fall 2021enrollment was negatively impacted after the start of the school year by the initial inability of TGP to offer virtual learning options during the spread of the Delta variant of COVID-19 prior to the Texas legislature's passage of Senate Bill 15 ("SB 15"). SB 15 authorized school districts and charter schools with academic performance ratings of "C" or higher to establish or continue local remote learning (virtual learning) programs for qualifying students. Upon passage of SB 15 and clarification from TEA that schools without prior academic performance ratings, like TGP, would be permitted to offer virtual learning, TGP was able to recover enrollment by re-enrolling departed students and admitting new students.

TGP has utilized federal funding and programs to address the impact of COVID-19. TGP obtained a \$48,000 loan under the Paycheck Protection Program established by the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was forgiven on January 19, 2021 in accordance with the CARES Act. TGP has also been allocated federal ESSER I, ESSER II, and ESSER III grants by TEA. ESSER I was awarded on January 20, 2021 in the amount of \$82,772, all of which was used as of June 30, 2021 and all reimbursement of cash received as of August 31, 2021. ESSER II was awarded June 21, 2021 in the amount of \$635,528, all of which will be used by June 30, 2022 and all cash received as of July 31, 2022. ESSER III was awarded June 21, 2021 in the amount of \$1,427,766, of which 54% will be used as of June 30, 2022 and the remainder will be used in the next fiscal year. TGP has used ESSER funds to provide additional instructional staff to help with loss of learning resulting from the COVID-19 pandemic, to pay contractor expenses for special education services and to pay salaries for existing staff.

Management continues to take steps to minimize the impact of COVID-19 on the operating and financial performance of TGP, and to monitor the situation and make necessary changes to accommodate students and to comply with TEA requirements. See "RISK FACTORS – Infectious Disease Outbreak – COVID-19."

Debt Summary

Existing Debt

TGP currently has an outstanding bank loan from Texas Partners Bank dba The Bank of San Antonio, originally entered into in August 2021 in the aggregate principal amount of \$147,300.00, payable in monthly installments of principal and interest and maturing on November 11, 2024. The proceeds of the loan were expected to be used to construct the Charter School's playground. A portion of the Bond proceeds will be used to repay the bank loan and to complete the playground project.

Future Financings

In anticipation of ultimately serving grades K-8 as permitted by its Charter, TGP is currently in discussions with the Developer regarding the potential acquisition of land and development of the Middle School to serve grades 6-8 within the next 12-18 months, with a target of opening the Middle School for the 2024-25 school year. A site has not yet been selected, but TGP seeks to locate the middle school within one mile of the existing Facility, which will not require an expansion amendment to its Charter. As of the date of this Official Statement, TGP expects that it will lease the Middle School from the Developer or its affiliates pursuant to a build to suit lease with an option to purchase, but such lease has not been negotiated. TGP may incur future parity indebtedness in a subsequent bond financing in the next 3-5 years to acquire the planned Middle School.

Other Matters

Conflicts of Interest

TGP has adopted an Ethics, Conflict of Interest, and Nepotism policy (the "Policy"). The Board of Directors is subject to the conflict of interest provisions set forth in Section 12.1054 of the Texas Education Code, as amended, in the manner described in TEA regulations. Generally, if a board member has a substantial interest in a business entity or in real property, the member must file, before a vote or decision on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest. The affidavit must be filed with the official record keeper of TGP. The board member must abstain from further participation in the matter if the action will have a special economic effect on the business entity or the value of the property distinguishable from the effect on the public. A board member is considered to have a substantial interest in a business entity if (1) the person owns 10% or more of the voting stock or shares of the

business entity or owns either 10% or more or \$15,000 or more of the fair market value of the business entity, or (2) funds received by the person from the business entity exceed 10% of the person's gross income for the previous year. A board member is considered to have a substantial interest in real estate if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more. A board member is considered to have a substantial interest in a business entity or real property if a person related to the member within the third degree by marriage or blood has a substantial interest. The board must take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a member has a substantial interest, and the interested member may not participate in the vote.

Furthermore, the Code and related Treasury Regulations contain provisions governing private benefit and excess benefit transactions (as set forth in Section 4958 of the Code). Those provisions provide for penalty taxes and, in extreme cases, revocation of 501(c)(3) status, for, among other things, above fair market value transactions with "disqualified persons." In the Policy, TGP commits to comply the federal tax rules regarding such transactions. Loss of tax-exempt status by TGP could result in loss of tax exemption for federal income tax purposes of interest on the Bonds. See "RISK FACTORS – Loss of Tax-Exempt Status."

Insurance Coverage

In the Master Indenture, TGP has covenanted at all times to keep and maintain its properties and facilities insured against such risks and in such amounts with such deductible provisions as are customary in connection with the operation of facilities of the type and size comparable to such facilities and consistent with the requirements of State law, all as further described in the Master Indenture. Additionally, TGP has covenanted to review each year the insurance carried by TGP with respect to TGP and the facilities and, to the extent feasible, to carry insurance insuring against the risks and hazards described in the Master Indenture to the same extent that other entities comparable to TGP and owning or operating facilities of the size and type comparable to the facilities carry such insurance. At least once every two years, TGP has covenanted to retain an independent insurance consultant for the purpose of reviewing the insurance coverage of, and the insurance required for, TGP and the Related Project and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to TGP and the facilities and their operation, maintenance and administration. The insurance requirements of the Master Indenture shall be deemed modified or superseded as necessary to conform with the recommendations contained in said report to the extent the report recommends additional or increased coverage.

In addition, in matters relating to the operation of the Charter School, TGP (and its employees, volunteers and governing board members) are immune from liability and suit according to the Texas Education Code to the same extent as a Texas school district (and its employees, volunteers and trustees).

Projected Revenues And Expenditures

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

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

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

The following table is a summary of the revenues, expenditures, and net revenues available for debt service of TGP for the fiscal year ended June 30, 2021 and forecasted and projected revenues, expenditures, and net revenues available for debt service of TGP for the fiscal years to end June 30, 2022 through June 30, 2027. The following table also includes estimated amounts required to be paid as debt service relating to the Bonds and estimated debt service coverage ratios.

	Г	Actual		Budgeted						Projected				
Year	_	20 - 21		21 - 22		22 - 23		23 - 24		24 - 25		25 - 26		26 - 27
Grades		K-2		K-3		K - 4		K - 5		K-6		K-7		K-8
EL Enrollment		350		501		676		728		780		780		780
MS Enrollment								104		260		468		624
Beginning Cash Balance	\$	-	\$	841,505	\$	974,270	\$	1,983,700	\$	2,690,122	\$	3,323,781	\$	3,878,486
Elementary School Revenue														
State Revenue	\$	3,837,775	\$	5,328,500	\$	7,297,599	\$	7,976,837	\$	8,674,810	\$	8,804,932	\$	8,937,006
Grants	\$	-	\$	1,400,000	\$	663,294			\$	-			\$	-
Federal Revenue	\$	988,480	\$	357,498	\$	358,414	\$	385,984	\$	413,555	\$	413,555	\$	413,555
Philantropy	\$ \$	344,000	\$		\$		\$		\$		\$		\$	- 044.040
Local Revenue Total	φ \$	183,692 5,353,948	\$ \$	136,113 7,222,111	\$ \$	183,657 8,502,964	\$ \$	197,785 8,560,606	\$ \$	211,912 9,300,277	\$ \$	211,912 9,430,399	\$ \$	211,912 9,562,473
Middle School Revenue	Ψ	3,333,340	Ψ	1,222,111	Ψ	0,302,304	Ψ	0,000,000	Ψ	3,300,211	φ	9,430,399	φ	3,302,473
State Revenue							\$	1,139,548	\$	2,891,603	\$	5,293,080	\$	7,163,520
Grants							\$	· -	\$	312,000	\$	312,000	\$	
Federal Revenue							\$	55,141	\$	137,852	\$	248,133	\$	330,844
Philantropy							\$.	\$	-	\$		\$	-
Local Revenue							\$	28,255	\$	70,637	\$	127,147	\$	169,530
Total Total Revenue	\$	5,353,948	\$	7,222,111	\$	8,502,964	\$ \$	1,222,944 9,783,550	\$	3,412,092 12,712,369	\$	5,980,360 15,410,760	\$	7,663,894 17,226,367
Expenses	<u> </u>	0,000,040	<u> </u>	,,,,	Ť	0,002,004	<u> </u>	0,100,000	Ť	12,7 12,000	Ť	10,410,100	Ť	11,220,001
HQ														
Payroll	\$	227,401	\$	110,000	\$	150,000	\$	151,500	\$	224,422	\$	343,366	\$	346,799
Benefits	\$	28,240	\$	19,063	\$	25,995	\$	26,255	\$	38,892	\$	59,505	\$	60,100
Department Budgets	\$	41,764	\$	133,792	\$	166,240	\$	166,240	\$	166,240	\$	166,240	\$	166,240
District Wide Budget	\$ \$	234,110	\$	147,824	\$ \$	175,280	\$ \$	175,280	\$ \$	287,552	\$	327,488	\$ \$	367,424
Total HQ Expenses	Þ	531,515	\$	410,679	Þ	517,515	Þ	519,275	Þ	717,106	\$	896,599	Þ	940,563
Elementary														
Payroll	\$	1,952,102	\$	3,232,135	\$	3,560,500	\$	3,834,385	\$	4,405,506	\$	4,465,522	\$	4,510,178
Benefits	\$	309,180	\$	536,734	\$	724,216	\$	751,189	\$	763,474	\$	773,875	\$	781,614
Department Budgets	\$	655,771	\$	841,768	\$	992,832	\$	926,090	\$	954,950	\$	954,950	\$	954,950
Facilities	\$	740,626	\$	1,483,238	\$	-	\$	-	\$	-	\$	-	\$	-
School Wide Budget Total Elementary Budget	\$ \$	346,276 4,003,955	\$ \$	584,792 6,678,667	\$ \$	680,160 5,957,708	\$ \$	669,240 6,180,904	\$ \$	669,240 6,793,170	\$ \$	669,240 6,863,587	\$ \$	669,240 6,915,982
Total Elementary Budget	Ψ	4,000,500	φ	0,070,007	Ψ	3,331,100	Ψ	0,100,304	Ψ	0,793,170	φ	0,003,307	φ	0,913,902
Middle														
Payroll	\$	-	\$	-	\$	-	\$	580,053	\$	1,492,236	\$	2,671,801	\$	3,517,596
Benefits	\$	-	\$	-	\$	-	\$	113,637	\$	258,604	\$	463,023	\$	609,599
Team & Individual Budgets	\$	-	\$	-	\$	-	\$	257,844	\$	470,525	\$	737,034	\$	909,438
Facilities	\$	-	\$	-	\$	-	\$	92,352	\$ \$	763,127	\$	1,465,054 393,744	\$ \$	1,501,254
School Wide Budget Total Middle Budget	\$ \$	-	\$ \$	-	\$ \$	-	φ \$	1,043,886	φ \$	221,780 3,206,272	φ \$	5,730,656	\$	521,352 7,059,239
	•		_				_	.,,	_	-,,	_	-,,		1,000,000
Total Expenses	\$	4,535,470	\$	7,089,346	\$	6,475,223	\$	7,744,065	\$	10,716,548	\$	13,490,842	\$	14,915,784
NET (Prior to Debt Service)	\$	818,477	\$	132,765	\$	2,027,741	\$	2,039,485	\$	1,995,821	\$	1,919,918	\$	2,310,583
Ending Cash Balance	\$	841,505	\$	974,270	\$	1,983,700	\$	2,690,122	\$	3,323,781	\$	3,878,486	\$	4,825,956
Revenue Avail for DS	\$	1,559,104	\$	1,616,003	\$	2,027,741	\$	2,039,485	\$	2,758,948	\$	3,384,972	\$	3,811,837
Projected Annual DS	\$	-	\$	-	\$	1,018,312	\$	1,333,063	\$	1,362,163	\$	1,365,213	\$	1,363,113
Projected Lease Payments	\$	740,626	\$	1,483,238	\$	-	\$	-	\$	763,127	\$	1,465,054	\$	1,501,254
Lease-Adjusted DSCR						1.99		1.53		1.30		1.20		1.33
DSCR (Series 2022 Bonds Only)						1.99		1.53		1.47		1.41		1.70
DCOH)		68		50		112		127		113		105		118
Debt Burden		14%		21%		12%		14%		17%		18%		17%
		.,,		.,,										

Notes:

• TGP plans to expand to grade 5 at its existing Facility for the 2023-24 school year only, open a new Middle School to serve grades 5-6 for the 2024-25 school year, and add an additional grade each year until serving grades K-4 at the existing Facility and grades 5-8 at the Middle School.

Revenue Assumptions:

- Attendance rate is assumed to be 92%, the attendance rate for the 2020-2021 school year.
- ADA assumes an average of 1.5% increase in overall state funding based on last 10 years of historical data.
- Grants listed for the 2021-22 and 2022-23 school years represent ESSER funds from the federal government.
- Federal Revenue represents Title and IDEA funds awarded to all schools.

- Local revenue represents meal revenue from families that pay for meals.
- Grant revenue for the 2024-25 and 2025-26 years based on long-standing non-competitive grant program that the state has that offers funds to school based on new construction.
- The elementary school becomes fully enrolled in FY 2024-25. The planned middle school reaches full enrollment in FY 2026-27.

Expense Assumptions:

- Cost of living increase for all state is incorporated at an average rate of 1%.
- Department and school-wide budgets decrease as an overall percentage of expenses each through 2024 based on start-up costs associated with new enrollment.
- Assumed lease rates for new middle school facility commencing in FY 2024-25 are based on TGP's current lease rates.

Except as described above, the foregoing projections assume current fiscal policies of TGP are continued, with considerations of historical information as well as known events and conditions that affect the projection periods. The projections may be used to assess whether projected cash inflows will be sufficient to sustain TGP's services and to meet financial obligations as they come due. However, it is important to note that the projections of cash inflows, cash outflows, and accrued financial obligations based on current policy do not represent a forecast or a prediction of the most likely outcome.

Financial projections may be based upon assumptions regarding changes in social, economic and demographic events and conditions that are inherently subject to uncertainties. Therefore, readers are cautioned that actual future financial results of TGP may be significantly different from the financial projections that are reported.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW



SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW

This Appendix summarizes certain provisions of Texas charter school law. This Appendix provides a summary only and is for informational purposes only. Potential investors should refer to and independently evaluate applicable provisions of the charter school law in their entirety, with assistance from counsel as necessary, for a complete understanding of their terms. During the 86th Legislature of the State of Texas, which adjourned on May 27, 2019, several changes were made to the laws affecting charter schools, including by House Bill 3 ("HB 3") and Senate Bill 1454 ("SB 1454"). HB 3 is discussed in greater detail above under "STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS." In addition, the regular session of the 87th Texas Legislature convened on January 12, 2021 and concluded on May 31, 2021, as discussed above under "STATE FUNDING FOR TRADITIONAL SCHOOL DISTRICTS – 2021 Legislative Session." To date, the Governor has called three special sessions of the 87th Legislature. Laws enacted by the 87th Legislature may materially change certain provisions of Texas law and practice as it pertains to school district and charter school operations, including those provisions discussed in this Summary. Potential investors should note that the provisions summarized below are subject to change, and this summary only pertains to certain aspects of existing law.

GENERAL

BACKGROUND

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

In 1995, the Texas legislature adopted Chapter 12 of the Texas Education Code, which provides for the creation and development of public charter schools to be operated within the State of Texas. The stated purposes of authorizing charter schools are to improve student learning, increase the choice of learning opportunities within the public school system, create professional opportunities that will attract new teachers to the public school system, establish a new form of accountability for public schools, and encourage different and innovative learning methods. Chapter 12 of the Texas Education Code must be applied in manner that ensures the persons holding charters are fiscally and academically accountable; but are not restricted in such a way that unduly regulates the instructional method or pedagogical innovations of public charter schools. As an alternative to operating in the manner generally provided in the Texas Education Code, the Texas legislature authorized independent school districts, school campuses, and educational programs to choose to operate under a charter in accordance with Chapter 12 of the Texas Education Code.

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

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

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

Charter Applicants (Texas Education Code § 12.101)

- (a) In accordance with this subchapter, the commissioner may grant a charter on the application of an eligible entity for an open-enrollment charter school to operate in a facility of a commercial or nonprofit entity, an eligible entity, or a school district, including a home-rule school district. In this subsection, "eligible entity" means:
- (1) an institution of higher education as defined under Section 61.003;

- (2) a private or independent institution of higher education as defined under Section 61.003;
- (3) an organization that is exempt from taxation under Section 501(c)(3), Internal Revenue Code of 1986 (26 U.S.C. Section 501(c)(3)); or
- (4) a governmental entity.
- (b) After thoroughly investigating and evaluating an applicant, the commissioner, in coordination with a member of the State Board of Education designated for the purpose by the chair of the board, may grant a charter for an open- enrollment charter school only to an applicant that meets any financial, governing, educational, and operational standards adopted by the commissioner under this subchapter, that the commissioner determines is capable of carrying out the responsibilities provided by the charter and likely to operate a school of high quality, and that:
- (1) has not within the preceding 10 years had a charter under this chapter or a similar charter issued under the lawsof another state surrendered under a settlement agreement, revoked, denied renewal, or returned; or
- (2) is not, under rules adopted by the commissioner, considered to be a corporate affiliate of or substantially related to an entity that has within the preceding 10 years had a charter under this chapter or a similar charter issued under the laws of another state surrendered under a settlement agreement, revoked, denied renewal, or returned.
- (b-0) The commissioner shall notify the State Board of Education of each charter the commissioner proposes to grant under this subchapter. Unless, before the 90th day after the date on which the board receives the notice from the commissioner, a majority of the members of the board present and voting, vote against the grant of that charter, the commissioner's proposal to grant the charter takes effect. The board may not deliberate or vote on any grant of a charter that is not proposed by the commissioner.
- (b-1) In granting charters for open-enrollment charter schools, the commissioner may not grant a total of more than:
- (1) 215 charters through the fiscal year ending August 31, 2014;
- (2) 225 charters beginning September 1, 2014;
- (3) 240 charters beginning September 1, 2015;
- (4) 255 charters beginning September 1, 2016;
- (5) 270 charters beginning September 1, 2017; and
- (6) 285 charters beginning September 1, 2018.
- (b-2) Beginning September 1, 2019, the total number of charters for open-enrollment charter schools that may be granted is 305 charters.
- (b-3) The commissioner may not grant more than one charter for an open-enrollment charter school to any charter holder. The commissioner may consolidate charters for an open-enrollment charter school held by multiple charter holders into a single charter held by a single charter holder with the written consent to the terms of consolidation by or at the request of each charter holder affected by the consolidation.
- (b-4) Notwithstanding Section 12.114, approval of the commissioner under that section is not required for establishment of a new open-enrollment charter school campus if the requirements of this subsection are satisfied. A charter holder having an accreditation status of accredited and at least 50 percent of its student population in grades assessed under Subchapter B, Chapter 39, or at least 50 percent of the students in the grades assessed having been enrolled in the school for at least three school years may establish one or more new campuses under an existing charter held by the charter holder if:

- (1) the charter holder is currently evaluated under the standard accountability procedures for evaluation under Chapter 39 and received a district rating in the highest or second highest performance rating category under Subchapter C, Chapter 39, for three of the last five years with at least 75 percent of the campuses rated under the charter also receiving a rating in the highest or second highest performance rating category and with no campus with rating in the lowest performance rating category in the most recent ratings;
- (2) the charter holder provides written notice to the commissioner of the establishment of any campus under this subsection in the time, manner, and form provided by rule of the commissioner; and
- (3) not later than the 60th day after the date the charter holder provides written notice under Subdivision (2), the commissioner does not provide written notice to the charter holder that the commissioner has determined that the charter holder does not satisfy the requirements of this section.
- (b-5) The initial term of a charter granted under this section is five years.
- (b-6) The commissioner shall adopt rules to modify criteria for granting a charter for an open-enrollment charter school under this section to the extent necessary to address changes in performance rating categories or in the financial accountability system under Chapter 39.
- (b-7) A charter granted under this section for a dropout recovery school is not considered for purposes of the limit on the number of charters for open-enrollment charter schools imposed by this section. For purposes of this subsection, an open-enrollment charter school is considered to be a dropout recovery school if the school meets the criteria for designation as a dropout recovery school under Section 12.1141(c).
- (b-8) In adopting any financial standards under this subchapter that an applicant for a charter for an open-enrollment charter school must meet, the commissioner shall not:
- (1) exclude any loan or line of credit in determining an applicant's available funding; or
- (2) exclude an applicant from the grant of a charter solely because the applicant fails to demonstrate having a certain amount of current assets in cash.
- (b-10) The commissioner by rule shall allow a charter holder to provide written notice of the establishment of a new open-enrollment charter school under Subsection (b-4)(2) up to 18 months before the date on which the campus is anticipated to open. Notice provided to the commissioner under this section does not obligate the charter holder to open a new campus.
- (c) If the facility to be used for an open-enrollment charter school is a school district facility, the school must be operated in the facility in accordance with the terms established by the board of trustees or other governing body of the district in an agreement governing the relationship between the school and the district.
- (d) An educator employed by a school district before the effective date of a charter for an open-enrollment charter school operated at a school district facility may not be transferred to or employed by the open-enrollment charter school over the educator's objection.

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

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

or Subchapter C or E and, as determined by the commissioner in accordance with commissioner rule, has performed in the highest or second highest performance rating category under Subchapter C. Chapter 39.

- (b) A charter holder granted a charter for an open-enrollment charter school under Subsection (a) may vest management of corporate affairs in a member entity provided that the member entity may change the members of the governing body of the charter holder before the expiration of a member's term only with the express written approval of the commissioner.
- (c) The initial term of a charter granted under this section is five years.
- (d) The commissioner shall adopt rules to modify criteria for granting a charter for an open-enrollment charter school under this section to the extent necessary to address changes in performance rating categories under Subchapter C, Chapter 39.

Charter Authorizer Accountability (Texas Education Code § 12.1013)

- (a) The commissioner shall select a center for education research authorized by Section 1.005 to prepare an annual report concerning the performance of open-enrollment charter schools by authorizer compared to campus charters and matched traditional campuses, which shall be provided annually under Subchapters J and K, Chapter 39.
- (b) The format of the report must enable the public to distinguish and compare the performance of each type of public school by classifying the schools as follows:
- (1) open-enrollment charters granted by the State Board of Education;
- (2) open-enrollment charters granted by the commissioner;
- (3) charters granted by school districts; and
- (4) matched traditional campuses.
- (c) The report must include the performance of each public school in each class described by Subsection (b) as measured by the achievement indicators adopted under Sections 39.053(c) and student attrition rates.
- (d) The report must also:
- (1) aggregate and compare the performance of open-enrollment charter schools granted charters by the State Board of Education, open-enrollment charter schools granted charters by the commissioner, campuses and programs granted charters by school districts, and matched traditional campuses; and
- (2) rate the aggregate performance of elementary, middle or junior high, and high schools within each class described by Subsection (b) as indicated by the composite rating that would be assigned to the class of elementary, middle or junior high, and high schools if the students attending all schools in that class were cumulatively enrolled in one elementary, middle or junior high, or high school.
- (e) The report must also include an analysis of whether the performance of matched traditional campuses would likely improve if there were consolidation of school districts within the county in which the campuses are located. This subsection applies only to a county that includes at least seven school districts and at least 10 openenrollment charter schools.

Charter Authorization for Schools Primarily Serving Students with Disabilities (Texas EducationCode § 12.1014)

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

- (b) The limit on the number of charters for open-enrollment charter schools imposed by Section 12.101 does not apply to a charter granted under this section to a school at which at least 50 percent of the students are eligible to receive services under Subchapter A, Chapter 29. Not more than five charters may be granted for schools described by this subsection.
- (c) For purposes of the applicability of state and federal law, including a law prescribing requirements concerning students with disabilities, an open-enrollment charter school described by Subsection (a) is considered the same as any other school for which a charter is granted under Section 12.101.
- (d) To the fullest extent permitted under federal law, a parent of a student with a disability may choose to enroll the parent's child in an open-enrollment charter school described by Subsection (a) regardless of whether a disproportionate number of the school's students are students with disabilities.
- (e) This section does not authorize an open-enrollment charter school to discriminate in admissions or in the servicesprovided based on the presence, absence, or nature of an applicant's or student's disability.
- (f) The commissioner and the State Board for Educator Certification shall adopt rules as necessary to administer thissection.

Authority Under Charter (Texas Education Code § 12.102)

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

General Applicability of Laws (Texas Education Code § 12.103)

- (a) Except as provided by Subsection (b) or (c), an open-enrollment charter school is subject to federal and statelaws and rules governing public schools and to municipal zoning ordinances governing public schools.
- (b) An open-enrollment charter school is subject to this code and rules adopted under this code only to the extent theapplicability to an open-enrollment charter school of a provision of this code or a rule adopted under this code is specifically provided.
- (c) Notwithstanding Subsection (a), a campus of an open-enrollment charter school located in whole or in part in a municipality with a population of 20,000 or less is not subject to a municipal zoning ordinance governing public schools.

Applicability of Title (Texas Education Code § 12.104)¹

- (a) An open-enrollment charter school has the powers granted to schools under this title.
- (a-1) The governing body of an open-enrollment charter school may:
- (1) employ security personnel and commission peace officers in the same manner as a board of trustees of a school district under Section 37.081; and
- (2) enter into a memorandum of understanding with a local law enforcement agency to assign a school resource officer, as that term is defined by Section 1701.601, Occupations Code, to the school.

¹ Amended by 87th Texas Legislature; changes included not yet codified.

- (a-2) A reference in law to a peace officer commissioned under Section 37.081 includes a peace officer commissioned by an open-enrollment charter school in accordance with Subsection (a-1), and a charter school peace officer has the same powers, duties, and immunities as a peace officer commissioned under that section.
- (b) An open-enrollment charter school is subject to:
- (1) a provision of this title establishing a criminal offense;
- (2) the provisions in Chapter 554, Government Code; and
- (3) a prohibition, restriction, or requirement, as applicable, imposed by this title or a rule adopted under this title, relating to:
- (A) the Public Education Information Management System (PEIMS) to the extent necessary to monitor compliancewith this subchapter as determined by the commissioner;
- (B) criminal history records under Subchapter C, Chapter 22;
- (C) reading instruments and accelerated reading instruction programs under Section 28.006;
- (D) accelerated instruction under Section 28.0211;
- (E) high school graduation requirements under Section 28.025;
- (F) special education programs under Subchapter A, Chapter 29;
- (G) bilingual education under Subchapter B, Chapter 29;
- (H) prekindergarten programs under Subchapter E or E-1, Chapter 29; except class size limits for prekindergarten classes imposed under Section 25.112, which do not apply;
- (I) extracurricular activities under Section 33.081;
- (J) discipline management practices or behavior management techniques under Section 37.0021;
- (K) health and safety under Chapter 38;
- (L) the provisions of Subchapter A, Chapter 39;
- (M) public school accountability and special investigations under Subchapters B, C, D, F G, and J, Chapter 39 and Chapter 39A;
- (N) the requirement under Section 21.006 to report an educator's misconduct;
- (O) intensive programs of instruction under Section 28.0213;
- (P) the right of a school employee to report a crime, as provided by Section 37.148;
- (Q) bullying prevention policies and procedures under Section 37.0832;
- (R) the right of a school under Section 37.0052 to place a student who has engaged in certain bullying behavior in a disciplinary alternative education program or to expel the student;

- (S) the right under Section 37.0151 to report to local law enforcement certain conduct constituting assault or harassment:
- (T) a parent's right to information regarding the provision of assistance for learning difficulties to the parent's child as provided by Sections 26.004(b)(11) and 26.0081(c) and (d);
- (U) establishment of residency under Section 25.001;
- (U) school safety requirements under Sections 37.108, 37.1081, 37.1082, 37.109, 37.113, 37.114, 37.115, 37.207, and 37.2071;
- (W) the early childhood literacy and mathematics proficiency plans under Section 11.185;
- (X) the college, career, and military readiness plans under Section 11.186; and
- (Y) parental options to retain a student under Section 28.02124.
- (b-1) During the first three years an open-enrollment charter school is in operation, the agency shall assist the school as necessary in complying with requirements under Subsection (b)(2)(A).
- (b-2) An open-enrollment charter school is subject to the requirement to establish an individual graduation committee under Section 28.0258.
- (b-3) An open-enrollment charter school is subject to the graduation qualification procedure established by the commissioner under Section 28.02541.
- (b-4). Section 11.201(c) applies to an open-enrollment charter schools as though the governing body of the school were the board of trustees of a school district and to the superintendent or, as applicable, the administer serving as educational leader and chief executive officer of the school as though that person were the superintendent of a school district.
- (c) An open-enrollment charter school is entitled to the same level of services provided to school districts by regional education service centers. The commissioner shall adopt rules that provide for the representation of open-enrollment charter schools on the boards of directors of regional education service centers.
- (d) The commissioner may by rule permit an open-enrollment charter school to voluntarily participate in any state program available to school districts, including a purchasing program, if the school complies with all terms of the program.

Status (Texas Education Code § 12.105)

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

Open Meetings (Texas Education Code § 12.1051)

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

Local Government Records (Texas Education Code § 12.1052)

- (a) With respect to the operation of an open-enrollment charter school, an open-enrollment charter school is considered to be a local government for purposes of Subtitle C, Title 6, Local Government Code, and Subchapter J, Chapter 441, Government Code.
- (b) Records of an open-enrollment charter school and records of a charter holder that relate to an open-enrollment charter school are government records for all purposes under state law.
- (c) Any requirement in Subtitle C, Title 6, Local Government Code, or Subchapter J, Chapter 441, Government Code, that applies to a school district, the board of trustees of a school district, or an officer or employee of a school district applies to an open-enrollment charter school, the governing body of a charter holder, the governing body of an open-enrollment charter school or an officer or employee of an open-enrollment charter school except that the records of an open-enrollment charter school that ceases to operate shall be transferred in the manner prescribed by Subsection (d).
- (d) The records of an open-enrollment charter school that ceases to operate shall be transferred in the manner specified by the commissioner to a custodian designated by the commissioner. The commissioner may designate any appropriate entity to serve as custodian, including the agency, a regional education service center, or a school district. In designating a custodian, the commissioner shall ensure that the transferred records, including student and personnel records, are transferred to a custodian capable of:
- (1) maintaining the records;
- (2) making the records readily accessible to students, parents, former school employees, and other persons entitled toaccess; and
- (3) complying with applicable state or federal law restricting access to the records.
- (e) If the charter holder of an open-enrollment charter school that ceases to operate or an officer or employee of sucha school refuses to transfer school records in the manner specified by the commissioner under Subsection (d), the commissioner may ask the attorney general to petition a court for recovery of the records. If the court grants the petition, the court shall award attorney's fees and court costs to the state.

Public Purchasing and Contracting (Texas Education Code § 12.1053)

- (a) This section applies to an open-enrollment charter school unless the school's charter otherwise describes procedures for purchasing and contracting and the procedures are approved by the commissioner.
- (b) An open-enrollment charter school is considered to be:
- (1) a governmental entity for purposes of:
- (A) Subchapter D, Chapter 2252, Government Code; and
- (B) Subchapter B, Chapter 271, Local Government Code;
- (2) a political subdivision for purposes of Subchapter A, Chapter 2254, Government Code; and
- (3) a local government for purposes of Sections 2256.009-2256.016, Government Code.
- (c) To the extent consistent with this section, a requirement in a law listed in this section that applies to a school district or the board of trustees of a school district applies to an open-enrollment charter school, the governing body of a charter holder, or the governing body of an open-enrollment charter school.

Conflicts of Interest (Texas Education Code § 12.1054)

- (a) A member of the governing body of a charter holder, a member of the governing body of an open-enrollment charter school, or an officer of an open-enrollment charter school is considered to be a local public official for purposes of Chapter 171, Local Government Code. For purposes of that chapter:
- (1) a member of the governing body of a charter holder or a member of the governing body or officer of an open-enrollment charter school is considered to have a substantial interest in a business entity if a person related to the
- member or officer in the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, has a substantial interest in the business entity under Section 171.002, Local Government Code;
- (2) notwithstanding any provision of Section 12.1054(1), an employee of an open-enrollment charter school rated acceptable or higher under Section 39.054 for at least two of the preceding three school years may serve as a member of the governing body of the charter holder of the governing body of the school if the employees do not constitute a quorum of the governing body or any committee of the governing body; however, all members shall comply with the requirements of Sections 171.003-171.007, Local Government Code.
- (b) To the extent consistent with this section, a requirement in a law listed in this section that applies to a school district or the board of trustees of a school district applies to an open-enrollment charter school, the governing body of a charter holder, or the governing body of an open-enrollment charter school.

Applicability of Nepotism Laws (Texas Education Code § 12.1055)

- (a) An open-enrollment charter school is subject to a prohibition, restriction, or requirement, as applicable, imposed by state law or by a rule adopted under state law, relating to nepotism under Chapter 573, Government Code.
- (b) Repealed.
- (c) Section 11.1513(f) applies to an open-enrollment charter school as though the governing body of the school were the board of trustees of a school district and to the superintendent or, as applicable, the administrator serving as educational leader and chief executive officer of the school as though that person were the superintendent of a school district.
- (d) Notwithstanding any other provision of this section, a person who was not restricted or prohibited under this section as this section existed before September 1, 2013, from being employed by an open-enrollment charter school and who was employed by an open-enrollment charter school before September 1, 2013, is considered to have been in continuous employment as provided by Section 573.062(a), Government Code, and is not prohibited from continuing employment with the school.

Immunity from Liability (Texas Education Code § 12.1056)

- (a) In matters related to operation of an open-enrollment charter school, an open-enrollment charter school or charterholder is immune from liability and suit to the same extent as a school district, and the employees and volunteers of the open-enrollment charter school or charter holder are immune from liability and suit to the same extent as school district employees and volunteers. A member of the governing body of an open-enrollment charter school or of a charter holder is immune from liability and suit to the same extent as a school district trustee.
- (b) An open-enrollment charter school is a governmental unit as defined by Section 101.001, Civil Practice and Remedies Code, and is subject to liability only as provided by Chapter 101, Civil Practice and Remedies Code, and only in the manner that liability is provided by that chapter for a school district.
- (c) An open-enrollment charter school is a local government as defined by Section 102.001, Civil Practice and Remedies Code, and a payment on a tort claim must comply with Chapter 102, Civil Practice and Remedies Code.

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

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

- (a) An employee of an open-enrollment charter school who qualifies for membership in the Teacher Retirement System of Texas shall be covered under the system to the same extent a qualified employee of a school district is covered.
- (b) For each employee of the school covered under the system, the school is responsible for making any contribution that otherwise would be the legal responsibility of the school district, and the state is responsible for making contributions to the same extent it would be legally responsible if the employee were a school district employee.

Applicability of Other Laws (Texas Education Code § 12.1058)²

- (a) An open-enrollment charter school is considered to be:
- (1) a local government for purposes of Chapter 791, Government Code;
- (2) a local government for purposes of Chapter 2259, Government Code, except that an open-enrollment charter school may not issue public securities as provided by Section 2259.031(b), Government Code;
- (3) a political subdivision for purposes of Chapter 172, Local Government Code; and
- (4) a local governmental entity for purposes of Subchapter I, Chapter 271, Local Government Code.
- (5) a political subdivision for purposes of Section 16.061, Civil Practice and Remedies Code, with respect to any property purchased, leased, constructed, renovated, or improved with state funds under Section 12.128 of this code; and ³
- (6) a political subdivision for purposes of Section 11.11, Tax Code.
- (b) An open-enrollment charter school may elect to extend workers' compensation benefits to employees of the school through any method available to a political subdivision under Chapter 504, Labor Code. An open-enrollment charter school that elects to extend workers' compensation benefits as permitted under this subsection is considered to be a political subdivision for all purposes under Chapter 504, Labor Code. An open-enrollment charter school thatself-insures either individually or collectively under Chapter 504, Labor Code, is considered to be an insurance carrier for purposes of Subtitle A, Title 5, Labor Code.
- (c) Notwithstanding Subsection (a) or (b), an open-enrollment charter school operated by a tax exempt entity as described by Section 12.101(a)(3) is not considered to be a political subdivision, local government, or local governmental entity unless:
- (1) the applicable statute specifically states that the statute applies to an open-enrollment charter school; or
- (2) a provision in this chapter states that a specific statute applies to an open-enrollment charter school.

² Amended by 87th Texas Legislature; changes included not yet codified.

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³Senate Bill No. 282 amends this subsection to read "(5) a political subdivision for purposes of Section 180.008, Local Government Code;" discrepancies may be resolved upon codification.

Tuition and Fees Restricted (Texas Education Code § 12.108)

- (a) An open-enrollment charter school may not charge tuition to an eligible student who applies under Section 12.117.
- (b) The governing body of an open-enrollment charter school may require a student to pay any fee that the board of trustees of a school district may charge under Section 11.158(a). The governing body may not require a student to pay a fee that the board of trustees of a school district may not charge under Section 11.158(b).

Transportation (Texas Education Code § 12.109)

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

CHARTER APPLICATION, CONTENT AND FORM

Application (Texas Education Code § 12.110)

- (a) The commissioner shall adopt:
- (1) an application form and a procedure that must be used to apply for a charter for an open-enrollment charter school; and
- (2) criteria to use in selecting a program for which to grant a charter.
- (b) The application form must provide for including the information required under Section 12.111 to be contained in a charter.
- (c) As part of the application procedure, the commissioner may require a petition supporting a charter for a school signed by a specified number of parents or guardians of school-age children residing in the area in which a school is proposed or may hold a public hearing to determine parental support for the school.
- (d) The commissioner shall approve or deny an application based on:
- (1) documented evidence collected through the application review process;
- (2) merit; and
- (3) other criteria as adopted by the commissioner, which must include:
- (A) criteria relating to the capability of the applicant to carry out the responsibilities provided by the charter and the likelihood that the applicant will operate a school of high quality;
- (B) criteria relating to improving student performance and encouraging innovative programs; and
- (C) a statement from any school district whose enrollment is likely to be affected by the open-enrollment charter school, including information relating to any financial difficulty that a loss in enrollment may have on the district.
- (e) The commissioner shall give priority to applications that propose an open-enrollment charter school campus tobe located in the attendance zone of a school district campus assigned an unacceptable performance rating under Section 39.054 for the two preceding school years.

Charter Content (Texas Education Code § 12.111)

- (a) Each charter granted under this subchapter must:
- (1) describe the educational program to be offered, which must include the required curriculum as provided by Section 28.002;
- provide that continuation of the charter is contingent on the status of the charter as determined under Section 12.1141 or 12.115 or under Chapter 39A;
- (3) specify the academic, operational, and financial performance expectations by which a school operating under the charter will be evaluated, which must include applicable elements of the performance frameworks adopted under Section 12.1181;
- (4) specify:
- (A) any basis, in addition to a basis specified by this subchapter or Chapter 39A, on which the charter may be revoked, renewal of the charter may be denied, or the charter may be allowed to expire; and
- (B) the standards for evaluation of a school operating under the charter for purposes of charter renewal, denial of renewal, expiration, revocation, or other intervention in accordance with Section 12.1141 or 12.115 or Chapter 39A, as applicable;
- (5) prohibit discrimination in admission policy on the basis of sex, national origin, ethnicity, religion, disability, academic, artistic, or athletic ability, or the district the child would otherwise attend in accordance with this code, although the charter may:
- (A) provide for the exclusion of a student who has a documented history of a criminal offense, a juvenile court adjudication, or discipline problems under Subchapter A, Chapter 37; and
- (B) provide for an admission policy that requires a student to demonstrate artistic ability if the school specializes in performing arts;
- (6) specify the grade levels to be offered;
- (7) describe the governing structure of the program, including:
- (A) the officer positions designated;
- (B) the manner in which officers are selected and removed from office;
- (C) the manner in which members of the governing body of the school are selected and removed from office;
- (D) the manner in which vacancies on that governing body are filled;
- (E) the term for which members of that governing body serve; and
- (F) whether the terms are to be staggered;
- (8) specify the powers or duties of the governing body of the school that the governing body may delegate to an officer;
- (9) specify the manner in which the school will distribute to parents information related to the qualifications of each professional employee of the program, including any professional or educational degree held by each employee, a statement of any certification under Subchapter B, Chapter 21, held by each employee, and any relevant experience of each employee;

- (10) describe the process by which the person providing the program will adopt an annual budget;
- (11) describe the manner in which an annual audit of the financial and programmatic operations of the program is to be conducted, including the manner in which the person providing the program will provide information necessary for the school district in which the program is located to participate, as required by this code or by commissioner rule, in the Public Education Information Management System (PEIMS);
- (12) describe the facilities to be used;
- (13) describe the geographical area served by the program;
- (14) specify any type of enrollment criteria to be used;
- provide information, as determined by the commissioner, relating to any management company that will provide management services to a school operating under the charter; and
- (16) specify that the governing body of an open-enrollment charter school accepts and may not delegate ultimate responsibility for the school, including the school's academic performance and financial and operational viability, and is responsible for overseeing any management company providing management services for the school and for holding the management company accountable for the school's performance.
- (b) charter holder of an open-enrollment charter school shall consider including in the school's charter a requirement that the school develop and administer personal graduation plans under Sections 28.0212 and 28.02121.

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

Revision (Texas Education Code § 12.114)

- (a) A revision of a charter of an open-enrollment charter school may be made only with the approval of the commissioner.
- (b) Not more than once each year, an open-enrollment charter school may request approval to revise the maximum student enrollment described by the school's charter.
- (c) Not later than the 60th day after the date that a charter holder submits to the commissioner a completed request for approval for an expansion amendment, as defined by commissioner rule, including a new school amendment, the commissioner shall provide to the charter holder written notice of approval or disapproval of the amendment.
- (d) A charter holder may submit a request for approval for an expansion amendment up to 18 months before the date on which the expansion will be effective. A request for approval of an expansion amendment does not obligate the charter holder to complete the proposed expansion.

Renewal of Charter; Denial of Renewal; Expiration (Texas Education Code § 12.1141)⁴

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

⁴ Amended by 87th Texas Legislature; changes included not yet codified.

- (b) At the end of the term of a charter for an open-enrollment charter school, if a charter holder submits to the commissioner a petition for expedited renewal of the charter, the charter automatically renews unless, not later than the 30th day after the date the charter holder submits the petition, the commissioner provides written notice to the charter holder that expedited renewal of the charter is denied. The commissioner may not deny expedited renewal of a charter if:
- (1) the charter holder has been assigned the highest or second highest performance rating under Subchapter C, Chapter 39, for the three preceding school years;
- (2) the charter holder has been assigned a financial performance accountability rating under Subchapter D, Chapter 39, indicating financial performance that is satisfactory or better for the three preceding school years; and
- (3) no campus operating under the charter has been assigned an unacceptable performance rating under Subchapter C, Chapter 39, for the three preceding school years or such a campus has been closed.
- (c) At the end of the term of a charter for an open-enrollment charter school, if a charter holder submits to the commissioner a petition for renewal of the charter and the charter does not meet the criteria for expedited renewal under Subsection (b) or for expiration under Subsection (d), the commissioner shall use the discretionary consideration process. The commissioner's decision under the discretionary consideration process must take into consideration the results of annual evaluations under the performance frameworks established under Section 12.1181. The renewal of the charter of an open-enrollment charter school that is registered under the agency's alternative education accountability procedures for evaluation under Chapter 39 shall be considered under the discretionary consideration process regardless of the performance ratings under Subchapter C, Chapter 39, of the open-enrollment charter school or of any campus operating under the charter, except that if the charter holder has been assigned a financial accountability performance rating under Subchapter D, Chapter 39, indicating financial performance that is lower than satisfactory for any three of the five preceding school years, the commissioner shall allow the charter to expire under Subsection (d). In considering the renewal of the charter of an open-enrollment charter school that is registered under the agency's alternative education accountability procedures for evaluation under Chapter 39, such as a dropout recovery school or a school providing education within a residential treatment facility, the commissioner shall use academic criteria established by commissioner rule that are appropriate to measure the specific goals of the school. The criteria established by the commissioner shall recognize growth in student achievement as well as educational attainment. For purposes of this subsection, the commissioner shall designate as a dropout recovery school an openenrollment charter school or a campus of an open-enrollment charterschool:
- (1) that serves students in grades 9 through 12 and has an enrollment of which at least 60 percent of the students are 16 years of age or older as of September 1 of the school year as reported for the fall semester Public Education Information Management System (PEIMS) submission; and
- (2) that meets the eligibility requirements for and is registered under alternative education accountability procedures adopted by the commissioner.
- (d) At the end of the term of a charter for an open-enrollment charter school, if a charter holder submits to the commissioner a petition for renewal of the charter, the commissioner may not renew the charter and shall allow the charter to expire if:
- (1) the charter holder has been assigned an unacceptable performance rating under Subchapter C, Chapter 39, for anythree of the five preceding school years;
- (2) the charter holder has been assigned a financial accountability performance rating under Subchapter D, Chapter 39, indicating financial performance that is lower than satisfactory for any three of the five preceding school years;
- (3) the charter holder has been assigned any combination of the ratings described by Subdivision (1) or (2) for any three of the five preceding school years; or

- (4) any campus operating under the charter has been assigned the an unacceptable rating under Subchapter C, Chapter 39, for the three preceding school years and such a campus has not been closed.
- (e) Notwithstanding any other law, a determination by the commissioner under Subsection (d) is final and may not be appealed.
- (f) Not later than the 90th day after the date on which a charter holder submits a petition for renewal of a charter for an open-enrollment charter school at the end of the term of the charter, the commissioner shall provide written notice to the charter holder, in accordance with commissioner rule, of the basis on which the charter qualified for expedited renewal, discretionary consideration, or expiration, and of the commissioner's decision regarding whether to renew the charter, deny renewal of the charter, or allow the charter to expire.
- (g) Except as provided by Subsection (e), a decision by the commissioner to deny renewal of a charter for an open- enrollment charter school is subject to review by the State Office of Administrative Hearings. Notwithstanding Chapter 2001, Government Code:
- (1) the administrative law judge shall uphold a decision by the commissioner to deny renewal of a charter for an open-enrollment charter school unless the judge finds the decision is arbitrary and capricious or clearly erroneous; and
- (2) a decision of the administrative law judge under this subsection is final and may not be appealed.
- (h) If a charter holder submits a petition for renewal of a charter for an open-enrollment charter school, notwithstanding the expiration date of the charter, the charter term is extended until the commissioner has provided notice to the charter holder of the renewal, denial of renewal, or expiration of the charter.
- (i) The term of a charter renewed under this section is 10 years for each renewal.
- (j) The commissioner shall adopt rules to modify criteria for renewal, denial of renewal, or expiration of a charter foran open-enrollment charter school under this section to the extent necessary to address changes in performancerating categories or in the financial accountability system under Chapter 39.

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

- (a) Except as provided by Subsection (c), the commissioner shall revoke the charter of an open-enrollment charter school or reconstitute the governing body of the charter holder if the commissioner determines that the charter holder:
- (1) committed a material violation of the charter, including by a failure to:
- (A) satisfy accountability provisions prescribed by the charter; or
- (B) comply with the duty to discharge or refuse to hire certain employees or applicants for employment, as provided by Section 12.1151;
- (2) failed to satisfy generally accepted accounting standards of fiscal management;
- (3) failed to protect the health, safety, or welfare of the students enrolled at the school;
- (4) failed to comply with this subchapter or another applicable law or rule;
- (5) failed to satisfy the performance framework standards adopted under Section 12.1181; or
- (6) is imminently insolvent as determined by the commissioner in accordance with commissioner rule.

- (b) The action the commissioner takes under Subsection (a) shall be based on the best interest of the openenrollment charter school's students, the severity of the violation, any previous violation the school has committed, and the accreditation status of the school.
- (c) The commissioner shall revoke the charter of an open-enrollment charter school if:
- (1) the charter holder has been assigned an unacceptable performance rating under Subchapter C, Chapter 39, for thethree preceding school years;
- (2) the charter holder has been assigned a financial accountability performance rating under Subchapter D, Chapter 39, indicating financial performance lower than satisfactory for the three preceding school years; or
- (3) the charter holder has been assigned any combination of the ratings described by Subdivision (1) or (2) for the three preceding school years.
- (d) In reconstituting the governing body of a charter holder under this section, the commissioner shall appoint members to the governing body. In appointing members under this subsection the commissioner:
- (1) shall consider:
- (A) local input from community members and parents; and
- (B) appropriate credentials and expertise for membership, including financial expertise, whether the person lives in the geographic area the charter holder serves, and whether the person is an educator; and
- (2) may reappoint current members of the governing body.
- (e) If a governing body of a charter holder subject to reconstitution under this section governs enterprises other than the open-enrollment charter school, the commissioner may require the charter holder to create a new, single-purpose organization that is exempt from taxation under Section 501(c)(3), Internal Revenue Code of 1986, to govern the open-enrollment charter school and may require the charter holder to surrender the charter to the commissioner for transfer to the organization created under this subsection. The commissioner shall appoint the members of the governing body of an organization created under this subsection.
- (f) This section does not limit the authority of the attorney general to take any action authorized by law.
- (g) The commissioner shall adopt rules necessary to administer this section.

Related Procedures (Texas Education Code § 12.116)

- (a) The commissioner shall adopt an informal procedure to be used for:
- (1) revoking the charter of an open-enrollment charter school or for reconstituting the governing body of the charter holder as authorized by Section 12.115; and
- (2) denying the renewal of a charter of an open-enrollment charter school as authorized by Section 12.1141(c).
- (a-1) The procedure adopted under Subsection (a) for the denial of renewal of a charter under Section 12.1141(c) or the revocation of a charter or reconstitution of a governing body of a charter holder under Section 12.115(a) must allow representatives of the charter holder to meet with the commissioner to discuss the commissioner's decision and must allow the charter holder to submit additional information to the commissioner relating to the commissioner's decision. In a final decision issued by the commissioner, the commissioner shall provide a written response to any information the charter holder submits under this subsection.

- (b) Chapter 2001, Government Code, does not apply to a procedure that is related to a revocation or modification of governance under this subchapter.
- (c) A decision by the commissioner to revoke a charter is subject to review by the State Office of Administrative Hearings. Notwithstanding Chapter 2001, Government Code:
- (1) the administrative law judge shall uphold a decision by the commissioner to revoke a charter unless the judge finds the decision is arbitrary and capricious or clearly erroneous; and
- (2) a decision of the administrative law judge under this subsection is final and may not be appealed.
- (d) If the commissioner revokes the charter of an open-enrollment charter school, the commissioner may:
- (1) manage the school until alternative arrangements are made for the school's students; and
- (2) assign operation of one or more campuses formerly operated by the charter holder who held the revoked charter to a different charter holder who consents to the assignment.

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

If the commissioner revokes or denies the renewal of a charter of an open-enrollment charter school, or an open-enrollment charter school surrenders its charter, the school may not continue to operate or receive state funds under this subchapter.

Additional Sanctions (Texas Education Code § 12.1162)⁵

- (a) The commissioner shall take any of the actions described by Subsection (b) or by Section 39A.001, 39A.002, 39A.004, 39A.005, or 39A.007, to the extent the commissioner determines necessary, if an open-enrollment charter school, as determined by a report issued under Section 39.004(b):
- (1) commits a material violation of the school's charter;
- (2) fails to satisfy generally accepted accounting standards of fiscal management; or
- (3) fails to comply with this subchapter or another applicable rule or law.
- (b) The commissioner may temporarily withhold funding, suspend the authority of an open-enrollment charter school to operate, or take any other reasonable action the commissioner determines necessary to protect the health, safety, or welfare of students enrolled at the school based on evidence that conditions at the school present a danger to the health, safety, or welfare of the students.
- (c) After the commissioner acts under Subsection (b), the open-enrollment charter school may not receive funding and may not resume operating until a determination is made that:
- (1) despite initial evidence, the conditions at the school do not present a danger of material harm to the health, safety, or welfare of students; or
- (2) the conditions at the school that presented a danger of material harm to the health, safety, or welfare of students have been corrected.
- (d) Not later than the third business day after the date the commissioner acts under Subsection (b), the commissionershall provide the charter holder an opportunity for a hearing.
- (e) Immediately after a hearing under Subsection (d), the commissioner must cease the action under Subsection (b) or initiate action under Section 12.116.

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⁵ Amended by 87th Texas Legislature; changes included not yet codified.

(f) The commissioner shall adopt rules implementing this section. Chapter 2001, Government Code, does not apply to a hearing under this section.

Audit by Commissioner (Texas Education Code § 12.1163)

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

Related Party Transactions (Texas Education Code § 12.1166)

- (a) The commissioner shall adopt a rule defining "related party" for purposes of this subchapter. The definition of "related party" must include:
- (1) a party with a current or former board member, administrator, or officer who is:
- (A) a board member, administrator, or officer of an open-enrollment charter school; or
- (B) related within the third degree of consanguinity or affinity, as determined under Chapter 573, Government Code, to a board member, administrator, or officer of an open-enrollment charter school;
- (2) a charter holder's related organizations, joint ventures, and jointly governed organizations;
- (3) an open-enrollment charter school's board members, administrators, or officers or a person related to a board member, administrator, or officer within the third degree of consanguinity or affinity, as determined under Chapter 573, Government Code; and
- (4) any other disqualified person, as that term is defined by 26 U.S.C. Section 4958(f).
- (b) For purposes of Subsection (a)(1), a person is a former board member, administrator, or officer if the person served in that capacity within one year of the date on which a financial transaction between the charter holder and a related party occurred.

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

Appraisal of Certain Property (Texas Education Code § 12.1167)

- (a) The commissioner may adopt rules to require an open-enrollment charter school to:
- (1) notify the commissioner that the school intends to enter into a transaction with a related party, as defined by commissioner rule adopted under Section 12.1166; and
 - (2) provide an appraisal from a certified appraiser to the agency.

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

- (a) In this section, "related party" has the meaning adopted by commissioner rule under Section 12.1166.
- (b) A financial report filed under Section 44.008 by an open-enrollment charter school must separately disclose:
- (1) all financial transactions between the open-enrollment charter school and any related party, separately statingthe principal, interest, and lease payments; and
- (2) the total compensation and benefits provided by the school and any related party for each member of the governing body and each officer and administrator of the school and the related party.
- (c) The commissioner may adopt rules to implement this section.

ADMISSION AND EVALUATION

Admission (Texas Education Code § 12.117)

- (a) For admission to an open-enrollment charter school, the governing body of the school shall:
- (1) require the applicant to complete and submit the common admission application form described by Section 12.1173 not later than a reasonable deadline the school establishes; and
- (2) on receipt of more acceptable applications for admission under this section than available positions in the school:
- (A) fill the available positions by lottery; or
- (B) subject to Subsection (b), fill the available positions in the order in which applications received before the application deadline were received.
- (b) An open-enrollment charter school may fill applications for admission under Subsection (a)(2)(B) only if the school published a notice of the opportunity to apply for admission to the school. A notice published under this subsection must:
- (1) state the application deadline; and
- (2) be published in a newspaper of general circulation in the community in which the school is located not later than the seventh day before the application deadline.
- (c) An open-enrollment charter school authorized by a charter granted under this subchapter to a municipality:

- (1) is considered a work-site open-enrollment charter school for purposes of federal regulations regarding admissions policies that apply to open-enrollment charter schools receiving federal funding; and
- (2) notwithstanding Subsection (a), may admit children of employees of the municipality to the school before conducting a lottery to fill remaining available positions, provided that the number of children admitted under this subdivision constitutes only a small percentage, as may be further specified by federal regulation, of the school's total enrollment.
- (d) Notwithstanding Section 12.111(a)(13), an open-enrollment charter school may admit a child of an employee of the school as provided by this section regardless of whether the child resides in the geographic area served by the school.

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

- (a) The commissioner by rule shall adopt a common admission application form for use by an applicant for admission to an open-enrollment charter school that provides for the submission of information that the commissioner considers appropriate.
- (b) The form adopted under this section may not:
- (1) advertise or otherwise promote any person or open-enrollment charter school; or
- (2) solicit money, goods, or services from an applicant.
- (c) The commissioner shall publicize the availability of the form adopted under this section, including by posting the form on the agency's Internet website.
- (d) The commissioner by rule shall adopt guidelines for an open-enrollment charter school that receives more acceptable applications for admission than available positions at the school to create and manage a waiting list each school year for applicants who are not admitted.
- (e) The commissioner shall adopt any other rules as necessary to implement this section, including rules to ensure this section complies with federal law regarding confidentiality of student medical or educational information, including the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. Section 1320d et seq.) and the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g), and any state law relating to the privacy of student information.

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

- (a) Not later than the last Friday in October of each school year, in the form prescribed by commissioner rule, the governing body of a charter holder shall report to the agency for that school year:
- (1) the following information for each campus operating under the charter holder's charter:
- (A) the number of students enrolled;
- (B) the enrollment capacity; and
- (C) if a charter holder uses a waiting list for admission to a campus:
- (i) the total number of students on the waiting list; and
- (ii) the number of students on the waiting list disaggregated by grade level;
- (2) the information described by Subdivision (1) aggregated for all campuses operating under the charter holder's charter; and

- (3) any information required by the commissioner as necessary to identify each student admitted to or on a waiting list for admission to a campus operating under the charter holder's charter who is or was previously enrolled in a public school in this state.
- (b) From information provided to the commissioner by each charter holder under this subchapter, the commissioner shall identify each group of charter holders considered by the commissioner to be corporate affiliates or substantially related charter holders. Using the information reported under Subsections (a)(1) and (2), the agency shall aggregate the information for each group of charter holders identified by the commissioner under this subsection.
- (c) Not later than March 15 of each year, the commissioner shall post on the agency's Internet website:
- (1) the information reported by charter holders under Subsections (a)(1) and (2); and
- (2) the information aggregated by the agency under Subsection (b).
- (d) The commissioner shall adopt rules as necessary to implement this section, including rules to ensure this section complies with federal law regarding confidentiality of student educational information, including the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g), and any state law relating to the privacy of student information.

Evaluation (Texas Education Code § 12.118)

- (a) The commissioner shall designate an impartial organization with experience in evaluating school choice programs to conduct an annual evaluation of open-enrollment charter schools.
- (b) An evaluation under this section must include consideration of the following items before implementing the charter and after implementing the charter:
- (1) students' scores on assessment instruments administered under Subchapter B, Chapter 39;
- (2) student attendance;
- (3) students' grades;
- (4) incidents involving student discipline;
- (5) socioeconomic data on students' families;
- (6) parents' satisfaction with their children's schools; and
- (7) students' satisfaction with their schools.
- (c) The evaluation of open-enrollment charter schools must also include an evaluation of:
- (1) the costs of instruction, administration, and transportation incurred by open-enrollment charter schools;
- (2) the effect of open-enrollment charter schools on school districts and on teachers, students, and parents in those districts; and
- (3) other issues, as determined by the commissioner.

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

(a) The commissioner shall develop and by rule adopt performance frameworks that establish standards by which to measure the performance of an open-enrollment charter school. The commissioner shall develop and by rule

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

- (b) The performance frameworks may include a variety of standards. In evaluating an open-enrollment charter school, the commissioner shall measure school performance against an established set of quality standards developed and adopted by the commissioner.
- (c) Each year, the commissioner shall evaluate the performance of each open-enrollment charter school based on the applicable performance frameworks adopted under Subsection (a). The performance of a school on a performance framework may not be considered for purposes of renewal of a charter under Section 12.1141(d) or revocation of a charter under Section 12.115(c).

GOVERNANCE

Bylaws; Annual Report (Texas Education Code § 12.119)

- (a) A charter holder shall file with the commissioner a copy of its articles of incorporation and bylaws, or comparable documents if the charter holder does not have articles of incorporation or bylaws, within the period and in the manner prescribed by the commissioner.
- (b) Each year within the period and in a form prescribed by the commissioner, each open-enrollment charter school shall file with the commissioner the following information:
- (1) the name, address, and telephone number of each officer and member of the governing body of the openenrollment charter school: and
- (2) the amount of annual compensation the open-enrollment charter school pays to each officer and member of the governing body.
- (c) On request, the commissioner shall provide the information required by this section and Section 12.111(a)(7) to amember of the public. The commissioner may charge a reasonable fee to cover the commissioner's cost in providing the information.

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

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

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

- (a) Property purchased or leased with funds received by a charter holder under Section 12.106 after September 1, 2001:
- (1) is considered to be public property for all purposes under state law;
- (2) is property of this state held in trust by the charter holder for the benefit of the students of the openenrollment charter school; and
- (3) may be used only for a purpose for which a school district may use school district property.
- (4) is exempt from ad valorem taxation as provided by Section 11.11, Tax Code

- (a-1) Property leased with funds received by a charter holder under Section 12.106:
- (1) is considered to be public property for all purposes under state law;
- (2) is property of this state held in trust by the charter holder for the benefit of the students of the openenrollment charter school; and
- (3) may be used only for a purpose for which a school district may use school district property; and
- (4) is exempt from ad valorem taxation as provided by Section 11.11, Tax Code.
- (a-2) The owner of property that receives a tax exemption under Subsection (a) shall transfer the amount of tax savings from the exemption to the tenant or reduce the common area maintenance fee in a proportionate amount based upon the square footage of the exempt portion of the property;
- (b) If at least 50 percent of the funds used by a charter holder to purchase real property are funds received under Section 12.106 before September 1, 2001, the property is considered to be public property to the extent it was purchased with those funds.
- (b-1) Subject to Subsection (b-2), while an open-enrollment charter school is in operation, the charter holder holds title to any property described by Subsection (a) or (b) and may exercise complete control over the property as permitted under the law.
- (b-2) A charter holder may not transfer, sell, or otherwise dispose of any property described by this section without the prior written consent of the agency if:
- (1) the charter holder has received notice of:
- (A) the expiration of the charter holder's charter under Section 12.1141 and the charter has not been renewed; or
- (B) the charter's revocation under Section 12.115(c);
- (2) the charter holder has received notice that the open-enrollment charter school is under discretionary review by the commissioner, which may result in the revocation of the charter or a reconstitution of the governing body of the charter holder under Section 12.115; or the open-enrollment charter school for which the charter is held has otherwise ceased to operate.
- (c) The commissioner shall:
- (1) take possession and assume control of the property described by Subsection (a) of an open-enrollment charterschool that ceases to operate; and
- (2) supervise the disposition of the property in accordance with this subchapter.
- (c-1) Notwithstanding Subsection (c), if an open-enrollment charter school ceases to operate, the agency:
- (1) for property purchased with state funds, shall direct the charter holder to dispose of the property through one ofthe following methods:
- (A) retain or liquidate the property and provide reimbursement to the state as provided by Section 12.1281;
- (B) transfer the property to:

- (i) the agency under Section 12.1281(h); or
- (ii) a school district or open-enrollment charter school under Section 12.1282;
- (C) close the operations of the open-enrollment charter school under Section 12.1284; or
- (D) take any combination of the actions described by Paragraphs (A), (B), and (C); and
- (2) for property leased with state funds, may direct the charter holder to assign the charter holder's interest in thelease to the agency.
- (c-2) The agency may approve an expenditure of remaining funds by a former charter holder for insurance or utilities for or maintenance, repairs, or improvements to property described by this section if the agency determines that the expenditure is reasonably necessary to dispose of the property or preserve the property's value.
- (d) The commissioner may adopt rules necessary to administer this section.
- (e) This section does not affect a security interest in or lien on property established by a creditor in compliance withlaw if the security interest or lien arose in connection with the sale or lease of the property to the charter holder.
- (f) A decision by the agency under this section is final and may not be appealed.

Disposition of Property Purchased with State Funds (Texas Education Code § 12.1281)

- (a) A former charter holder of an open-enrollment charter school that has ceased to operate may retain property described by Section 12.128 if the former charter holder reimburses the state with non-state funds and the former charter holder:
- (1) provides written assurance that the requirements of Section 12.1284 will be met; and
- (2) receives approval from the agency.
- (b) On receiving consent from the agency under Section 12.128(b-2) and a written agreement from any creditor with a security interest described by Section 12.128(e), the former charter holder may:
- (1) sell property for fair market value; or
- (2) transfer property to an open-enrollment charter school or a school district as provided under Section 12.1282.
- (c) The amount of funds the state is entitled to as reimbursement for property of a former charter holder is:
- (1) for property retained by the former charter holder, the current fair market value less the amount of any debt subject to a security interest or lien described by Section 12.128(e), multiplied by the percentage of state funds used to purchase the property; or
- (2) for property sold by the former charter holder, the net sales proceeds of the property multiplied by the percentage of state funds used to purchase the property.
- (d) To determine the amount of state funds a former charter holder used to purchase property, the agency shall calculate:
- (1) an estimated state reimbursement amount based on the last annual financial report filed under Section 44.008 available at the time the former charter holder retains or sells the property; and

- (2) a final state reimbursement amount using the former charter holder's final financial audit filed under Section 44.008.
- (e) A former charter holder retaining property under Subsection (a) or selling the property under Subsection (b)(1) shall:
- (1) file an affidavit in the real property records of the county in which the property is located disclosing the state interest in the property;
- (2) place in escrow with the state comptroller an amount of non-state funds equal to 110 percent of the estimated state reimbursement amount not later than:
- (A) the closing date of the sale of the property if the charter holder is selling the property; or
- (B) the 90th day after the charter school's last day of instruction if the charter holder is retaining the property; and
- (3) not later than two weeks after the date the charter holder's final financial audit is filed under Section 44.008, submit to the state the final state reimbursement amount using the funds in escrow in addition to any other funds necessary to pay the full amount of state reimbursement.
- (f) A former charter holder may retain any funds remaining after complying with this section.
- (g) As soon as the agency is satisfied that the former charter holder complied with Subsection (e), the agency shall file written notice of the release of the state interest in property the former charter holder retains under this section and authorize the return of any funds not used for state reimbursement to the former charter holder.
- (h) Subject to the satisfaction of any security interest or lien described by Section 12.128(e), if a former charter holder does not dispose of property under Subsection (a) or (b), the former charter holder shall transfer the property, including a conveyance of title, to the agency in accordance with the procedures and time requirements established by the agency.
- (i) Subject to the satisfaction of any security interest or lien described by Section 12.128(e), if the agency determines a former charter holder failed to comply with this section or Section 12.1282, on request of the agency, the attorney general shall take any appropriate legal action to compel the former charter holder to convey title to the agency or other governmental entity authorized by the agency to maintain or dispose of property.
- (i) A decision by the agency under this section is final and may not be appealed.
- (k) The commissioner may adopt rules necessary to administer this section.

Transfer of Property Purchased with State Funds (Texas Education Code § 12.1282)

- (a) The agency may approve the transfer of property described by Section 12.128 from an open-enrollment charter school that has ceased to operate, or may transfer property conveyed to the agency by the former charter holderunder Section 12.1281, to a school district or an open-enrollment charter school if:
- (1) the open-enrollment charter school or school district receiving the property:
- (A) agrees to the transfer; and
- (B) agrees to identify the property as purchased wholly or partly using state funds on the school's annual financial report filed under Section 44.008;
- (2) any creditor with a security interest in or lien on the property described by Section 12.128(e) agrees to the transfer; and

- (3) the transfer of the property does not make the open-enrollment charter school or school district receiving the property insolvent.
- (b) Property received by an open-enrollment charter school or school district under this section is considered to be state property under Section 12.128(a).
- (c) The commissioner may adopt rules necessary to administer this section, including rules establishing qualifications and priority for a school district or open-enrollment charter school to receive a transfer of property under this section.
- (d) If the agency determines that the cost of disposing of personal property described by Section 12.128 transferred to the agency by an open-enrollment charter school that ceases to operate exceeds the return of value from the saleof the property, the agency may distribute the personal property to open-enrollment charter schools and school districts in a manner determined by the commissioner.
- (e) A determination by the agency under this section is final and may not be appealed.

Sale of Property Purchased with State Funds (Texas Education Code § 12.1283)

- (a) After the agency receives title to property described by Section 12.128, the agency may sell the property at any price acceptable to the agency.
- (b) On request of the agency, the following state agencies shall enter into a memorandum of understanding to sell property for the agency:
- (1) for real property, the General Land Office; and
- (2) for personal property, the Texas Facilities Commission.
- (c) A memorandum of understanding entered into as provided by Subsection (b) may allow the General Land Officeor Texas Facilities Commission to recover from the sale proceeds any cost incurred by the office or commission in the sale of the property.
- (d) Subject to the satisfaction of any security interest or lien described by Section 12.128(e), proceeds from the sale of property under this section shall be deposited in the charter school liquidation fund.
- (e) The commissioner may adopt rules as necessary to administer this section.

Closure of Charter Operations (Texas Education Code § 12.1284)

- (a) After extinguishing all payable obligations owed by an open-enrollment charter school that ceases to operate, including a debt described by Section 12.128(e), a former charter holder shall:
- (1) remit to the agency:
- (A) any remaining funds described by Section 12.106(h); and
- (B) any state reimbursement amounts from the sale of property described by Section 12.128; or
- (2) transfer the remaining funds to another charter holder under Section 12.106(i).
- (b) The agency shall deposit any funds received under Subsection (a)(1) in the charter school liquidation fund.

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

PRINCIPAL AND TEACHER QUALIFICATIONS

Minimum Principal and Teacher Qualifications (Texas Education Code § 12.129)

- (a) Except as provided by Subsection (b), a person employed as a principal or a teacher by an openenrollment charter school must hold a baccalaureate degree.
- (b) In an open-enrollment charter school that serves youth referred to or placed in a residential trade center by a local or state agency, a person may be employed as a teacher for a noncore vocational course without holding a baccalaureate degree if the person has:
- (1) demonstrated subject matter expertise related to the subject taught, such as professional work experience, formal training and education, holding a relevant active professional industry license, certification, or registration, or any combination of work experience, training and education, and industry license, certification, or registration; and
- (2) received at least 20 hours of classroom management training, as determined by the governing body of the open- enrollment charter school.

Notice of Teacher Qualifications (Texas Education Code § 12.130)

Each open-enrollment charter school must provide to the parent or guardian of each student enrolled in the school written notice of the qualifications of each teacher employed by the school.

STATE FUNDING

GENERAL

Entitlement (Texas Education Code § 12.106)

- (a) A charter holder is entitled to receive for the open-enrollment charter school funding under Chapter 48 equal to the amount of funding per student in weighted average daily attendance, excluding the adjustment under Section 48.052, the funding under Sections 48.101, 48.110, 48.111, and 48.112, and enrichment funding under Section 48.202(a), to which the charter holder would be entitled for the school under Chapter 48 if the school were a school district without a tier one local share for purposes of Section 48.266.
- (a-1) In determining funding for an open-enrollment charter school under Subsection (a), the amount of the allotment under Section 48.102 is based solely on the basic allotment to which the charter holder is entitled and doesnot include any amount based on the allotment under Section 48.101.
- (a-2) In addition to the funding provided by Subsection (a), a charter holder is entitled to receive for the openenrollment charter school an allotment per student in average daily attendance in an amount equal to the difference between:
- (1) the product of:
- (A) the quotient of:
- (i) the total amount of funding provided to eligible school districts under Section 48.101(b) or (c); and
- (ii) the total number of students in average daily attendance in school districts that receive an allotment underSection 48.101(b) or (c); and
- (B) the sum of one and the quotient of:

- (i) the total number of students in average daily attendance in school districts that receive an allotment underSection 48.101(b) or (c); and
- (ii) the total number of students in average daily attendance in school districts statewide; and(2) \$125.
- (a-3) In addition to the funding provided by Subsections (a) and (a-2), a charter holder is entitled to receive for the open-enrollment charter school enrichment funding under Section 48.202 based on the state average tax effort.
- (a-4) In addition to the funding provided by Subsections (a), (a-2), and (a-3), a charter holder is entitled to receive funding for the open-enrollment charter school under Sections 48.110 and 48.112 and Subchapter D, Chapter 48, if the charter holder would be entitled to the funding if the school were a school district.
- (a-5) To ensure compliance with the requirements for the maintenance of state financial support for special education under 20 U.S.C. Section 1412(a)(18), in determining the funding for an open-enrollment charter school under Subsection (a) for the Section 48.102 allotment, the commissioner shall:
- (1) if necessary, increase the amount of that allotment to an amount equal to the amount the charter holder was entitled to receive for the charter school under the allotment under former Section 42.151, Education Code, for the 2018-2019 school year; and
- (2) reduce the amount of the allotment the charter holder is entitled to receive for the charter school under Subsection (a-2) by the amount of any increase provided for the charter school under Subdivision (1)
- (a-6) Subsection (a-5) and this subsection expire September 1, 2025.
- (b) An open-enrollment charter school is entitled to funds that are available to school districts from the agency or the commissioner in the form of grants or other discretionary funding unless the statute authorizing the funding explicitly provides that open-enrollment charter schools are not entitled to the funding.
- (c) The commissioner may adopt rules to provide and account for state funding of open-enrollment charter schools under this section. A rule adopted under this section may be similar to a provision of this code that is not similar to Section 12.104(b) if the commissioner determines that the rule is related to financing of open-enrollment charter schools and is necessary or prudent to provide or account for state funds.
- (d) Subject to Subsection (e), in addition to other amounts provided by this section, a charter holder is entitled to receive, for the open-enrollment charter school, funding per student in average daily attendance in an amount equal to the guaranteed level of state and local funds per student per cent of tax effort under Section 46.032(a) multiplied by the lesser of:
- (1) the state average interest and sinking fund tax rate imposed by school districts for the current year; or
- (2) a rate that would result in a total amount to which charter schools are entitled under this subsection for the current year equal to \$60 million.
- (e) A charter holder is entitled to receive funding under Subsection (d) only if the most recent overall performance rating assigned to the open-enrollment charter school under Subchapter C, Chapter 39, reflects at least acceptable performance. This subsection does not apply to a charter holder that operates a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medical hospital.
- (f) Funds received by a charter holder under Subsection (d) may only be used:
- (1) to lease an instructional facility;
- (2) to pay property taxes imposed on an instructional facility;
- (3) to pay debt service on bonds issued to finance an instructional facility; or

- (4) for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility.
- (g) In this section, "instructional facility" has the meaning assigned by Section 46.001.
- (h) Except as provided by Subsection (i), all remaining funds of a charter holder for an open-enrollment charter school that ceases to operate must be returned to the agency and deposited in the charter school liquidation fund.
- (i) The agency may approve a transfer of a charter holder's remaining funds to another charter holder if the charter holder receiving the funds has not received notice of the expiration or revocation of the charter holder's charter foran open-enrollment charter school or notice of a reconstitution of the governing body of the charter holder under Section 12.1141 or 12.115.
- (j) The commissioner may adopt rules specifying:
- (1) the time during which a former charter holder must return remaining funds under Subsection (h); and
- (2) the qualifications required for a charter holder to receive a transfer of remaining funds under Subsection
- (i).

Recovery of Certain Funds (Texas Education Code § 12.1061)

The commissioner may not garnish or otherwise recover funds paid to an open-enrollment charter school under Section 12.106 if:

- (1) the basis of the garnishment or recovery is that:
- (A) the number of students enrolled in the school during a school year exceeded the student enrollment described by the school's charter during that period; and
- (B) the school received funding under Section 12.106 based on the school's actual student enrollment;
- (2) the school:
- (A) submits to the commissioner a timely request to revise the maximum student enrollment described by the school's charter and the commissioner does not notify the school in writing of an objection to the proposed revision before the 90th day after the date on which the commissioner received the request, provided that the number of students enrolled at the school does not exceed the enrollment described by the school's request; or
- (B) exceeds the maximum student enrollment described by the school's charter only because a court mandated that a specific child enroll in that school; and
- (3) the school used all funds received under Section 12.106 to provide education services to students.

Status and Use of Funds (Texas Education Code § 12.107)

- (a) Funds received under Section 12.106 after September 1, 2001, by a charter holder:
- (1) are considered to be public funds for all purposes under state law;
- (2) are held in trust by the charter holder for the benefit of the students of the open-enrollment charter school;
- (3) may be used only for a purpose for which a school may use local funds under Section 45.105(c); and

- (4) pending their use, must be deposited into a bank, as defined by Section 45.201, with which the charter holder hasentered into a depository contract; and
- (5) may not:
- (A) be pledged or used to secure loans or bonds for any other organization, including a non-charter operation or out-of-state operation conducted by the charter holder or a related party, as defined by commissioner rule adopted under Section 12.1166; or
- (B) be used to support an operation or activity not related to the educational activities of the charter holder.
- (b) A charter holder shall deliver to the Texas Education Agency a copy of the depository contract between the charter holder and any bank into which state funds are deposited.

Effect of Accepting State Funding (Texas Education Code § 12.1071)

- (a) A charter holder who accepts state funds under Section 12.106 after the effective date of a provision of this subchapter agrees to be subject to that provision, regardless of the date on which the charter holder's charter was granted.
- (b) A charter holder who accepts state funds under Section 12.106 after September 1, 2001, agrees to accept all liability under this subchapter for any funds accepted under that section before September 1, 2001. This subsection does not create liability for charter holder conduct occurring before September 1, 2001.

Tuition and Fees Restricted (Texas Education Code § 12.108)

- (a) An open-enrollment charter school may not charge tuition to an eligible student who applies under Section 12.117.
- (b) The governing body of an open-enrollment charter school may require a student to pay any fee that the board of trustees of a school district may charge under Section 11.158(a). The governing body may not require a student to pay a fee that the board of trustees of a school district may not charge under Section 11.158(b).

FOUNDATION SCHOOL PROGRAM

Average Daily Attendance (Texas Education Code § 48.005)

- (a) In this chapter, average daily attendance is:
- (1) the quotient of the sum of attendance for each day of the minimum number of days of instruction as described under Section 25.081(a) divided by the minimum number of days of instruction;
- (2) for a district that operates under a flexible year program under Section 29.0821, the quotient of the sum of attendance for each actual day of instruction as permitted by Section 29.0821(b)(1) divided by the number of actual days of instruction as permitted by Section 29.0821(b)(1);
- (3) for a district that operates under a flexible school day program under Section 29.0822, the average daily attendance as calculated by the commissioner in accordance with Sections 29.0822(d) and (d-1); or
- (4) for a district that operates a half-day program or a full-day program under Section 29.153(c), one-half of the average daily attendance calculated under Subdivision (1).
- (b) A school district that experiences a decline of two percent or more in average daily attendance shall be funded on the basis of:

- (1) the actual average daily attendance of the preceding school year, if the decline is the result of the closing or reduction in personnel of a military base; or
- (2) subject to Subsection (e), an average daily attendance not to exceed 98 percent of the actual average daily attendance of the preceding school year, if the decline is not the result of the closing or reduction in personnel of a military base.
- (c) The commissioner shall adjust the average daily attendance of a school district that has a significant percentage of students who are migratory children as defined by 20 U.S.C. Section 6399.
- (d) The commissioner may adjust the average daily attendance of a school district in which a disaster, flood, extremeweather condition, fuel curtailment, or other calamity has a significant effect on the district's attendance. In addition to providing the adjustment for the amount of instructional days during the semester in which the calamity first occurred, an adjustment under this section may only be provided based on a particular calamity for an additional amount of instructional days equivalent to one school year. The commissioner may divide the adjustment between two consecutive years
- (e) For each school year, the commissioner shall adjust the average daily attendance of school districts that are entitled to funding on the basis of an adjusted average daily attendance under Subsection (b)(2) so that:
- (1) all districts are funded on the basis of the same percentage of the preceding year's actual average daily attendance; and
- (2) the total cost to the state does not exceed the amount specifically appropriated for that year for purposes of Subsection (b)(2).
- (f) An open-enrollment charter school is not entitled to funding based on an adjustment under Subsection (b)(2).
- (g) If a student may receive course credit toward the student's high school academic requirements and toward the student's higher education academic requirements for a single course, including a course provided under Section
- 28.009 by a public institution of higher education, the time during which the student attends the course shall be counted as part of the minimum number of instructional hours required for a student to be considered a full-time student in average daily attendance for purposes of this section.
- (g-1) The commissioner shall adopt rules to calculate average daily attendance for students participating in a blended learning program in which classroom instruction is supplemented with applied workforce learning opportunities, including participation of students in internships, externships, and apprenticeships.
- (h) Subject to rules adopted by the commissioner under Section 48.007(b), time that a student participates in an off- campus instructional program approved under Section 48.007 (a) shall be counted as part of the minimum number of instructional hours required for a student to be considered a full-time student in average daily attendance for purposes of this section.
- (i) A district or a charter school operating under Chapter 12 that operates a prekindergarten program is eligible to receive one-half of average daily attendance under Subsection (a) if the district's or charter school's prekindergarten program provides at least 32,400 minutes of instructional time to students
- (j) A district or charter school is eligible to earn full average daily attendance under Subsection (a) if the district or school provides at least 43,200 minutes of instructional time to students enrolled in:
- (1) a dropout recovery school or program operating under Section 12.1141(c) or Section 39.0548;
- (2) an alternative education program operating under Section 37.008;

- (3) a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medicalhospital;
- (4) a school program offered at a correctional facility; or
- (5) a school operating under Section 29.259.
- (k) A charter school operating under a charter granted under Chapter 12 before January 1, 2015, is eligible to earn full average daily attendance under Subsection (a), as that subsection existed immediately before January 1, 2015, for:
- (1) all campuses of the charter school operating before January 1, 2015; and
- (2) any campus or site expansion approved on or after January 1, 2015, provided that the charter school received an academic accountability performance rating of C or higher, and the campus or site expansion is approved by the commissioner.
- (l) A school district campus or charter school described by Subsection (j) may operate more than one program andbe eligible for full average daily attendance for each program if the programs operated by the district campus or charter school satisfy all applicable state and federal requirements.
- (m) The commissioner shall adopt rules necessary to implement this section, including rules that:
- (1) establish the minimum amount of instructional time per day that allows a school district or charter school to be eligible for full average daily attendance, which may differ based on the instructional program offered by the districtor charter school:
- (2) establish the requirements necessary for a school district or charter school to be eligible for one-half of average daily attendance, which may differ based on the instructional program offered by the district or charter school; and
- proportionally reduce the average daily attendance for a school district if any campus or instructional program in the district provides fewer than the required minimum minutes of instruction to students.
- (4) allow a grade or course repeated under Section 28.02124 to qualify fo average daily attendance even if the student previously passed or earned credit for the grade or course, if the grade or course would otherwise be eligible.
- (m-1) except for students enrolled in programs or courses offered under Chapter 30A or Section 48.053, a school district or open-enrollment charter school may not count for purposes of calculating the district's or school's average daily attendance a student who received a virtual or remote instruction for a majority of the instructional days during the preceding school year if the student
- (1) did not achieve satisfactory performance or higher or the equivalent in the preceding school year on:
 - (A) each assessment instrument administered to the student under Section 39.023 or 39.025; or
- (B) if the student was not administered an assessment instrument that was required to be administered to the student under Section 39.023 or 39.025 during the preceding school year, an assessment instrument designed to show grade-level proficiency in the essential knowledge and skills identified under Section 28,002 by the State Board of Education for the student's grade level;
- (2) had a number of unexcused absences that exceeds 10 percent of the number of instructional days in the preceding year; or
- (3) did not earn a grade of C or higher or the equivalent in each of the foundation curriculum courses taken virtually or remotely in the preceding school year.

(m-2) Subsection (m-1) and this subsection expire September 1, 2023

(n) To assist school districts in implementing this section as amended by H.B. 2442, Acts of the 85th Legislature, Regular Session, 2017, the commissioner may waive a requirement of this section or adopt rules to implement this section.

Incentive for Additional Instructional Days (Texas Education Code § 48.0051)⁶

- (a) Subject to Subsection (a-1), the commissioner shall adjust the average daily attendance of a school district or open-enrollment charter school under Section 48.005 in the manner provided by Subsection (b) if the district or school:
- (1) provides the minimum number of minutes of operational and instructional time required under Section 25.081 and commissioner rules adopted under that section over at least 180 days of instruction; and
- (2) offers an additional 30 days of half-day instruction for students enrolled in prekindergarten through fifth grade.

(a-1) Repealed.

- (b) For a school district or open-enrollment charter school described by Subsection (a), the commissioner shall increase the average daily attendance of the district or school under Section 48.005 by the amount that results from the quotient of the sum of attendance by students described by Subsection (a)(2) for each of the 30 additional instructional days of half-day instruction that are provided divided by 180.
- (c) The commissioner may provide the incentive under this section to a school district or open-enrollment charter school that intended, but due to circumstances beyond the district's or school's control, including the occurrence of a natural disaster affecting the district or school, was unable to meet the requirement for instruction under Section
- 25.081 plus an additional 30 days of half-day instruction. The commissioner may proportionately reduce the incentive provided to a district or school described by this subsection.
- (d) This section does not prohibit a school district from providing the minimum number of minutes of operational and instructional time required under Section 25.081 and commissioner rules adopted under that section over fewer than 180 days of instruction.
- (e) The agency shall assist school districts and open-enrollment charter schools in qualifying for the incentive underthis section.
- (f) A school district or open-enrollment charter school may use funding attributable to the incentive provided under this section to pay costs associated with providing academic instruction in a voluntary summer program for students enrolled in the district or school.
- (g) The commissioner shall adopt rules necessary for the implementation of this section.

PEIMS System (Texas Education Code § 48.008)

(a) Each school district shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

⁶ Amended by 87th Texas Legislature; changes included not yet codified.

- (b) Each school district shall use a uniform accounting system adopted by the commissioner for the data required to be reported for the Public Education Information Management System.
- (c) Annually, the commissioner shall review the Public Education Information Management System and shall repeal or amend rules that require school districts to provide information through the Public Education Information Management System that is not necessary. In reviewing and revising the Public Education Information Management System, the commissioner shall develop rules to ensure that the system:
- (1) provides useful, accurate, and timely information on student demographics and academic performance, personnel, and school district finances;
- (2) contains only the data necessary for the legislature and the agency to perform their legally authorized functions in overseeing the public education system; and
- (3) does not contain any information related to instructional methods, except as provided by Section 29.066 or required by federal law.
- (d) The commissioner's rules must ensure that the Public Education Information Management System links student performance data to other related information for purposes of efficient and effective allocation of scarce school resources, to the extent practicable using existing agency resources and appropriations.

Required PEIMS Reporting (Texas Education Code § 48.009)

- (a) In this section, "full-time equivalent school counselor" means 40 hours of counseling services a week.
- (b) The commissioner by rule shall require each school district and open-enrollment charter school to report through the Public Education Information Management System information regarding:
- (1) the number of students enrolled in the district or school who are identified as having dyslexia;
- (2) the availability of school counselors, including the number of full-time equivalent school counselors, at each campus;
- (3) the availability of expanded learning opportunities as described by Section 33.252 at each campus;
- (4) the total number of students, other than students described by Subdivision (5), enrolled in the district or school with whom the district or school, as applicable, used intervention strategies, as that term is defined by Section 26.004, at any time during the year for which the report is made; and
- (5) the total number of students enrolled in the district or school to whom the district or school provided aids, accommodations, or services under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), at any time during the year for which the report is made.
- (6) disaggregated by campus and grade, the number of:
- (A) children who are required to attend school under Section 25.085, are not exempted under Section 25.086, attend school without excuse for 10 or more days or parts of days within a six-month period in the same school year;
- (B) students for whom the district initiates a truancy prevention measure under Section 25.0915(a-4); and
- (C) parents of students against whom an attendance officer or other appropriate school official has filed a complaint under Section 25.093; and
- (7) the number of students who are enrolled in a higher school equivalency program, a dropout recovery school, or an adult education program provided under a high school diploma and industry certification charter school program provided by the district or school and who:

- (A) are at least 18 years of age and under 26 years of age;
- (B) have not previously been reported to the agency as dropouts; and
- (C) enroll in the program at the district or school after not attending the school for a period of at least nine months
- (b-1) the commissioner by rule shall require each school district and open-enrollment charter school to report through the Public Education Information Management System information disaggregated by campus and grade regarding:
- (1) the number of children who are required to attend school under Section 25.085, are not exempted under 25.086, and frail to attend school without excuse for 10 or more days or part of days within a six-month period in the same school year;
- (2) the number of students for whom the district initiates a truancy prevention measure under Section 25.0915(a-4); and
- (3) the number of parents of students against whom an attendance officer or other appropriate school official has filed a complaint under Section 25.093.
- (b-2) the commissioner by rule shall require each school district and open-enrollment charter school to annually report through Public Education Information Management System information regarding the number of students who are enrolled in a high school equivalency program, a dropout recovery school, or an adult education program provided under a high school diploma and industry certification charter school program provided by the district or school and who:
- (1) are at least 18 years of age and under 26 years of age;
- (2) have not previously been reported to the agency as dropouts; and
- (3) enroll in the program at the district or school after not attending school for a period of at least nine months
- (b-3) a student reported under Subsection (b-2) as having enrolled in a high school equivalency program dropout recovery school, or an adult education program provided under a high school diploma and industry certification charter school program must be reported through the Public Education Information Management System as having previously dropped out of school.
- (b-4) the commissioner by rule shall require each school district and open-enrollment charter school to annually report through the Public Education Information Management System the number of reported incidents of bullying that have occurred at each campus. The commissioner's rules shall require a district or school to specify the number of incidents of bullying that included cyberbullying.
- (c) The agency shall maintain the information provided in accordance with this section.
- (d) Not later than January 1, 2020, the commissioner shall adopt rules requiring the Public Education Information Management System (PEIMS) to include pregnancy as a reason a student withdraws from or otherwise no longer attends public school.

Determination of Funding Levels (Texas Education Code § 48.010)

- (a) Not later than July 1 of each year, the commissioner shall determine for each school district whether the estimated amount of state and local funding per student in weighted average daily attendance to be provided to the district under the Foundation School Program for maintenance and operations for the following school year is less than the amount provided to the district for the 2010-2011 school year. If the amount estimated to be provided is less, the commissioner shall certify the percentage decrease in funding to be provided to the district.
- (b) In making the determinations regarding funding levels required by Subsection (a), the commissioner shall:
- (1) make adjustments as necessary to reflect changes in a school district's maintenance and operations tax rate;

- (2) for a district required to reduce its local revenue under Section 48.257, base the determinations on the district's net funding levels after deducting any amounts required to be expended by the district to comply with Chapter 49; and
- (3) determine a district's weighted average daily attendance in accordance with this chapter as it existed on January 1, 2011.

Commissioner Authority to Resolve Unintended Consequences from School Finance Formula (Texas Education Code § 48.011)

- (a) Subject to Subsections (b) and (d), the commissioner may adjust a school district's funding entitlement under thischapter if the funding formulas used to determine the district's entitlement result in an unanticipated loss or gain for a district.
- (a-1) The commissioner may modify dates relating to the adoption of a school district's maintenance and operations tax rate and, if applicable, an election required for the district to adopt that rate as necessary to implement the changes made by H.B. 3, 86th Legislature, Regular Session, 2019.
- (b) Before making an adjustment under Subsection (a) or (a-1), the commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the governor.
- (c) If the commissioner makes an adjustment under Subsection (a), the commissioner must provide to the legislaturean explanation regarding the changes necessary to resolve the unintended consequences.
- (d) Beginning with the 2021-2022 school year, the commissioner may not make an adjustment under Subsection (a) or (a-1).
- (e) This section expires September 1, 2023.

BASIC AND REGULAR PROGRAM ALLOTMENT

General (Texas Education Code § 48.051)

(a) For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment equal to the lesser of

\$6,160 or the amount that results from the following formula:

A = \$6,160 x (TR/MCR)

where:

"A" is the allotment to which a district is entitled;

"TR" is the district's tier one maintenance and operations tax rate, as provided by Section 45.0032; and

"MCR" is the state maximum compressed tax rate, as determined under Section 48.2551.

- (b) A greater amount for any school year may be provided by appropriation.
- (c) During any school year for which the maximum amount of the basic allotment provided under Subsection (a) or (b) is greater than the maximum amount provided for the preceding school year, a school district must use at least 30percent of the amount, if the amount is greater than zero, that equals the product of the average daily attendance of the district multiplied by the amount of the difference between the district's funding under this chapter per student

in average daily attendance for the current school year and the preceding school year to provide compensation increases to full-time district employees other than administrators as follows:

- (1) 75 percent must be used to increase the compensation paid to classroom teachers, full-time librarians, full-time school counselors certified under Subchapter B, Chapter 21, and full-time school nurses, prioritizing differentiated compensation for classroom teachers with more than five years of experience; and
- (2) 25 percent may be used as determined by the district to increase compensation paid to full-time district employees.
- (d) In this section, "compensation" includes benefits such as insurance premiums.

SPECIAL ALLOTMENTS

Special Education (Texas Education Code § 48.102)

(a) For each student in average daily attendance in a special education program under Subchapter A, Chapter 29, in amainstream instructional arrangement, a school district is entitled to an annual allotment equal to the basic allotment, or, if applicable, the sum of the basic allotment and the allotment under Section 48.101 to which the district is entitled, multiplied by 1.15. For each full-time equivalent student in average daily attendance in a special education program under Subchapter A, Chapter 29, in an instructional arrangement other than a mainstream instructional arrangement, a district is entitled to an annual allotment equal to the basic allotment, or, if applicable, the sum of the basic allotment and the allotment under Section 48.101 to which the district is entitled, multiplied by a weight determined according to instructional arrangement as follows:

Homebound	5.0
Hospital class	3.0
Speech therapy	5.0
Resource room	3.0
Self-contained, mild and moderate, regular campus	3.0
Self-contained, severe, regular campus	3.0
Off home campus	2.7
Nonpublic day school	1.7
Vocational adjustment class	2.3

- (b) A special instructional arrangement for students with disabilities residing in care and treatment facilities, other than state schools, whose parents or guardians do not reside in the district providing education services shall be established by commissioner rule. The funding weight for this arrangement shall be 4.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for students with disabilities residing in state schools shall be established by commissioner rule with a funding weight of 2.8.
- (c) For funding purposes, the number of contact hours credited per day for each student in the off home campus instructional arrangement may not exceed the contact hours credited per day for the multidistrict class instructional arrangement in the 1992-1993 school year.
- (d) For funding purposes the contact hours credited per day for each student in the resource room; self-contained, mild and moderate; and self-contained, severe, instructional arrangements may not exceed the average of the statewide total contact hours credited per day for those three instructional arrangements in the 1992-1993 school year.
- (e) The commissioner by rule shall prescribe the qualifications an instructional arrangement must meet in order to befunded as a particular instructional arrangement under this section. In prescribing the qualifications that a mainstream instructional arrangement must meet, the commissioner shall establish requirements that students with disabilities and their teachers receive the direct, indirect, and support services that are necessary to enrich the regular classroom and enable student success.

- (f) In this section, "full-time equivalent student" means 30 hours of contact a week between a special education student and special education program personnel.
- (g) The commissioner shall adopt rules and procedures governing contracts for residential placement of special education students. The legislature shall provide by appropriation for the state's share of the costs of those placements.
- (h) At least 55 percent of the funds allocated under this section must be used in the special education program under Subchapter A, Chapter 29.
- (i) The agency shall encourage the placement of students in special education programs, including students in residential instructional arrangements, in the least restrictive environment appropriate for their educational needs.
- (j) A school district that provides an extended year program required by federal law for special education students who may regress is entitled to receive funds in an amount equal to 75 percent, or a lesser percentage determined by the commissioner, of the basic allotment, or, if applicable, the sum of the basic allotment and the allotment under Section 48.101 to which the district is entitled for each full-time equivalent student in average daily attendance, multiplied by the amount designated for the student's instructional arrangement under this section, for each day the program is provided divided by the number of days in the minimum school year. The total amount of state funding for extended year services under this section may not exceed \$10 million per year. A school district may use funds received under this section only in providing an extended year program.
- (k) From the total amount of funds appropriated for special education under this section, the commissioner shall withhold an amount specified in the General Appropriations Act, and distribute that amount to school districts for programs under Section 29.014. The program established under that section is required only in school districts in which the program is financed by funds distributed under this subsection and any other funds available for the program. After deducting the amount withheld under this subsection from the total amount appropriated for special education, the commissioner shall reduce each district's allotment proportionately and shall allocate funds to each district accordingly.

Other Special Allotments

Texas law provides for other special allotments, including an allotment for students with dyslexia or related disorder (Texas Education Code Section 48.103), a compensatory education allotment (Texas Education Code Section 48.104), bilingual education allotments (Texas Education Code Section 48.105), career and technology education allotments (Texas Education Code Section 48.151), public education grant allotments (Texas Education Code Section 48.107), early education allotment (Texas Education Code Section 48.108), college, career, or military readiness outcomes bonus (Texas Education Section 48.110), fast grown allotment (Texas Education Code Section 48.111), new instructional facility allotments (Texas Education Code Section 48.152), dropout recovery school and residential placement facility allotment (Texas Education Code Section 48.153), and school safety allotment (Texas Education Code Section 42.168). Education Code Section 48.153), tuition allotments for districts not offering all grade levels (Texas Education Code Section 48.154), allotments for small and mid-sized districts (Texas Education Code Section 48.101), allotments for certain special-purpose school districts (Texas Education Code Section 48.053), and school safety allotment (Texas Education Code Section 48.101), allotments for certain special-purpose school districts (Texas Education Code Section 48.053), and school safety allotment (Texas Education Code Section 42.168).

FINANCING THE PROGRAM

General (Texas Education Code § 48.251)

- (a) The cost of the Foundation School Program for a school district is the total sum:
- (1) the sum of the tier one allotments and other funding as follows:
- (A) the basic allotment under Subchapter B;

- (B) the student-based allotments under Subchapter C; and
- (C) the additional funding under Subchapter D; and
- (2) the tier two allotment under Subchapter E.
- (b) The sum of the Foundation School Program maintenance and operations costs for all accredited school districts in this state constitutes the total maintenance and operations cost of the Foundation School Program.
- (c) The program shall be financed by:
- (1) state available school funds distributed in accordance with the law;
- (2) ad valorem tax revenue generated by local school district effort; and
- (3) state funds appropriated for the purposes of public school education and allocated to each district in an amount sufficient to finance the cost of each district's Foundation School Program not covered by other funds specified in this subsection.

Additional State Aid

Texas law provides for additional State aid in certain circumstances, including additional State aid for tax increment financing payments (Texas Education Code Section 48.253), additional State aid for ad valorem tax credits under the Texas Economic Development Act (Texas Education Code Section 48.254), and additional State aid for M&O tax reduction/state compression percentage (Texas Education Code Section 48.255).

Maximum Compressed Tax Rate (Texas Education Code Section 48.2551)

- (a) In this section:
- (1) "DPV" has the meaning assigned by Section 48.256;
- (2) "E" is the expiration of the exclusion of appraised property value for the preceding tax year that is recognized astaxable property value for the current tax year, which is the sum of the following:
- (A) property value that is no longer subject to a limitation on appraised value under Chapter 313, Tax Code; and
- (B) property value under Section 311.013(n), Tax Code, that is no longer excluded from the calculation of "DPV" from the preceding year because of refinancing or renewal after September 1, 2019;
- (3) "MCR" is the district's maximum compressed rate, which is the tax rate for the current tax year per \$100 of valuation of taxable property at which the district must levy a maintenance and operations tax to receive the full amount of the tier one allotment to which the district is entitled under this chapter;
- (4) "PYDPV" is the district's value of "DPV" for the preceding tax year; and
- (5) "PYMCR" is the district's value of "MCR" for the preceding tax year.
- (b) Except as provided by Subsection (c), a district's maximum compressed rate ("MCR") is the lesser of:
- (1) the rate determined by the following applicable formula:

- (A) if "DPV" exceeds "PYDPV" by an amount equal to or greater than 2.5 percent: $MCR = (1.025((PYDPV+E) \times PYMCR))/DPV$; or
- (B) if Paragraph (A) does not apply: MCR = PYMCR; or
- (2) the product of the state compression percentage, as determined under Section 48.255, for the current tax year, multiplied by \$1.00.
- (c) Notwithstanding Subsection (b), for a district to which Section 48.2552(b) applies, the district's maximum compressed rate is the value calculated for "MCR" under Subsection (b)(1)(B).
- (c-1) For purposes of determining a district's maximum compressed rate ("MCR") under Subsection (b) for the 2020-2021 school year, the value of "PYMCR" is \$1.00. This subsection expires September 1, 2021.
- (d) The agency shall calculate and make available school districts' maximum compressed rates, as determined underthis section.
- (d-1) Local appraisal districts, school districts., and the comptroller shall provide any information necessary to the agency to implement this section
- (d-2) A school district may appeal to the commissioner the district's taxable property value as determined by the agency under this section. A decision by the commissioner is final and may not be appealed.
- (e) It is the intent of the legislature that the state continue to fund public schools at the same or similar level as the state would have if this section had not taken effect.

Limitation on Maximum Compressed Rate (Texas Education Code Section 48.2552)

- (a) Each year, the agency shall evaluate the difference between school districts' maximum compressed rates, as determined under Section 48.2551.
- (b) If a school district has a maximum compressed rate that is less than 90 percent of another school district's maximum compressed rate, the district's maximum compressed rate is calculated under Section 48.2551(c) until the agency determines that the difference between the district's and another district's maximum compressed rates is not more than 10 percent.
- (c) The amount of revenue available to the state as a result of the differences in the amount of state aid and reduction in local revenue between calculating a district's maximum compressed rate in accordance with Subsection (b) and calculating the district's maximum compressed rate under Section 48.2551 shall be used to lower the state compression percentage under Section 48.255. The agency shall provide estimates to the legislature of the reduction of the state compression percentage based on this subsection.

Permitted Tax Rate for Maintenance of 2020-2021 Basic Allotment (Texas Education Code Section 48.2553)

- (a) Notwithstanding any other provision of this title or Chapter 26, Tax Code, if the maximum amount of the basic allotment provided under Section 48.051(a) or (b) for a school year is less than the maximum amount provided for the 2020-2021 school year, subject to Subsection (b), a school district may adopt a maintenance and operations tax rate that exceeds the maximum compressed tax rate permitted under Section 48.2551, provided that:
- (1) the rate adopted by the district was previously approved by voters for a tax year subsequent to the 2005 tax year;and
- (2) the rate may not exceed the lesser of:
- (A) \$1.17; or

- (B) the district's maximum compressed tax rate and the additional tax rate necessary to generate the amount of revenue equal to the difference in per student funding.
- (b) Before adopting a maintenance and operations tax rate under Subsection (a), a school district must receive approval from the agency. To receive approval from the agency under this subsection the district must submit the following information:
- (1) a statement detailing the loss of funding to the district that resulted from the decline in the maximum amount of the basic allotment provided under Section 48.051(a) or (b);
- (2) the proposed additional tax effort and the amount of funding the proposed additional tax effort will generate;
- (3) evidence that the proposed additional tax effort described by Subdivision (2) had been previously authorized by voters subsequent to the 2005 tax year; and
- (4) any other information required by the commissioner.
- (c) The agency's approval of a district's tax rate under Subsection (b) expires at the end of each tax year.
- (d) Any additional tax effort by a school district authorized under this section is not:
- (1) eligible for funding under Subchapter B, C, or D;
- (2) eligible for the guaranteed yield amount of state funds under Section 48.202; or
- (3) subject to the limit on local revenue under Section 48.257.
- (e) The commissioner shall reduce state aid or adjust the limit on local revenue under Section 48.257 in an amount equal to the amount of revenue generated by a school district's tax effort that is not in compliance with this section rection 48.2551.
- (f) This section does not apply to a school district to which Section 45.003(f) applies.

Local Share of Program Cost (Tier One) (Texas Education Code § 48.256)

(a) Each school district's share of the Foundation School Program is determined by the following formula:

 $LFA = TR \times DPV$

where:

"LFA" is the school district's local share;

"TR" is the school district's adopted tier one maintenance and operations tax rate, as described by Section45.0032(a) for each hundred dollars of valuation; and

"DPV" is the taxable value of property in the school district for the current tax year determined under Subchapter M, Chapter 403, Government Code.

(b) The commissioner shall adjust the values reported by the comptroller to reflect reductions in taxable value of property resulting from natural or economic disaster in the year in which the valuations are determined. The decision of the commissioner is final. An adjustment does not affect the local fund assignment of any other school district.

- (c) Appeals of district values shall be held pursuant to Section 403.303, Government Code.
- (d) This subsection applies to a school district in which the board of trustees entered into a written agreement with a property owner under Section 313.027, Tax Code, for the implementation of a limitation on appraised value under Subchapter B or C, Chapter 313, Tax Code. For purposes of determining "DPV" under Subsection (a) for a school district to which this subsection applies, the commissioner shall exclude a portion of the market value of propertynot otherwise fully taxable by the district under Subchapter B or C, Chapter 313, Tax Code, before the expiration of the subchapter. The comptroller shall provide information to the agency necessary for this subsection. A revenue protection payment required as part of an agreement for a limitation on appraised value shall be based on the district's taxable value of property for the preceding tax year.
- (e) Subsection (d) does not apply to property that was the subject of an application under Subchapter B or C, Chapter 313, Tax Code, made after May 1, 2009, that the comptroller recommended should be disapproved.

Local Revenue Level in Excess of Entitlement (Texas Education Code Section 48.257)⁷

- (a) Subject to Subsection (b), if a school district's tier one local share under Section 48.256 exceeds the district's entitlement under Section 48.266(a)(1) less the district's distribution from the state available school fund, the district must reduce the district's tier one revenue level in accordance with Chapter 49 to a level not to exceed the district's entitlement under Section 48.266(a)(1) less the district's distribution from the state available school fund.
- (b) This subsection applies only to a school district to which Subsection (a) applies. If a district's maintenance and operations tax collections from the tax rate described by Section 45.0032(a) for the current tax year minus the required reduction in a district's tier one revenue level under Subsection (a) results in an amount that is less than the amount of the district's entitlement under Section 48.266(a)(1) less the district's distribution from the state available school fund, the agency shall adjust the amount of the reduction required in the district's tier one revenue level under Subsection (a) up to the amount of local funds necessary for the district's entitlement under Section 48.266(a)(1) less the district's distribution from the state available school fund.
- (c) For purposes of Subsection (a), state aid to which a district is entitled under this chapter that is not described by Section 48.266(a)(3) may offset the amount by which a district must reduce the district's revenue level under this section. Any amount of state aid used as an offset under this subsection shall reduce the amount of state aid to which the district is entitled.
- (d) Except as provided by Subsection (e), a school district is entitled to retain the total amount of the district's tier two local share described by Section 48.266(a)(5)(A).
- (e) In any school year for which the amount of state funds appropriated specifically excludes the amount necessary to provide the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort under Section 48.202(a-1)(1), a district may only retain the amount of the district's tier two local share described by Section 48.266(a)(5)(A) equal to the amount of revenue that would be generated based on the amount appropriated for the dollar amount guaranteed level of state and local funds.
- (f) If the amount of a school district's tier two local share described by Section 48.266(a)(5)(B) to which a district isentitled exceeds the amount described by Section 48.202(a-1)(2), the district must reduce the district's revenue in accordance with Chapter 49 to a level not to exceed the amount described by Section 48.202 (a-1)(2).
- (g) For a district to which Section 45.003(f) applies, revenue generated from any cents of maintenance and operations tax effort that exceeds the maximum rate permitted under Section 45.003(d) is subject to the revenue limit established under Subsection (f).

⁷ Amended by 87th Texas Legislature; changes included not yet codified.

Adjustments for Certain Districts Receiving Federal Impact Aid (Texas Education Code § 48.262)

The commissioner is granted the authority to ensure that school districts receiving federal impact aid due to the presence of a military installation or significant concentrations of military students do not receive more than an eight percent reduction should the federal government reduce appropriations to those schools.

Distribution of Foundation School Fund (Texas Education Code § 48.266)

- (a) For each school year the commissioner shall determine:
- (1) the amount of money to which a school district is entitled under Subchapters B, C, and D;
- (2) the amount of money to which a school district is entitled under Subchapter E;
- (3) the amount of money allocated to the district from the available school fund;
- (4) the amount of each district's tier one local share under Section 48.256; and
- (5) the amount of each district's tier two local share under Section 48.202 for:
- (A) the district's maintenance and operations tax effort described by Section 48.202(a-1)(1); and
- (B) the district's maintenance and operations tax effort described by Section 48.202(a-1)(2).
- (b) Except as provided by this subsection, the commissioner shall base the determinations under Subsection (a) on the estimates provided to the legislature under Section 48.269, or, if the General Appropriations Act provides estimates for that purpose, on the estimates provided under that Act, for each school district for each school year. The commissioner shall reduce the entitlement of each district that has a final taxable value of property for the second year of a state fiscal biennium that is higher than the estimate under Section 48.269 or the General Appropriations Act, as applicable. A reduction under this subsection may not reduce the district's entitlement below the amount to which it is entitled at its actual taxable value of property.
- (c) Each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1) and (a)(2) and the sum of Subsections (a)(3), (a)(4), and (a)(5).
- (d) The commissioner shall approve warrants to each school district equaling the amount of its entitlement except as provided by this section. Warrants for all money expended according to this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner that warrants for state payments are transmitted. The total amount of the warrants issued under this section may not exceed the total amount appropriated for Foundation School Program purposes for that fiscal year.
- (e) If a school district demonstrates to the satisfaction of the commissioner that the estimate of the district's tax rate, student enrollment, or taxable value of property used in determining the amount of state funds to which the district isentitled are so inaccurate as to result in undue financial hardship to the district, the commissioner may adjust funding to that district in that school year to the extent that funds are available for that year.
- (f) If the amount appropriated for the Foundation School Program for the second year of a state fiscal biennium is less than the amount to which school districts and open-enrollment charter schools are entitled for that year, the commissioner shall certify the amount of the difference to the Legislative Budget Board not later than January 1 of the second year of the state fiscal biennium. The Legislative Budget Board shall propose to the legislature that the certified amount be transferred to the foundation school fund from the economic stabilization fund and appropriated for the purpose of increases in allocations under this subsection. If the legislature fails during the regular session to enact the proposed transfer and appropriation and there are not funds available under Subsection (h), the commissioner shall adjust the total amounts due to each school district and open-enrollment charter school under this chapter and the total amounts necessary for each school district to comply with the requirements of Chapter 49

by an amount determined by applying to each district and school the same percentage adjustment to the total amount of state and local revenue due to the district or school under this chapter and Chapter 49 so that the total amount of the adjustment to all districts and schools results in an amount equal to the total adjustment necessary. The following fiscal year:

- (1) a district's or school's entitlement under this section is increased by an amount equal to the adjustment made under this subsection; and
- (2) the amount necessary for a district to comply with the requirements of Chapter 49 is reduced by an amount necessary to ensure a district's full recovery of the adjustment made under this subsection.
- (g) Not later than March 1 each year, the commissioner shall determine the actual amount of state funds to which each school district is entitled under the allocation formulas in this chapter for the current school year and shall compare that amount with the amount of the warrants issued to each district for that year. If the amount of the warrants differs from the amount to which a district is entitled because of variations in the district's tax rate, student enrollment, or taxable value of property, the commissioner shall adjust the district's entitlement for the next fiscal year accordingly.
- (h) The legislature may appropriate funds necessary for increases under Subsection (g) from funds that the comptroller, at any time during the fiscal year, finds are available.
- (i) The commissioner shall compute for each school district the total amount by which the district's allocation of state funds is increased or reduced under Subsection (g) and shall certify that amount to the district.

Recovery of Overallocated Funds (Texas Education Code § 48.272)

- (a) If a school district has received an overallocation of state funds, the agency shall, by withholding from subsequent allocations of state funds for the current or subsequent school year or by requesting and obtaining a refund, recover from the district an amount equal to the overallocation.
- (b) Notwithstanding Subsection (a), the agency may recover an overallocation of state funds over a period not to exceed the subsequent five school years if the commissioner determines that the overallocation was the result of exceptional circumstances reasonably caused by statutory changes to Chapter 46 or 49or this chapter and related reporting requirements.
- (c) If a district fails to comply with a request for a refund under Subsection (a), the agency shall certify to the comptroller that the amount constitutes a debt for purposes of Section 403.055, Government Code. The agency shall provide to the comptroller the amount of the overallocation and any other information required by the comptroller. The comptroller may certify the amount of the debt to the attorney general for collection.
- (d) Any amounts recovered under this section shall be deposited in the foundation school fund.
- (e) Subject to Subsection (f), the agency may review a school district as necessary to determine if the district qualifies for each allotment received by the district under this chapter. If the agency determines that a school district received an allotment to which the district was not entitled, the agency may establish a corrective action plan or withhold the applicable amount of funding from the district.
- (f) The agency may not review school district expenditures that occurred seven or more years before the review.

Foundation School Fund Transfers (Texas Education Code § 48.273)

- (a) In this section:
- (1) "Category 1 school district" means a school district having a wealth per student of less than one-half of the statewide average wealth per student.

- (2) "Category 2 school district" means a school district having a wealth per student of at least one-half of the statewide average wealth per student but not more than the statewide average wealth per student.
- (3) "Category 3 school district" means a school district having a wealth per student of more than the statewide average wealth per student.
- (4) "Wealth per student" means the taxable property values reported by the comptroller to the commissioner under Section 48.256 divided by the number of students in average daily attendance.
- (b) Payments from the foundation school fund to each category 1 school district shall be made as follows:
- (1) 15 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of September of a fiscal year;
- (2) 80 percent of the yearly entitlement of the district shall be paid in eight equal installments to be made on or before the 25th day of October, November, December, January, March, May, June, and July; and
- (3) five percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of February.
- (c) Payments from the foundation school fund to each category 2 school district shall be made as follows:
- (1) 22 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of September of a fiscal year;
- (2) 18 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of October;
- 9.5 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of November;
- (4) 7.5 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of April;
- (5) five percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of May;
- (6) 10 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of June;
- (7) 13 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of July; and
- (8) 15 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of August.
- (d) Payments from the foundation school fund to each category 3 school district shall be made as follows:
- (1) 45 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of September of a fiscal year;
- (2) 35 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of October; and
- (3) 20 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25thday of August.

- (e) The amount of any installment required by this section may be modified to provide a school district with the proper amount to which the district may be entitled by law and to correct errors in the allocation or distribution of funds. If an installment under this section is required to be equal to other installments, the amount of other installments may be adjusted to provide for that equality. A payment under this section is not invalid because it is not equal to other installments.
- (f) Previously unpaid additional funds from prior fiscal years owed to a district shall be paid to the district together with the September payment of the current fiscal year entitlement.
- (g) The commissioner shall make all annual Foundation School Program payments under this section for purposes described by Sections 45.252(a)(1) and (2) before the deadline established under Section 45.263(b) for payment of debt service on bonds. Notwithstanding any other provision of this section, the commissioner may make Foundation School Program payments under this section after the deadline established under Section 45.263(b) only if the commissioner has not received notice under Section 45.258 concerning a district's failure or inability to pay matured principal or interest on bonds.

Foundation School Fund Transfers to Certain Charter Schools (Texas Education Code § 48.274)

- (a) On the request of an open-enrollment charter school, the commissioner shall compare the student enrollment of the open-enrollment charter school for the current school year to the student enrollment of the school during the preceding school year. If the number of students enrolled at the open-enrollment charter school for the currentschool year has increased by 10 percent or more from the number of students enrolled during the preceding school year, the open-enrollment charter school may request that payments from the foundation school fund to the school for the following school year and each subsequent school year, subject to Subsection (b), be made according to the schedule provided under Subsection (c).
- (b) An open-enrollment charter school that qualifies to receive funding as provided by this section is entitled to receive funding in that manner for three school years. On the expiration of that period, the commissioner shall determine the eligibility of the open-enrollment charter school to continue receiving payments from the foundation school fund under this section for an additional three school years. Subsequently, the open-enrollment charter school must reestablish eligibility in the manner provided by this subsection every three school years.
- (c) Payments from the foundation school fund to an open-enrollment charter school under this section shall be made as follows:
- (1) 22 percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25thday of September of a fiscal year;
- (2) 18 percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25thday of October;
- (3) 9.5 percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of November;
- (4) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of December;
- (5) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of January;
- (6) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of February;
- (7) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of March;

- (8) 7.5 percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of April;
- (9) five percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of May;
- (10) seven percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of June;
- (11) seven percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of July; and
- (12) eight percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of August.
- (d) The amount of any installment required by this section may be modified to provide an open-enrollment charter school with the proper amount to which the school may be entitled by law and to correct errors in the allocation or distribution of funds.
- (e) Previously unpaid additional funds from prior fiscal years owed to an open-enrollment charter school shall be paid to the school together with the September payment of the current fiscal year entitlement.

Use of Certain Funds (Texas Education Code § 48.275)

- (a) In this section, "participating charter school" means an open-enrollment charter school that participates in the uniform group coverage program established under Chapter 1579, Insurance Code.
- (b) The amount of additional funds to which each school district or participating charter school is entitled due to the increases in formula funding made by H.B. No. 3343, Acts of the 77th Legislature, Regular Session, 2001, and any subsequent legislation amending the provisions amended by that Act that increase formula funding under Chapter 49and this chapter to school districts and charter schools is available for purposes of Subsection (c).
- (c) Notwithstanding any other provision of this code, a school district or participating charter school may use the sum of the following amounts of funds only to pay contributions under a group health coverage plan for district or school employees:
- (1) the amount determined by multiplying the amount of \$900 or the amount specified in the General AppropriationsAct for that year for purposes of the state contribution under Section 1579.251, Insurance Code, by the number of district or school employees who participate in a group health coverage plan provided by or through the district or school; and
- (2) the difference between the amount necessary for the district or school to comply with Section 1581.052, Insurance Code, for the school year and the amount the district or school is required to use to provide health coverage under Section 1581.051, Insurance Code, for that year.
- (d) A determination by the commissioner under this section is final and may not be appealed.

Formula Transition Grant (Texas Education Code Section 48.277)

(a) A school district or open-enrollment charter school is entitled to receive an annual allotment for each student in average daily attendance in the amount equal to the difference, if the difference is greater than zero, that results from subtracting the total maintenance and operations revenue per student in average daily attendance for the current school year from the lesser of:

- (1) 103 percent of the district's or school's total maintenance and operations revenue per student in average daily attendance for the 2019-2020 school year that the district or school would have received under former Chapters 41 and 42, as those chapters existed on January 1, 2019; or
- (2) 128 percent of the statewide average amount of maintenance and operations revenue per student in average daily attendance that would have been provided for the 2019-2020 school year under former Chapters 41 and 42, as those chapters existed on January 1, 2019.
- (b) For purposes of calculating maintenance and operations revenue under Subsection (a), the commissioner shall:
- (1) for purposes of Subsections (a)(1) and (2), use the following applicable school year:
- (A) in a school year ending in an even-numbered year, the 2019-2020 school year; and
- (B) in a school year ending in an odd-numbered year, the 2019-2020 or 2020-2021 school year, whichever is greater;
- (2) include all state and local funding, except for any funding resulting from:
- (A) reimbursement for disaster remediation costs under former Sections 41.0931 and 42.2524;
- (B) an adjustment for rapid decline in taxable value of property under former Section 42.2521; and
- (C) an adjustment for property value affected by a state of disaster under former Section 42.2523;
- (3) adjust the calculation to reflect a reduction in tax effort by a school district; and
- (4) if a school district or open-enrollment charter school receives a waiver relating to eligibility requirements for thenational free or reduced-price lunch program under 42 U.S.C. Section 1751 et seq., use the numbers of educationally disadvantaged students on which the district's or school's entitlement to compensatory education funds was based forthe school year before the school year in which the district or school received the waiver, adjusted for estimated enrollment growth.
- (c) A decision by the commissioner under this section is final and may not be appealed.
- (c-1) Notwithstanding any other provision of this chapter, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open-enrollment charter schools are entitled under this section for a school year exceeds \$400 million, the commissioner shall proportionately reduce each district's or school's allotment under this section. The reduction in the amount to which a district or school is entitled under this section may not result in an amount that is less than zero.
- (d) A school district or open-enrollment charter school is not entitled to an allotment under Subsection (a)beginning with the 2024-2025 school year.
- (d-1) Expired
- (d-2) Expired
- (d-3) Expired
- (e) This section expires September 1, 2025.

Equalized Wealth Transition Grant (Texas Education Code Section 48.278)

(a) Subject to Subsection (b), a school district is entitled to receive an annual allotment in an amount equal to the amount of additional revenue a school district received for the 2018-2019 school year under former Sections 41.002(e) through (g), as those sections existed on January 1, 2019.

- (b) For purposes of calculating a district's allotment under Subsection (a), the commissioner shall reduce the amountto which a district is entitled under Subsection (a) by:
- (1) for the 2020-2021 school year, 20 percent;
- (2) for the 2021-2022 school year, 40 percent;
- (3) for the 2022-2023 school year, 60 percent; and
- (4) for the 2023-2024 school year, 80 percent.
- (c) This section expires September 1, 2024.

Maintenance of State Financial Support for Special Education (Texas Education Code Section 48.279)

- (a) Funds appropriated for purposes of this section or transferred in accordance with this section are state funds for purposes of compliance with the requirements regarding maintenance of state financial support for special education and reduced by this subsection and separate that amount from other funding provided under this chapter.
- (b) If the commissioner determines that the total amount of funding for special education for a school year that ends during the first state fiscal year of a state fiscal biennium is less than the amount required to comply with requirements regarding maintenance of state financial support under 20 U.S.C. Section 1412(a)(18), the commissioner shall use funds appropriated for the Foundation School Program for the second state fiscal year of that biennium to increase funding for special education for the first state fiscal year of that biennium in an amount necessary to ensure compliance with that provision.
- (c) If the commissioner determines that the total amount of funding for special education for a school year that ends during the second state fiscal year of a state fiscal biennium is less than the amount required to comply with requirements regarding maintenance of state financial support under 20 U.S.C. Section 1412(a)(18), the commissioner shall submit to the legislature an estimate of the amount of funding needed to comply with that provision for that state fiscal year.
- (d) If federal funds are withheld for a school year due to noncompliance with requirements regarding maintenance of state financial support under 20 U.S.C. Section 1412(a)(18), the commissioner shall use for that school year an amount of funds described by Subsection (a) equal to the amount of withheld funds in the same manner and for the same purposes as the withheld funds would have been provided.
- (e) After the commissioner has replaced any withheld federal funds as provided by Subsection (d), the commissioner shall distribute the remaining amount, if any, of funds described by Subsection (a) to proportionately increase funding for the special education allotment under Section 48.102.
- (f) In complying with Subsection (d), the commissioner may implement any program necessary to ensure the use of funds in accordance with that subsection.

GUARANTEED YIELD PROGRAM

Purpose (Texas Education Code § 48.201)

The purpose of the tier two component of the Foundation School Program is to provide each school district with the opportunity to provide the basic program and to supplement that program at a level of its own choice. An allotment under this subchapter may be used for any legal purpose other than (1) capital outlay or debt service; or (2) a purpose prohibited by Section 25.105(c-1) or another provision of this code.

Tier Two Allotment (Texas Education Code § 48.202)⁸

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 48.203, is determined by the formula:

 $GYA = (GL \times WADA \times DTR \times 100) - LR$

where:

"GYA" is the guaranteed yield amount of state funds to be allocated to the district;

"GL" is the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort, which is an amount described by Subsection (a-1) or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the school district, which is determined by subtracting the amounts specified by Subsection (b) from the total amount of maintenance and operations taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 48.258or by the quotient of the value of "DPV" as determined under Section 48.256(d) if that subsection applies to the district, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 48.258 or by the quotient of the value of "DPV" as determined under Section 48.256(d) if that subsection applies to the district, divided by 100.

- (a-1) For purposes of Subsection (a), the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort ("GL") for a school district is:
- (1) the greater of the amount of district tax revenue per weighted student per cent of tax effort available to a school district at the 96th percentile of wealth per weighted student, or the amount that results from multiplying 6,160, or the greater amount provided under Section 48.051(b), if applicable, by 0.016, for the first eight cents by which the district's maintenance and operations tax rate exceeds the district's tier one tax rate; and
- (2) subject to Subsection (f), the amount that results from multiplying \$6,160, or the greater amount provided under Section 48.051(b), if applicable, by 0.008, for the district's maintenance and operations tax effort that exceeds the amount of tax effort described by Subdivision (1).
- (a-2) The limitation on district enrichment tax rate ("DTR") under Section 48.203 does not apply to the district's maintenance and operations tax effort described by Subsection (a-1)(1).
- (b) In computing the district enrichment tax rate of a school district, the total amount of maintenance and operations taxes collected by the school district does not include the amount of:
- (1) the district's local fund assignment under Section 48.256; or
- (2) taxes paid into a tax increment fund under Chapter 311, Tax Code.
- (c) For purposes of this section, school district taxes for which credit is granted under Section 31.035, 31.036, or 31.037, Tax Code, are considered taxes collected by the school district as if the taxes were paid when the credit for the taxes was granted.

⁸ Amended by 87th Texas Legislature; changes included not yet codified.

- (d) For purposes of this section, the total amount of maintenance and operations taxes collected for an applicable school year by a school district with alternate tax dates, as authorized by Section 26.135, Tax Code, is the amount oftaxes collected on or after January 1 of the year in which the school year begins and not later than December 31 of the same year.
- (e) For purposes of this section, school district taxes for which credit is granted under former Subchapter D, Chapter 313, Tax Code, are considered taxes collected by the school district as if the taxes were paid when the credit for the taxes was granted.
- (e-1) For purposes of this section, the total amount of maintenance and operations taxes collected by a school district includes the amount of taxes refunded under Section 26.1115(c), Tax Code
- (f) For a school year in which the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort ("GL") under Subsection (a-1)(2) exceeds the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort ("GL") under Subsection (a-1)(2) for the preceding school year, a school district shall reduce the district's tax rate under Section 45.0032(b)(2) for the tax year that corresponds to that school year to a rate that results in the amount of state and local funds per weighted student per cent of tax effort available to the district at the dollar amount guaranteed level for the preceding school year. A school district is not entitled to the amount equal to the increase of revenue described by this subsection for the school year for which the district must reduce the district's tax rate. Unless Section 26.042(e), Tax Code, applies to the district, for a tax year in which a district must reduce the district's tax rate under this subsection, the district may not increase the district's maintenance and operations tax rate to a rate that exceeds the maximum maintenance and operations tax rate permitted under Section 45.003(d) or (f), as applicable, minus the reduction of tax effort required under this subsection. This subsection does not apply if the amount of state funds appropriated for a school year specifically excludes the amount necessary to provide the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort under Subsection (a-1)(2).

Limitation on Enrichment Tax Rate (Texas Education Code § 48.203)

The district enrichment tax rate ("DTR") under Section 48.202 of the Texas Education Code may not exceed the amount per \$100 of valuation by which the maximum rate permitted under Section 45.003 of the Texas Education Code exceeds the rate used to determine the district's local share under Section 48.256 of the Texas Education Code, or a greater amount for any year provided by appropriation.



APPENDIX C

AUDITED FINANCIAL STATEMENTS OF BORROWER



Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

THE GATHERING PLACE

San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

(With Independent Auditor's Report)

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Year Ended June 30, 2021

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THE GATHERING PLACE	BEXAR	015-841
Name of Charter	County	Co. Dist. Number
We, the undersigned, certify that the attached financial statement	ents of the above named c	harter school were reviewed
and approved disapproved for the year ended June	30, 2021 at The Gathering	g Place's Board of Directors
meeting on the 11th day of NVember	, 2021.	
\cap		
ant	Oxhnike	Maestas
Signature of Board Secretary	Signature of E	Board President

If the Board of Directors disapproved of the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):



Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors The Gathering Place San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of The Gathering Place, (a nonprofit organization)(TGP) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TGP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TGP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Gathering Place as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of TGP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TGP's internal control over financial reporting and compliance.

September 30, 2021

THE GATHERING PLACE

San Antonio, Texas

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS	
Current Assets	
Cash	\$ 841,505
Due from Texas Education Agency	703,896
Other Receivables	9,362
Deposits	25,000
Prepaids	28,802
Total Current Assets	1,608,565
Non-Current Assets	
Property and Equipment	
Construction in Progress	8,447
Total Non-Current Assets	8,447
Total Assets	\$ 1,617,012
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 45,242
Accrued Wages Payable	183,086
Payroll Deductions and Withholdings	62,104
Accrued Expenses	5,292
Other Current Liabilities	219,207
Total Current Liabilities	514,931
Total Liabilities	514,931
Net Assets	
Without Donor Restrictions	776,120
With Donor Restrictions	325,961
Total Net Assets	1,102,081
Total Liabilities and Net Assets	\$ 1,617,012

The accompanying notes to financial statements form an integral part of this statement.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

		nout Donor	ith Donor	Total
REVENUES AND OTHER SUPPORT				
Local Support				
Food Service Activity	\$	10,568	\$ -	\$ 10,568
Other Local Revenue		517,125	 	 517,125
Total Local Support		527,693	-	527,693
State Program Revenues				
Foundation School Program		-	3,812,775	3,812,775
Other State Revenues		-	25,000	25,000
Total State Program Revenues	<u></u>	-	3,837,775	 3,837,775
Federal Program Revenues				
ESEA, Title I Part A - Improving Basic Programs		-	105,373	105,373
IDEA, Part B - Formula		-	58,607	58,607
IDEA, Part B - Preschool		-	2,135	2,135
Elementary and Secondary School Emergency Relief Fund (ESSER)		-	65,179	65,179
School Breakfast Program		-	11,009	11,009
National School Lunch Program		-	24,715	24,715
ESEA, Title II, Part A: Supporting Effective Instruction		-	12,424	12,424
Public Charter School Grant		-	691,665	691,665
Elementary and Secondary School Emergency Relief Fund II (ESSER II)			 17,373	 17,373
Total Federal Program Revenues		-	988,480	988,480
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments		4,500,294	 (4,500,294)	
Total Revenues and Other Support		5,027,987	 325,961	5,353,948
EXPENSES				
Program Services				
Instruction and Instructional Related Services		3,171,271	-	3,171,271
Instructional and School Leadership		397,547	-	397,547
Support Services				
Administrative Support Services		314,064	-	314,064
Ancillary Services		7,921	-	7,921
Support Services - Non-student Based		328,263	-	328,263
Support Services - Student (Pupil)		293,745	-	293,745
Fund Raising		200	-	200
Debt Service		22,460	 	 22,460
Total Expenses		4,535,471	 	 4,535,471
Change in Net Assets		492,516	325,961	818,477
Net Assets, Beginning of Year		283,604	 -	 283,604
Net Assets, Ending of Year	\$	776,120	\$ 325,961	\$ 1,102,081

THE GATHERING PLACE

San Antonio, Texas

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation School and Other Program Payments	\$ 3,181,524
Federal and State Grant Payments	1,049,170
Local grants and contributions	470,330
Payments to Vendors for Goods and Services Rendered	(2,025,154)
Payments to Charter School Personnel for Services Rendered	(2,102,941)
Net Cash Provided (Used) by Operating Activities	 572,929
CASH FLOWS FROM INVESTING ACTIVITIES	
Construction Payments	(8,447)
Net Cash Provided (Used) by Operating Activities	 (8,447)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Paycheck Protection Program Loan	48,000
Proceeds from Bridge Loan	579,000
Repayment of Bridge Loan	(579,000)
Net Cash Provided (Used) by Financing Activities	 48,000
Net Increase/(Decrease) in Cash	 612,482
Cash, Beginning of Year	 229,023
Cash, End of Year	\$ 841,505
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH	
PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 818,477
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities	
(Increase) Decrease in Assets:	
Due from State	(595,561)
Deposits	(24,650)
Prepaids	(28,802)
Other Receivables	(9,362)
Increase (Decrease) in Liabilities:	
Accounts Payable	46,845
Accrued Wages Payable	183,086
Payroll Deductions and Withholdings	54,397
Accrued Expenses	5,292
Other Current Liabilities	 123,207
Net Cash Provided by Operating Activities	\$ 572,929
Supplemental Disclosure	
Interest Paid	\$ 22,460

The accompanying notes to financial statements form an integral part of this statement.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Payroll Costs	Professional & Contractual Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instruction	\$ 1,697,804	\$ 1,071,477	\$ 210,222	\$ 10,844	\$ -	\$ 2,990,347
Instructional Resources and Media Services	-	-	2,061	-	-	2,061
Curriculum Development and Instructional Staff Development	82,991	28,888	49,080	17,904	-	178,863
Instructional Leadership	77,564	-	-	-	-	77,564
School Leadership	268,635	18,487	25,231	7,630	-	319,983
Total Program Services	2,126,994	1,118,852	286,594	36,378	-	3,568,818
Support Services:						
General Administration	147,888	85,524	41,982	38,670	-	314,064
Guidance, Counseling and Evaluation Services	114,555	1,000	-	-	-	115,555
Social Work Services	64,375	-	-	3,451	-	67,826
Health Services	-	-	2,893	-	-	2,893
Food Services	-	7,840	99,631	-	-	107,471
Facilities Maintenance and Operations	63,111	125,378	74,610	33,538	-	296,637
Security and Monitoring Services	-	-	27,375	-	-	27,375
Data Processing Services	-	2,648	1,400	203	-	4,251
Community Services	-	620	3,897	3,404	-	7,921
Debt Service	-	-	-	-	22,460	22,460
Fundraising	-	200	-	-	-	200
Total Support Services	389,929	223,210	251,788	79,266	22,460	966,653
Total Expenses	\$ 2,516,923	\$ 1,342,062	\$ 538,382	\$ 115,644	\$ 22,460	\$ 4,535,471

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Gathering Place is a Texas Charter School, sponsored by the Charter Holder, TGP Public Schools, a 501(C)3 not-for-profit corporation incorporated in the State of Texas on May 17, 2018. In 2019, the Texas State Board of Education granted The Gathering Place an open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code ("TEC"), to operate the charter school for five years at which time renewal must be applied for.

The Gathering Place is governed by a Board of Directors (the Board), which is comprised of seven members who are both appointed by the Board. The Board has the authority to make decisions, appoint the Chief Executive Officers, and significantly influence operations of The Gathering Place. The Board has the primary accountability for the fiscal affairs of The Gathering Place.

The Gathering Place receives funding from the Texas Education Agency ("TEA") based on The Gathering Place's Average Daily Attendance ("ADA") Foundation Formula program. Since The Gathering Place receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Basis of Accounting and Presentation

The fiscal year of The Gathering Place is from July 1st to June 30th and separate audited financial statements are prepared as of that date. The accompanying financial statements of The Gathering Place have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, income and expenses are recognized when earned or incurred.

The Gathering Place accounts and reports its activities in accordance with the Financial Accounting Standards Board, *Accounting Standards Codification (FASB ASC)*, which is the source of generally accepted accounting principles (GAAP) for non-governmental entities. The accompanying financial statements and the related accounting system are also organized and prepared in accordance with the Special Supplement to Financial Accounting and Reporting — Nonprofit Charter School Chart of Accounts, a module of the TEA's *Financial Accountability Resource Guide* (the "Resource Guide").

Net Asset Classification

In accordance with the FASB ASC, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions or relevant law. Accordingly, net assets of The Gathering Place and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions — are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions — are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met with the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Cash

The Gathering Place considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Inventories

Inventories are stated at cost and expensed when purchased. There was no inventory as of June 30, 2021.

Property and Equipment

Property and equipment are stated at historical cost, if purchased, or at fair value if donated. Furniture and equipment, as defined by The Gathering Place are assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful life of the respective asset.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to an expense. Major improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Property and equipment acquired with public funds received by The Gathering Place for operations constitute public property pursuant to Chapter 12 of the Texas Education Code.

Asset Class	Useful Lives
Buildings (Permanent)	30-40 Years
Building Improvements	10 Years
Furniture & Equipment	5 Years
Vehicles	5 Years
Technology	3 Years

For the fiscal year ended June 30, 2021, the Charter School did not own ant property and equipment. Furniture and equipment used during the year was owned by the lessor of the school property. See Note 4.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Gathering Place, the Charter Holder, is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Gathering Place has no unrelated business income; accordingly, a provision for income taxes has not been made in the accompanying financial statements. The Gathering Place is not classified as a private foundation.

The amount of income tax benefit that may be disallowed by the IRS, if any, cannot be determined although The Gathering Place expects such amounts, if any, to be immaterial. The Gathering Place is subject to IRS and state examinations for a period of at least three (3) years after its IRS Form 990 has been filed.

The Gathering Place is also exempt from state franchise income and sales taxes in the State of Texas.

Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or management and general or fundraising. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and relates costs are charged directly either to program services, fundraising or administration based on actual time worked in each area. Information technology costs, depreciation, interest expense, and occupancy costs are allocated based on whether the costs are associates with instructional campuses (program services) or with administrative buildings.

Revenues and Support

Revenues from the State's Foundation School Program are based on numerous factors including reported student attendance. In addition, receivables/payables to the State are recognized based on the near final summary of finances report.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

- Contributions with donor-imposed restrictions are reported as restricted support. Restricted support increases net assets with donor restrictions.
- Contributions without donor-imposed restrictions are reported as unrestricted support. Unrestricted support increases net assets without donor restrictions.

Grant funds are considered to be earned when grantor restrictions have been met and to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

Restricted/Unrestricted Resources

The Gathering Place funds expenses by a combination of restricted and unrestricted revenues. Thus, when expenses are incurred, there are both restricted and unrestricted resources available to finance them. It is The Gathering Place's policy to first apply restricted resources to its expenses and then unrestricted revenues.

2. CASH

At June 30, 2021, the carrying amount of The Gathering Place's cash deposits were \$841,505 and the bank balance was \$850,161. The Gathering Place maintains accounts with BBVA, Jefferson Bank and Texas Partners Bank.

Concentration of Credit Risk – The Gathering Place maintains its cash in a commercial bank which are insured by the Federal Deposit Insurance Corporation (FDIC). At various times throughout the year, and at year-end, The Gathering Place's cash balances exceeded the FDIC limit of \$250,000. Management believes the credit risk exposure to The Gathering Place is mitigated by the strength of the financial institution.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

3. PROPERTY AND EQUIPMENT

At June 30, 2021, property and equipment consists of the following:

Construction in Progress	\$ 8,447
	\$ 8,447

Depreciation expense totaled \$0 for the year ended June 30, 2021. Title to property and equipment may revert to the donor/grantor upon disposition or as directed by the resource provider.

4. BUILD TO SUIT LEASE AND OPTION

On January 30, 2020, The Gathering Place (tenant) entered into a lease agreement (Phase I) with the GRHH Performance NW Loop 410 LLC, Performance Charter School NW Loop 410 LLC, Lincoln James Holdings LLC and BJH Investments LLC (landlords) to build to suit lease and option to acquire a site for a charter school facility to be constructed by landlord. The lease began on the date the landlord acquired fee title of the premises and continue for a period of 25 years after the rent commencement date and expire at the expiration of the 25th lease year. The lease commenced in August 12, 2020. For fiscal year 2021, the rent was \$73,987 per month, with the initial two months of rent being deferred to be included in the final purchase price option. As of June 30, 2021, Phase I allowance funds of \$219,207, to be used to purchase items such as furniture and equipment, was been received by The Gathering Place and is reported as other liabilities in the accompanying financial statements.

In December 2020, the second amendment to the Build to Suit Lease and Option was executed for Phase II improvements consisting of four new buildings and a separate allowance not to exceed \$500,000. The Gathering Place is responsible for the appropriate allocation of the allowance that must be used for the facility, which includes items such as networking equipment/systems, office furnishings and equipment, and technology equipment. The rent commencement date for Phase II began in July 2021.

The Phase I and II lease payments by lease year are as follows:

Lease Year,	Amount
1	\$ 813,857
2	1,439,167
3	1,583,618
4	1,623,208
5	1,663,789
	\$ 7,123,639

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

4. BUILD TO SUIT LEASE AND OPTION (Continued)

Upon the fifth anniversary of the rent commencement date, and on each anniversary of the rent commencement date thereafter, base rent will increase by an amount equal to two and one-half percent (2.5%) more than the base rent payable during the immediately preceding lease year.

Purchase Price Options

TGP has the option to purchase the buildings which may be exercised starting with the commencement date through July 31 of each lease year, referred to as option periods, as noted below.

Lease Year	Option Period	Option Price
Year 1	1st	\$22,989,929
Years 2-5	2nd	\$22,038,182
Years 6-7	3rd	\$22,228,532
Years 8-10	4th	\$22,418,881

The lease years 11 through 25 purchase price options are to be negotiated between the landlord and tenant but no lower than the purchase price of option period four.

The Gathering Place has not determined if or when the purchase option will be exercised. As such, a liability for the purchase of the school buildings has not been recorded.

Accrual of Initial Rent

Two months of the base rent (\$147,974) for Phase 1 shall be deferred and are not payable unless TGP exercises its purchase option. Three months of rent (\$158,739) for Phase II shall be deferred and are not payable unless the purchase option is exercised. Since it cannot yet be determined when/if the purchase option will be exercised, these liabilities are not recorded.

5. SHORT-TERM DEBT

Paycheck Protection Program Loan

On April 20, 2020, The Gathering Place received loan proceeds from Jefferson Bank in the total amount of \$48,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

5. SHORT-TERM DEBT (Continued)

Under the terms of the PPP, certain amounts of the loan and accrued interest are forgivable as long as the charter school uses the loan proceeds for eligible purposes; including, payroll, employee benefits, mortgage interest, rent, and utilities; and, maintains its payroll levels, after eight weeks from the receipt of the loan.

On January 19, 2021, the PPP Loan was forgiven in full. The loan proceeds are recorded as other local support revenue.

BlueHub Loan Fund

On July 24, 2020, The Gathering Place executed a promissory note with BlueHub Loan Fund, Inc. for the principal sum of up to \$576,000, which functioned as a bridge loan until state revenues were received. The Note bears interest at a rate equal to 6.25% and matures on the earlier of January 24, 2022 or the date that is three days after The Gathering Place receives grant proceeds sufficient to pay off the loan. \$560,440 in funds were disbursed and were repaid in November 2020. No amounts were outstanding at June 30, 2021. Interest costs totaling \$22,461 were recognized for the year ended June 30, 2021.

6. COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Gathering Place has not been named or involved in any claims and legal actions.

The COVID-19 virus caused a global pandemic which resulted in an overall decline in economic activity. Management has taken steps to minimize the impact of COVID-19 on the operating and financial performance of The Gathering Place. Although it is reasonably possible that the virus could have a negative effect on its operations in the future, the specific impact is not readily determinable as of the date of these financial statements. Accordingly, the financial statements as of and for the year ended June 30, 2021 have not been adjusted to reflect the impact that may result from the outcome of this uncertainty.

Grants

The Gathering Place receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by The Gathering Place have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so, determined by TEA or other grantor agency. Management is of the opinion that no material liability will result from such audits.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

7. BUSINESS CONCENTRATIONS

The majority of The Gathering Place's activities and revenues are as a result of grants and allotments from TEA and its operations are concentrated in the public education field. As such, The Gathering Place operates in a heavily regulated environment. The operations of The Gathering Place are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

Continued operations of The Gathering Place are dependent upon the issuance of the charter by the Texas State Board of Education. Failure to meet accountability or financial ratings can result in the revocation of the charter.

8. PENSION PLAN OBLIGATIONS

Plan Description

The Gathering Place participates in a cost-sharing, multiple-employer defined benefit pension plan (Plan), administered by the Teacher Retirement System of Texas (TRS), with one exception: all risks and costs are not shared by The Gathering Place, but are the liability of the State of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. TRS' annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River Street,

Austin, Texas 78701, by calling 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another charter school or ISD. The risk of participating in multi-employer pension plans is different from single-employer plans. If a participating charter school or ISD stops contributing to the Plan, the unfunded obligations of the Plan gets passed along to the remaining charter schools and ISDs. There is not a withdrawal penalty for leaving the TRS system; and, there is no collective-bargaining agreement.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

8. PENSION PLAN OBLIGATIONS (Continued)

Texas Retirement System of Texas
N/A
\$184,361,871,000
\$218,974,205,000
75.54%
N/A
N/A

Information obtained from the TRS 2020 CAFR

Funding Policy

Contribution requirements are not actuarially determined, but are established and amended by the Texas legislature, pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to TRS members during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Under provisions in state law, plan members and the state are each required to contribute 7.7% and 7.5%, respectively, of the plan member's annual covered salary; and, in certain instances, The Gathering Place is required to make all or a portion of the member's contribution and on the portion of the employees' salaries that exceed the statutory minimum. The following table shows contribution rates by type of contributor:

	Contribution Rates		
	2020	2021	
Member	7.7%	7.7%	
Non-Employer Contributing Entity (State)	7.5%	7.5%	
Employers	7.5%	7.5%	

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

8. PENSION PLAN OBLIGATIONS (Continued)

For the year ended June 30, 2021, The Gathering Place contributed \$74,655, the required contributions for the year, on behalf of its employees to TRS, which included \$31,793 for Non-OASDI members. The State also contributes to TRS on behalf of charter school employees; however, these contributions are not recognized in The Gathering Place's financial statements under FASB accounting. The Gathering Place's contributions to the Plan did not represent more than 5% of the total contributions to the Plan. There have been no changes that would affect the comparison of employer contributions from year to year.

9. OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The Gathering Place participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan. TRS-Care is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. TRS' annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701, by calling 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications heading.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3).

Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare Health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

9. OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Funding Policy

Contribution rates for the TRS-Care plan are established in state statute by the Texas legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, school districts, and charter schools, based upon member's annual compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the aggregate annual compensation paid to members during the fiscal year. Section 1575.203 establishes the active member's rate which is 0.65% of the member's annual compensation. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and not more than 0.75% of the annual compensation of each active member. The actual employer contribution rate is prescribed by the Texas Legislature in the General Appropriations Act. The following table shows contribution rates to the TRS-Care plan by type of contributor:

_	Contribution Rates		
	2020	2021	
Member	0.65%	0.65%	
Non-Employer Contributing Entity (State)	1.25%	1.25%	
Employers	0.75%	0.75%	
Federal/Private Funding remitted by Employers	1.25%	1.25%	

For the year ended June 30, 2021, The Gathering Place contributed \$14,974, the required contributions for the year, on behalf of its employees to TRS. The State also contributes to TRS on behalf of charter school employees; however, these contributions are not recognized in The Gathering Place's financial statements under FASB accounting.

10. HEALTH CARE COVERAGE

During the year ended June 30, 2021, employees were covered by Blue Cross Blue Shield of Texas, a statewide customer-owned health insurer. The Gathering Place offered two health plans: 1) an HMO and 2) a PPO, for which it contributed 50% of premiums of \$196 and \$282, respectively, per employee, per month to the plan. Employees, at their option, authorize payroll withholdings to pay contributions or premiums for dependents.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

11. LIQUIDITY AND AVAILABILITY

The Gathering Place maintains all funds in depository accounts to meet its immediate cash needs. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year as of June 30, 2021 are as follows:

Cash	\$ 841,505
Due from State	703,896
Prepaids	28,802
Other Receivables	 9,362
	1,583,565
Less: Net Assets with Donor Restrictions	(325,961)
Total Financial Assets Available for General Expenditure	\$ 1,257,604

12. SUBSEQUENT EVENTS

The Gathering Place has evaluated potential subsequent events through September 24, 2021, the date of the audit report, and has determined that no additional subsequent events have occurred.

On August 11, 2021, TGP entered into a \$147,300 promissory note with Texas Partners Bank in order to finance the purchase of playground equipment/renovations. The note bears an interest rate of 4% and matures November 11, 2024. Three monthly pay

ments of interest only are due beginning on September 11, 2021 followed by thirty-five payments of principal and interest for \$4,352.30 beginning on December 11, 2021. The note is secured by a commercial security agreement.



THE GATHERING PLACE

San Antonio, Texas

SCHEDULE OF DETAILED EXPENSES

Year Ended June 30, 2021

EXPENSES	Totals
11 Instruction	\$ 2,990,347
12 Instructional Resources and Media Services	2,061
13 Curriculum Development and Instructional Staff Development	178,863
21 Instructional Leadership	77,564
23 School Leadership	319,983
31 Guidance, Counseling and Evaluation Services	115,555
32 Social Work Services	67,826
33 Health Services	2,893
35 Food Services	107,471
41 General Administration	314,064
51 Facilities Maintenance and Operations	296,637
52 Security and Monitoring Services	27,375
53 Data Processing Services	4,251
61 Community Services	7,921
71 Debt Service	22,460
81 Fundraising	 200
Total Expenses	\$ 4,535,471

THE GATHERING PLACE

San Antonio, Texas

SCHEDULE OF EXPENSES BY OBJECT CODE

Year Ended June 30, 2021

		Totals
EXPENSE	ES	
6100	Payroll Costs	\$ 2,516,923
6200 Professional and Contracted Services		1,342,062
6300 Supplies and Materials6400 Other Operating Costs		538,382
		115,644
6500	Debt	 22,460
Total Expenses		\$ 4,535,471

THE GATHERING PLACE

San Antonio, Texas

SCHEDULE OF PROPERTY AND EQUIPMENT

June 30, 2021

	Ownership Interest					
	L	Local		State		deral
1520 Construction in Progress	\$	-	\$	8,447	\$	-
Total Property and Equipment	\$	-	\$	8,447	\$	

THE GATHERING PLACE San Antonio, Texas

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2021

	Budgeted Amounts			Actual	Variance from Final
	Original		Final	Amounts	Budget
REVENUES AND OTHER SUPPORT					
Local Support					
5740 Other Revenue from Local Sources	\$ 389,000	(3)	\$ 507,185	\$ 517,125	\$ 9,940
5750 Revenues from Food Service Activities		(1)	11,000	10,568	(432)
Total Local Support	389,000		518,185	527,693	9,508
State Program Revenues					
5810 Foundation School Program	3,106,650	(11)	3,748,456	3,812,775	64,319
5820 State Program Revenue Distributed by Texas Education Agency	-	(13)	25,000	25,000	-
Total State Program Revenues	3,106,650	()	3,773,456	3,837,775	64,319
			<u> </u>	· · · · · · · · · · · · · · · · · · ·	<u> </u>
Federal Program Revenues	0.52.125		005.005	000.400	1.504
5920 Federal Revenue Distributed by Texas Education Agency	962,435		986,896	988,480	1,584
Total Federal Program Revenues	962,435		986,896	988,480	1,584
Total Revenues and Other Support	4,458,085		5,278,537	5,353,948	75,411
EXPENSES					
11 Instruction	3,223,253		2,936,699	2,990,347	(53,648)
12 Instructional Resources and Media Services	33,000	(4)	2,100	2,061	39
13 Curriculum Development and Instructional Staff Development	243,200	(12)	203,632	178,863	24,769 (15)
21 Instructional Leadership	-	(14)	77,111	77,564	(453)
23 School Leadership	323,617		320,510	319,983	527
31 Guidance, Counseling and Evaluation Services	67,500	(6)	114,902	115,555	(653)
32 Social Work Services	66,608		67,513	67,826	(313)
33 Health Services	57,000	(5)	2,890	2,893	(3)
35 Food Services	2,000	(2)	112,586	107,471	5,115
41 General Administration	213,279	(6)	308,777	314,064	(5,287)
51 Facilities Maintenance and Operations	115,800	(7)	285,276	296,637	(11,361)
52 Security and Monitoring Services	-	(13)	27,370	27,375	(5)
53 Data Processing Services	9,852	(8)	4,252	4,251	1
61 Community Services	42,204	(9)	7,904	7,921	(17)
71 Debt Service - Interest	-	(10)	22,460	22,460	-
81 Fundraising	6,180	(9)	200	200	-
Total Expenses	4,403,493		4,494,182	4,535,471	(41,289)
Change in Net Assets	54,592		784,355	818,477	34,122
Net Assets, Beginning of Year	283,604		283,603	283,604	<u> </u>
Net Assets, Ending of Year	\$ 338,196	= =	\$ 1,067,958	\$ 1,102,081	\$ 34,122

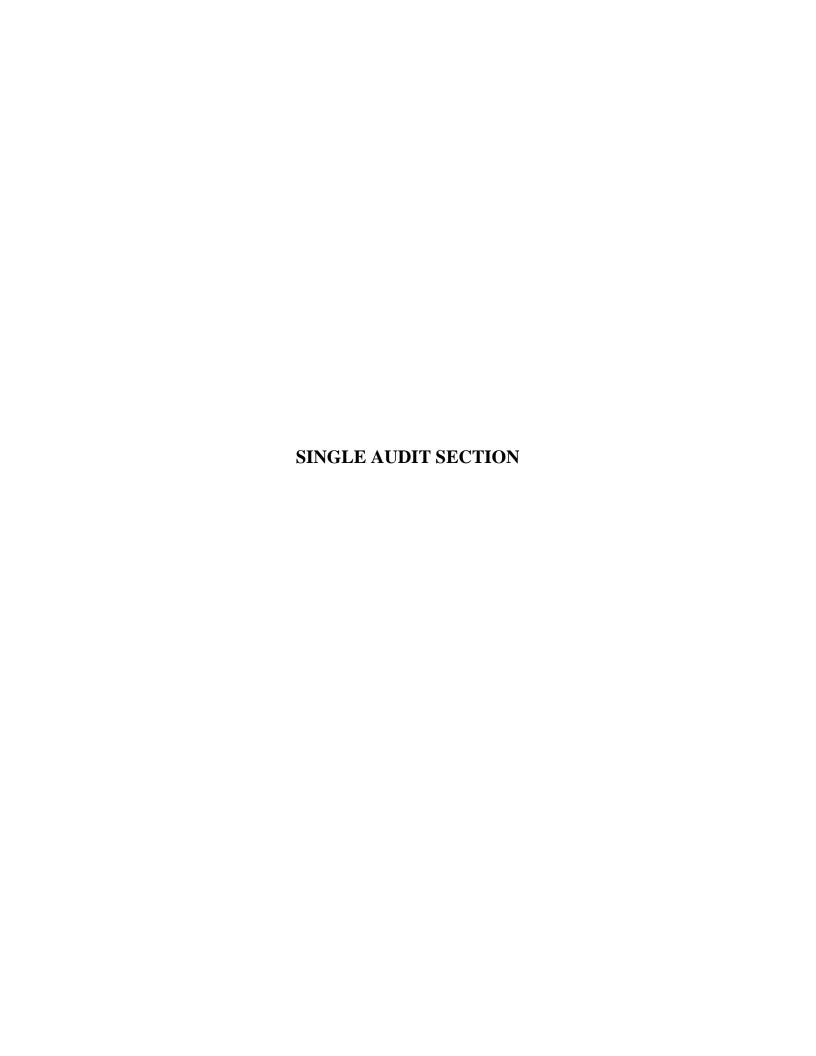
THE GATHERING PLACE San Antonio, Texas

BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended June 30, 2021

Below are management's explanations for variances exceeding 10% between original and final budgets and between actual results and final budgeted revenues/expenses.

- (1) As a first-year charter, budget was not established for the local food service program revenue due to unknown participation.
- (2) The original budget included revenues and expenses net of each other instead of disaggregating revenue to object 5XXX and expenses to object 6XXX.
- (3) The San Antonio Area Foundation grant was the only local revenue identified as of 06/30/2020 and the remaining difference was budgeted start up cash on hand.
- (4) Original budget included expenses reclassified to fiscal year 2020 as product was received or services rendered as of 06/30/2020.
- (5) Original budget included the cost of a contracted Nurse, but a nurse was not utilized to the extent of the expected budget.
- (6) The final budget included expenses that were originally budgeted into other functions.
- (7) Original budget did not include property insurance nor the school furniture purchased and received as of June 2021. Also, as a first year charter in a new facility and with COVID, contracted janitorial expense budget was lower compared to what was spent in the current year.
- (8) Original budget included \$8,000 for technology contracted services but only \$2,700 was needed.
- (9) Due to COVID, there were less community and fundraising expenses then originally budgeted for such as rentals, event supplies and food.
- (10) The original budget did not interest related to the Bluehub Loan which was obtained after 6/30/2020.
- (11) As a first year charter with no actual demographic data from the prior year, basic information was used to estimate FSP revenue as of 06/30/2020.
- (12) Original budget included line items in this function that were actually allocated to function 11 based on allowability.
- (13) The Safety and Security Grant was applied for in January 2020, thus revenue and expenses were not included as part of the original budget for fiscal year 2021.
- (14) The original budget for function 21 was included within function 23.
- (15) TGP reclassed an expense after the final budget amendment posted thus affecting this function to over 10% compared to the final budget.



Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors The Gathering Place San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Gathering Place, (a non-profit organization)(TGP) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TGP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TGP's internal control. Accordingly, we do not express an opinion on the effectiveness of TGP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of The Gathering Place's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TGP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management TGP in a separate letter dated September 30, 2021.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TGP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TGP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 30, 2021

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors The Gathering Place San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited The Gathering Place (TGP's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Gathering Place's major federal programs for the year ended June 30, 2021. TGP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of TGP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TGP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TGP's compliance.

Opinion on the Major Federal Program

In our opinion, TGP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of TGP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Gathering Place's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TGP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

September 30, 2021

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THE GATHERING PLACE. San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

SECTION I --- SUMMARY OF AUDITOR'S RESULTS

Financial Statements						
Type of auditor's report	Type of auditor's report issued: <u>Unmodified</u>					
Internal control over fine • Material weakness (e.		Yes	_X_No			
Significant deficienci to be material weakne	es identified not considered esses?	Yes	X None Reported			
Noncompliance materia	to financial statements noted?	Yes	<u>X</u> No			
Federal Awards						
Internal control over ma • Material weakness (e		Yes	XNo			
Significant deficienci to be material weakne	es identified not considered esses?	Yes	X None Reported			
Type of auditor's report major programs	issued on compliance for	<u>Unmodified</u>				
	osed that are required to be e with Circular 2 CFR,	Yes	_X_No			
Identification of Major Pro	ograms					
CFDA Numbers(s)	Name of Federal Program or Cluster					
84.282	Charter Schools					
Dollar threshold used to B programs:	Dollar threshold used to distinguish between Type A and Type B programs:					
Auditee qualified as low	Auditee qualified as low-risk auditee?		<u>X</u> No			

THE GATHERING PLACE. San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

SECTION II --- FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

THE GATHERING PLACE. San Antonio, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2021

None.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
None.

SECTION II – FINANCIAL STATEMENT FINDINGS

THE GATHERING PLACE, INC. San Antonio, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Grantor/Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	Federal Expenditures	
U.S. Department of Education				
Passed Through State Department of Education				
ESSA Title I, Part A Improving Basic Programs	84.010A	21610101015841	\$	105,373
IDEA Part B, Formula	84.027	216610010158416000		58,607
IDEA Part B, Preschool	84.173	216610010158416000		2,135
ESSA Title II Part A- Supporting Effective Instruction State Grants	84.367A	21694501015841		12,424
Public Charter Schools Program Start-Up Grant	84.282A	205900137110005		691,665
Elementary and Secondary School Emergency Relief Grant (ESSER) Coronavirus Response and Relief Supplemental Appropriations (CRRSA-ESSER II) Total CFDA No. 84.425D	84.425D 84.425D	20521001015841 52102135		65,179 17,373 82,552
Total Passed Through State Department of Education			\$	952,756
Total U.S. Department of Education			\$	952,756
U.S. Department of Agriculture				
Passed Through Texas Department of Agriculture				
School Breakfast Program (SBP) *	10.553	71402101	\$	11,009
National School Lunch Prg-NSLP *	10.555	71302101		24,715
Total CFDA No. 10.553/10.555				35,724
Total Passed Through Texas Department of Agriculture			\$	35,724
Total U.S. Department of Agriculture			\$	35,724
Total Expenditures of Federal Awards			\$	988,480

^{*} Clustered programs

THE GATHERING PLACE San Antonio, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

- 1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Gathering Place and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.
- 2. The Gathering Place did not elect to use the 10% de minimis indirect cost rate provided by the Uniform Guidance.
- 3. The expenditures for the child nutrition cluster are reported to the extent of program revenues.



APPENDIX D

FORM OF BOND COUNSEL OPINION





1017 HEIGHTS BOULEVARD HOUSTON, TEXAS 77008

TELEPHONE: (346) 802-2133 FACSIMILE: (346) 223-1233

WWW.SLH-LAW.COM & WWW.K12LAW.COM

ATTORNEYS AND COUNSELORS FOR TEXAS SCHOOLS AND LOCAL GOVERNMENT

May , 2022

Arlington Higher Education Finance Corporation 4381 W. Green Oaks Blvd., Suite 200 Arlington, Texas 76016 Attention: Phillip Wambsganss

UMB Bank, N.A. 5910 N. Central Expressway, Suite 1900 Dallas, Texas 75206 Attention: Madelyn Wallace

Ladies and Gentlemen:

We have been engaged by TGP Public Schools d/b/a The Gathering Place, a nonprofit Texas corporation (the "Company"), to serve as bond counsel ("Bond Counsel") in connection with the issuance by the Arlington Higher Education Finance Corporation (the "Issuer") of its Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022A (the "Series 2022A Bonds") and Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B (the "Series 2022B Bonds" and, collectively with the Series 2022A Bonds, the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Trust Indenture") by and between the Issuer and UMB Bank, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be loaned by the Issuer to the Company pursuant to a Loan Agreement dated as of May 1, 2022 (the "Loan Agreement") by and between the Issuer and the Company, as evidenced by two promissory notes (the "Series 2022 Notes") issued pursuant to the Master Trust Indenture and Security Agreement, dated as of May 1, 2016 (the "Master Indenture") by and between the Company and UMB Bank, N.A., as master trustee (the "Master Trustee"), as amended and supplemented by the Supplemental Master Trust Indenture No. 1 dated as of May 1, 2022 (the "Supplemental Indenture") by and between the Company and the Master Trustee. Under the Loan Agreement, the Company has agreed to make payments to or for the account of the Issuer in amounts necessary to pay when due the principal of, premium, if any, and interest on the Bonds. Such payments and the rights of the Issuer under the Loan Agreement (except certain rights to indemnification, rebate payments and administrative fees) and the Series 2022 Notes are pledged and assigned by the Issuer under the Trust Indenture to the Trustee as security for the Bonds. Capitalized terms used herein, unless otherwise defined,

Schulman, Lopez, Hoffer & Adelstein, LLP—Trusted advisers and advocates for Texas independent school districts, charter schools and local governments offering accessible, responsive legal representation to our clients.

May ___, 2022 Page 2

have the meanings set forth in the Trust Indenture, the Loan Agreement and the Master Indenture. The Bonds are payable solely from the Trust Estate.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Board of Directors of the Company and the Board of Directors of the Issuer; customary certificates of public officials, agents and representatives of the Company, the Issuer, the Trustee and certain other parties; the opinion of the Attorney General of the State of Texas approving the Trust Indenture and the Bonds; a specimen of the form of registered bond of each issue; and other certifications relating to the authorization and issuance of the Bonds. We have also examined such portions of the Constitution and statutes of the State of Texas, and such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, regulations and published rulings of the Internal Revenue Service (the "Service"), as we have deemed necessary for the purposes of this opinion.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have further assumed: the genuineness of all signatures; that each party to the Master Indenture, the Supplemental Indenture, the Trust Indenture and the Loan Agreement (other than the Company and the Issuer) is validly existing and in good standing under the laws of its state of organization and has the power and authority and legal right and authority to enter into and perform the agreements to which it is a party; that the execution of the Master Indenture, the Supplemental Indenture, the Trust Indenture and the Loan Agreement by any party thereto (other than the Company and the Issuer) do not violate such party's organization documents, breach or result in a default under any existing obligation of such party or otherwise subject such party to any order, writ, injunction or decree of any court applicable to such party, or violate or contravene any laws applicable to such party. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the Company or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Preliminary Official Statement and Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED UPON SUCH EXAMINATION, it is our opinion that, under existing law:

- (A) The Issuer is validly existing as a nonprofit corporation created pursuant to Section 53.35(b) and 53A.35(b) of the Texas Education Code, as amended (the "Act"), and has the corporate power under the Act to enter into and perform the obligations under the Trust Indenture and the Loan Agreement and issue the Bonds;
- (B) Each of the Trust Indenture and the Loan Agreement has been duly authorized, executed and delivered by the Issuer; assuming due authorization, execution and delivery of such documents by the other parties thereto, each is a valid and binding obligation of the Issuer; and, subject to the qualifications stated below, each is enforceable against the Issuer in accordance with its terms, and all conditions precedent provided in the Trust Indenture relating to the authentication and delivery of the Bonds have occurred.



By the terms of the Trust Indenture, (i) all of the Issuer's right, title and interest in and to the Loan Agreement (except for the right of the Issuer to certain rebate payments, indemnification and the payment of fees, costs and expenses), the Series 2022 Note and all Adjusted Revenues derived by the Issuer from the Loan Agreement and the Series 2022 Note and (ii) amounts on deposit or held for the credit of the funds and accounts held by the Trustee pursuant to the terms of the Trust Indenture (other than the Rebate Fund), have been assigned to the Trustee;

- (C) The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the Trust Estate, and subject to the qualifications stated below, are enforceable against the Issuer in accordance with their terms;
- (D) Subject to the restrictions hereinafter described, it is our opinion that, (i) interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals and (ii) the Bonds are "qualified 501(c)(3) bonds" within the meaning of section 145 of the Code. The opinions set forth in the first sentence of this paragraph are subject to the condition that the Issuer and Company comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Company have covenanted in the Trust Indenture and Loan Agreement to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

Except as expressly described herein, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. In providing the foregoing opinions, we have relied upon representations of the Issuer and Company with respect to certain matters solely within the knowledge of the Issuer and Company, respectively, which we have not independently verified, and have assumed the accuracy and completeness thereof.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned



May ___, 2022 Page 4

income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW AS OF THE DATE HEREOF, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Trust Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,



APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT



CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of ______, 2022 (the "Agreement"), is executed and delivered by and between TGP Public Schools d/b/a The Gathering Place ("TGP"), a Texas non-profit corporation and Digital Assurance Certification, as dissemination agent (the "Dissemination Agent"), in connection with the issuance by Arlington Higher Education Finance Corporation (the "Issuer"), of its \$24,800,000* Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place.), Series 2022A and \$195,000* Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022B (collectively, the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Bond Indenture") between the Issuer and UMB Bank, N.A. as trustee (the "Trustee"). The proceeds of the sale of the Bonds will be loaned to TGP pursuant to the terms of a Loan Agreement, dated as of May 1, 2022 (the "Loan Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Bond Indenture and the Loan Agreement.

Section 1. Purpose of Agreement

Inasmuch as the Bonds are limited obligations of the Issuer, no financial or operating data concerning it is material to any decision to purchase, hold or sell the Bonds, and the Issuer has not covenanted to provide such information. TGP has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described herein.

This Agreement is being executed and delivered by TGP for the benefit of the registered owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered registered owners of the Bonds) and to assist the participating underwriters of the Bonds in complying with paragraph (b)(5) of Securities and Exchange Commission ("SEC") Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). This Agreement constitutes the written undertaking required by the Rule. Each and every filing made hereunder shall be disseminated by transmission to the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org or any successor system that the MSRB may prescribe. Such filings will be in the format and will be accompanied by the identifying information prescribed by the MSRB.

Section 2. Defined Terms

"Annual Report" means the reports required to be provided pursuant to Section 3 hereof.

"Interim Report" means the reports required to be provided pursuant to Section 4 hereof.

"Master Indenture" means the Master Trust Indenture and Security Agreement dated as of May 1, 2022 between TGP and UMB Bank, N.A., as master trustee, as amended and supplemented from time to time.

"Official Statement" means the Official Statement dated April 14, 2022 pertaining to the Bonds.

"Reportable Event" means the events for which notices are required to be given by TGP pursuant to Section 5 of this Agreement.

Section 3. Annual Reports

Each year, TGP shall provide to the Dissemination Agent and cause the Dissemination Agent to provide for dissemination in the manner required under this Agreement, within six months after the end of the immediately preceding fiscal year, commencing with the fiscal year ending June 30, 2022, an Annual Report for the immediately preceding fiscal year which shall include all annual information pertinent to such fiscal year as provided below:

(i) Audited Financials: Each Annual Report shall include a copy of TGP's annual audited financial statements for the immediately preceding fiscal year, together with a copy of any accompanying management letter and a copy of the accompanying audit report; provided, however, that such annual audited financial statements may be submitted separately from the balance of the Annual Report and that, if such audited financial statements are not available within six months of the end of the immediately preceding fiscal year, then TGP

shall provide unaudited financial statements by that date and shall subsequently provide the pertinent audited financial statements as soon as they become available. Such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP), and in addition, the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as TGP may be required to employ from time to time pursuant to State law or regulation.

- (ii) Updated Table Data from APPENDIX A to the Official Statement. Each Annual Report shall include updated financial information and operating data with respect to TGP of the general type included in APPENDIX A to the Official Statement consisting of the following information and tables, but subject to adjustments as may be noted below:
 - (A) TABLE 1: PROFESSIONAL STAFF AND FACULTY;
 - (B) TABLE 2: TEACHER RETENTION;
 - (C) TABLE 3: HISTORICAL, CURRENT YEAR, AND PROJECTED ENROLLMENT; provided, however, that only historical information will be provided for a trailing five-year period, as and when applicable);
 - (D) **TABLE 5: STUDENT RETENTION** (for the then-current and two prior years);
 - (E) as and when applicable, a table showing the waitlist data by grade level for the then-current and two prior years;
 - (F) as and when applicable, a table showing TGP's accountability ratings as assigned by the Texas Education Agency for the most recent five years;
 - (G) as and when applicable, a table showing TGP's FIRST Rating as assigned by the Texas Education Agency for the most recent five years; and
- (iii) Compliance Certificate. Each Annual Report shall include the certificate required by Section 5.04 of the Loan Agreement regarding no defaults, and, commencing with the fiscal year ending June 30, 3023, the Debt Service Coverage Ratio and the Liquidity Requirement.

Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information provided pursuant to this Agreement. If TGP fails to provide any Annual Report within the time periods required hereby, then TGP shall promptly send a notice of such failure to the Dissemination Agent and the Dissemination Agent shall promptly send notice of such failure in the manner required under this Agreement and the Rule. If TGP changes its fiscal year, it shall provide notice of such event prior to the next date by which TGP otherwise would be required to provide financial information and operating data pursuant to this section.

Section 4. Interim Reports

TGP shall provide to the Dissemination Agent and cause the Dissemination Agent to provide for dissemination in the manner required under this Agreement the documents and/or information as set forth below:

- (i) quarterly, unaudited financial statements of TGP consisting at least of financial position (balance sheet) and statement of activities (income statement) as of the end of such fiscal quarter, including a comparison of actual results to budget, within forty-five (45) days of the end of each fiscal quarter ending on the last day of December, March, June and September, commencing with the quarter ending June 30, 2022; and
- (ii) TGP's annual fiscal year budget within sixty days of the commencement of a new fiscal year.

Each Interim Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information provided pursuant to this Agreement.

Section 5. Event Notices

TGP agrees to provide or cause to be provided, in a timely manner (but not in excess of ten business days after the occurrence of the event), notice of the occurrence of any of the following events with respect to the Bonds ("Reportable Events"):

- (a) principal and interest payment delinquencies;
- (b) nonpayment 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 or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- (g) modifications to rights of the Registered Owners, if material;
- (h) Bond calls, if material (other than mandatory sinking fund redemptions), and tender offers;
- (i) defeasances:
- (i) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of TGP;
- (m) the consummation of a merger, consolidation, or acquisition involving TGP or the sale of all or substantially all of the assets of TGP, other than in the ordinary course of business, the entry into 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 the name of a trustee, if material;
- (o) incurrence of a Financial Obligation of TGP, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of TGP, any of which affect security holders, 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 TGP, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (l) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for TGP in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of TGP, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of TGP in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of TGP, and (b) TGP intends the words used in the immediately preceding paragraphs (o) and (p) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. Each material event notice shall be so captioned and shall prominently state the date, title and (to the extent less than all of the Bonds are affected by the related material event) CUSIP numbers of the Bonds.

TGP may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, but TGP does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Annual Investor Call

TGP will hold an annual investor call for the purpose of reviewing the previous year's financial results. Such investor call is expected to be preceded by notice of such call filed by the Dissemination Agent with EMMA at least seven days in advance of such call, and is expected to be held within sixty (60) days of approval by the Board of Directors of TGP's annual audited financial statements or annual report, whichever is later if separately approved.

Section 7. Dissemination Agent

TGP hereby appoints the Dissemination Agent as its agent for the purpose of disclosing the information described in this Agreement in the manner set forth herein.

The Dissemination Agent hereby accepts such appointment, subject to the terms and conditions of this Agreement.

TGP shall send all Annual Reports, Interim Reports and event notices required by this Agreement to the Dissemination Agent. Unless otherwise agreed to, the Dissemination Agent shall, as soon as practicable but not later than three (3) days of receipt of such information forward the same to (i) the MSRB, as described herein and (ii) any Registered or Beneficial Owner of the Bonds who requests such information in writing to the Dissemination Agent or TGP. The Dissemination Agent shall have no duty to review the materials described in this paragraph prior to disseminating such materials nor will it be responsible for the substance or form of such information.

The initial Dissemination Agent shall be Digital Assurance Certification. TGP may discharge the Dissemination Agent or any successor Dissemination Agent, but in such event shall take steps necessary to appoint a successor Dissemination Agent who shall be responsible for undertaking all responsibilities of Dissemination hereunder.

The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent TGP has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any information disclosures or notices provided to it by TGP and shall not be deemed to be acting in any fiduciary capacity for TGP, the holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for TGP's failure to report to the Dissemination Agent a Reportable Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether TGP has complied with this Agreement. The Dissemination Agent may conclusively rely upon certifications of TGP at all times. The

obligations of TGP under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

Section 8. Termination of Obligations

Pursuant to paragraph (b)(5)(iii) of the Rule, the obligation of TGP to provide financial and operating information of TGP and notices of events, as set forth herein, shall terminate if and when TGP no longer remains an obligated person with respect to the Bonds, which shall occur upon either payment of the Bonds in full or the legal defeasance of the Bonds in accordance with the Bond Indenture (*provided that* TGP has no further obligations with respect to the Bonds).

Section 9. Additional Information

Nothing in this Agreement shall be deemed to prevent TGP 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 notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If TGP chooses to include any information in any Annual Report or Interim Report or notice of occurrence of a Reportable Event, in addition to that which is specifically required by this Agreement, TGP shall have no obligation under this Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Reportable Event.

Section 10. Enforceability and Remedies

This Agreement is intended to be for the sole benefit of the Bond Trustee, the underwriters and the registered owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered registered owners of the Bonds) and shall create no rights in any other person or entity.

This Agreement shall be enforceable by or on behalf of any registered owner of the Bonds. This Agreement is also enforceable on behalf of the registered owners of the Bonds by the Bond Trustee, and the Bond Trustee may, and upon the written direction of the registered owners of not less than 25% of the aggregate outstanding principal amount of the Bonds shall, proceed to protect and enforce the rights of the registered owners of the Bonds pursuant to this Agreement; *provided that* in all cases the Bond Trustee shall be entitled to the indemnification and other provisions of the Bond Indenture with regard to any actions.

Any failure by TGP to comply with the provisions of this Agreement shall not be an Event of Default under the Loan Agreement or the Bond Indenture. The registered owners' and the Bond Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel TGP to perform under this Agreement, and their directors, officers and employees shall incur no liability under this Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this section shall entitle the Bond Trustee or any other person to attorneys' fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

Section 11. Amendment

Notwithstanding any other provision of this Agreement, TGP and the Dissemination Agent may amend this Agreement, and any provision of this Agreement may be waived, without the consent of the registered owners but with the consent of the Bond Trustee, under the following conditions:

- (a) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of TGP, or type of business conducted;
- (b) This Agreement, as amended or with the provision so waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not materially impair the interest of registered owners of the Bonds, as determined either by parties unaffiliated with TGP (which shall include nationally recognized bond counsel, or any other party determined by such counsel to be unaffiliated), or by approving vote of registered owners of the Bonds.

TGP shall provide notice of each amendment or waiver for dissemination in the manner specified herein. The initial annual financial or operating information provided by TGP after the amendment or waiver shall explain, in narrative form, the reasons for the amendment or waiver and the effect of the change in the type of operating data or financial information being provided.

Section 12. Filing Method

All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

Section 13. Governing Law

This Agreement shall be construed and enforced in accordance with the laws of the State of Texas.

[Signature Page Follows]

Section 12. Counterparts

This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

IN WITNESS WHEREOF, we have set our hands as of the date set forth above.

TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE
By: Title:
DICITAL ASSUBANCE CERTIFICATION
DIGITAL ASSURANCE CERTIFICATION as Dissemination Agent
By:



APPENDIX F

SUBSTANTIALLY FINAL FORM OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1



MASTER TRUST INDENTURE AND SECURITY AGREEMENT between TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE and UMB BANK, N.A., as Master Trustee Dated as of May 1, 2022

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MASTER TRUST INDENTURE AND SECURITY AGREEMENT

THIS MASTER TRUST INDENTURE AND SECURITY AGREEMENT (this "<u>Master Indenture</u>"), dated as of May 1, 2022, is between TGP Public Schools d/b/a The Gathering Place, a Texas nonprofit corporation and open-enrollment charter school (the "<u>Company</u>"), and UMB Bank, N.A., a national banking association with a corporate trust office in Dallas, Texas, not in its individual capacity but solely as the Master Trustee (the "<u>Master Trustee</u>").

WITNESSETH:

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

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

NOW, THEREFORE, THIS MASTER INDENTURE WITNESSETH:

GRANTING CLAUSES

In order to declare the terms and conditions upon which Notes are to be authenticated, issued and delivered, and to secure the payment of Notes and the performance and observance of all of the covenants and conditions herein or therein contained, and in consideration of the premises, of the purchase and acceptance of Notes by the Holders thereof and of the sum of One Dollar (\$1.00) to them duly paid by the Master Trustee at the execution of these presents, the receipt and sufficiency of which is hereby acknowledged, the Company has executed and delivered this Master Indenture and by these presents does hereby convey, grant, assign, transfer, pledge, set over, confirm and grant a security interest in and to the Master Trustee, its successor or successors and its or their assigns forever, all and singular the property, real and personal, hereinafter described (said property being herein sometimes referred to as the "Trust Estate") to-wit:

- (a) all Adjusted Revenues of the Company except and excluding all such items, whether now owned or hereafter acquired by the Company, which by their terms or by reason of applicable law would become void or voidable if granted, assigned or pledged hereunder by the Company, or which cannot be granted, pledged or assigned hereunder without the consent of other parties whose consent is not secured, or without subjecting the Master Trustee to a liability not otherwise contemplated by the provisions hereof, or which otherwise may not be, or are not, hereby lawfully and effectively granted, pledged and assigned by the Company, provided that the Company may subject to the lien hereof any such excepted property, whereupon the same shall cease to be excepted property;
- (b) all moneys and securities, if any, at any time held by the Master Trustee in the Revenue Fund and any other fund or account established under the

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terms of this Master Indenture or any Debt Service Reserve Fund established pursuant to any supplement hereto, or held by other banks or fiduciary institutions which are collaterally assigned to the Master Trustee as security for the Notes, including the depository account specified in a Deposit Account Control Agreement, and all securities, financial assets (as defined in Section 8.102(a)(9) of the UCC) and securities entitlements (within the meaning of Section 8.102(a)(17) of the UCC) and, with respect to Book-Entry Securities, in the applicable Federal Book-Entry Regulations, carried in or credited to such fund or account:

- (c) all accounts, deposit accounts holding any portion of the Adjusted Revenues, general intangibles and related rights of the Company (each as defined in the UCC), whether now owned or hereafter acquired or arising and wherever located:
- (d) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as additional security hereunder by the Company or by anyone on its behalf to the Master Trustee, subject to the terms thereof, including, without limitation, funds of the Company held by the Master Trustee as security for the Notes:
- (e) the real and personal property subject to the lien of the Deed of Trust (as hereinafter defined); and
- (f) proceeds of the foregoing, including cash proceeds and cash equivalents, products, accessions and replacements.

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

TO HAVE AND TO HOLD IN TRUST, upon the terms herein set forth, subject to Section 2.10 hereof, for the equal and proportionate benefit, security and protection of all Holders of the Notes issued under and secured by this Master Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Notes over any other; provided, however, that if the Company shall pay, or cause to be paid, the principal of the Notes or the obligations secured thereby and the redemption or prepayment premium, if any, and the interest and any other amounts due or to become due thereon in full at the times and in the manner mentioned in the Notes according to the true intent and meaning thereof, and the Company shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Master Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Master Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payment this Master Indenture and the rights hereby granted and the restrictions hereby incurred shall cease, determine and be void; otherwise this Master Indenture shall be and remain in full force and effect. Notwithstanding anything in this Master Indenture to the contrary, when

all of the Notes are no longer Outstanding, the Master Trustee may execute a release of the lien of this Master Indenture on the Deed of Trust and any property of the Company encumbered thereby.

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

ARTICLE I.

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Construction of Terms; Definitions.

- (a) For all purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:
 - (i) The term "Master Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one (1) or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.
 - (ii) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Master Indenture as a whole and not to any particular Article. Section or other subdivision.
 - (iii) The terms defined in this Article have the meanings assigned to them in this Article throughout this Master Indenture, and include the plural as well as the singular. Reference to any Person means that Person and its successors and assigns.
 - (iv) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.
 - (v) The terms used in this Master Indenture and not defined herein have the meanings assigned to them in the Related Bond Documents.
- (b) The following terms have the meanings assigned to them below whenever they are used in this Master Indenture:
- "Accountant" means a Person engaged in the practice of accounting who is a certified public accountant or accounting firm and who (except as otherwise expressly provided herein) may be employed by or affiliated with the Company.
 - "Act of Note Holder(s)" has the meaning given to such term in Section 1.03.
- "Adjusted Revenues" means, for any period of calculation, the total of all operating and nonoperating revenues, receipts, fees, rentals, proceeds, third party payments and non-restricted donations of the Company, including but not limited to State Revenues, federal and local funds for

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

"Annual Debt Service Requirements" of any specified Person means, for any Fiscal Year, the principal of (and premium, if any) and interest and other debt service charges (which include for purposes hereof, any fees or premiums for any letter of credit, surety bond, policy of insurance, bond purchase agreement or any similar credit or liquidity support secured in connection therewith) on all Debt of such Person coming due at Maturity or Stated Maturity, and, for such purposes, any one (1) or more of the following rules shall apply:

- (a) Committed Take Out if such Person has received a binding commitment, within normal commercial practice, from any bank, savings and loan association, insurance company or similar institution to refund or purchase any of its Debt at its Stated Maturity (or, if due on demand or payable in respect of any required purchase of such Debt by such Person, at any date on which demand may be made), then the portion of the Debt committed to be refunded or purchased shall be excluded from such calculation and the principal of (and premium, if any) and interest on the Debt incurred for such refunding or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Maturity or purchase date of the Debt to be refunded or purchased, shall be added;
- (b) Pro Forma Refunding in the case of Balloon Debt, if the Person obligated thereon shall deliver to the Master Trustee a certificate of a nationally recognized firm of investment bankers or financial consultants dated within ninety (90) days prior to the date of delivery of such certificate to the Master Trustee stating that financing at a stated interest rate (which shall not be less than the Bond Buyer Revenue Bond Index or, if the Bond Buyer Revenue Bond Index is unavailable, a comparable index on the date of such certificate to refund any of such Balloon Debt) with a Stated Maturity of not greater than thirty (30) years is reasonably attainable, then for the purpose of calculating what future Annual Debt Service Requirements will be, any installment of principal of (and premium, if any) and interest and other debt service charges on such Balloon Debt that could so be refunded shall be excluded from such calculation and the principal plus interest of the refunding debt shall be evenly allocated over the life of the refunding debt with

equal principal payments plus interest deemed due each year but solely for the purpose of spreading the principal requirements for calculation of coverage;

- (c) <u>Prefunded Payments</u> principal of (and premium, if any) and interest and other debt service charges on Debt, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, interest or other debt service charges are payable from funds irrevocably deposited or set aside in trust for the payment thereof at the time of such calculations (including, without limitation, capitalized interest and accrued interest so deposited or set aside in trust or escrowed with the Master Trustee or another Independent Person selected by the Company);
- (d) Variable Rate Debt as to any Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation, an interest rate equal to the greater of an annual interest rate equal to the Bond Buyer Revenue Bond Index (or, if the Bond Buyer Revenue Bond Index is unavailable, a comparable index chosen by the Company's financial advisor) and the weighted average rate of interest borne by such Debt (or other indebtedness of comparable credit quality, maturity and purchase terms in the event that such Debt was not outstanding) during the preceding Fiscal Year (or any period of comparable length ending within one hundred eighty (180) days) prior to the date of calculation shall be presumed to apply for all future dates and the principal shall be evenly allocated over the life of the Debt issue with an equal amount of principal deemed due each year but solely for the purpose of spreading the principal requirements for calculation of coverage;
- (e) <u>Contingent Obligations</u> in the case of any guarantees or other Debt described in clause (iii) of the definition of Debt, the principal of (and premium, if any) and interest and other debt service charges on such Debt for any Fiscal Year shall be deemed to be twenty-five percent (25%) of the principal of (and premium, if any) and interest and other debt service charges on the indebtedness guaranteed due in such Fiscal Year; provided, however, that if the Person that guarantees or is otherwise obligated in respect of such Debt is actually required to make any payment in respect of such Debt, the total amount payable by such Person in respect of such guarantee or other obligation in such Fiscal Year shall be included in any computation of the Annual Debt Service Requirements of such guarantee or other obligation in any future Fiscal Year shall be included in any computation of the estimated Annual Debt Service Requirements for such Fiscal Year; and
- (f) <u>Financial Products</u> in the event there shall have been issued or entered into in respect of all or a portion of any Debt a Financial Products Agreement with respect to Debt, interest on such Debt shall be included in the calculation of Annual Debt Service Requirements by including for such period an amount equal to the amount payable on such Debt in such period at the rate or rates stated in such Debt plus any payments payable by such Person in respect of such

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Financial Products Agreement minus any payments receivable by such Person in respect of such Financial Products Agreement, as calculated by the financial advisor to the Company.

"<u>Authorized Denominations</u>" means the amounts, if any, set forth therefor in the Supplemental Master Trust Indenture authorizing any series of Notes.

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

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

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

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

"Charter" means the charter issued to the Company by the Texas Education Agency pursuant to Chapter 12, Texas Education Code, authorizing the Company to open one (1) or more open-enrollment charter schools and receive State Revenues for the operation thereof.

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

"Company" means TGP Public Schools d/b/a The Gathering Place, a Texas nonprofit corporation, its permitted successors and assigns, and any resulting, surviving or transferee Person permitted hereunder.

"Consent," "Order" and "Request" each mean a written consent, order or request signed in the name of the Company and delivered to the Master Trustee by an Authorized Representative or

any other Person designated by the Company to execute any such instrument on behalf of the Company as evidenced by an Officer's Certificate.

"Corporate Trust Office" means the address or addresses of the Master Trustee designated from time to time in accordance with Section 1.04.

"Debt" means all:

- (i) indebtedness incurred or assumed by the Company for borrowed money or for the acquisition, construction or improvement of property other than goods that are acquired in the ordinary course of business of the Company;
- (ii) lease obligations of the Company that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;
- (iii) all indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or the acquisition, construction or improvement of property or capitalized lease obligations guaranteed, directly or indirectly, in any manner by the Company, or in effect guaranteed, directly or indirectly, by the Company through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and
- (iv) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Company, whether or not the Company has assumed or become liable for the payment thereof.

For the purpose of computing "Debt," there shall be excluded any particular Debt, if upon or prior to the Maturity thereof, there shall have been deposited with the proper depository in trust the necessary funds (or evidences of such Debt or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption or satisfaction of such Debt; and thereafter such funds, evidences of Debt and investments so deposited shall not be included in any computation of the assets of the Company, and the income from any such deposits shall not be included in the calculation of Adjusted Revenues or Available Revenues.

"<u>Debt Service Coverage Ratio</u>" means the ratio of (i) Available Revenues of the Company for each Fiscal Year to (ii) Annual Debt Service Requirements of the Company directly related to the Participating Campuses, as of the end of each Fiscal Year.

"Deed of Trust" means that certain Deed of Trust and Security Agreement dated as of April __, 2022 from the Company to the Master Trustee, as such Deed of Trust may be amended, supplemented or restated, and/or any security instrument executed in substitution therefor or in addition thereto, as such substitute or additional security instrument may be amended, supplemented or restated from time to time.

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

"Deposit Account Control Agreement" means the Deposit Account Control Agreement dated April ___, 2022 entered into among the Company, the Master Trustee and the Depository Bank, and any other deposit account control agreement entered into by the Company, the Master Trustee and a Depository Bank from time to time in connection with the Master Indenture relating to the depository account of the Company into which the Company shall deposit, or cause to be deposited, all Adjusted Revenues.

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

"Event of Default" is defined in Section 6.01 of this Master Indenture.

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

"<u>Facility Lease Payments</u>" means, for any period of calculation, the total of all rental payments under operating leases for facilities of the Company related to the Participating Campuses.

"Financial Products Agreement" means any type of financial management instrument or contract, which shall include, but not be limited to, (i) any contract known as or referred to or that performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or a series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk forward supply agreements; and (v) any other type of contract or arrangement that the Governing Body of the Company determines is to be used, or is intended to be used, to manage or reduce the cost of debt (including, but not limited, to a bond insurance policy), to convert any element of debt from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"<u>Fiscal Year</u>" means any twelve-month period beginning on July 1 of any calendar year and ending on June 30 of the following year or such other twelve-month period selected by the Company as the fiscal year for the Company.

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

"<u>Holder</u>" or "Note <u>Holder</u>" means a Person in whose name a Note is registered in the Note Register; or in the case of additional Debt in the process of issuance, the underwriter or bank who has executed the related purchase contract.

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

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

"Long-Term Debt" means all Debt created, assumed or guaranteed by the Company that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the Company to a date, more than one (1) year after the original creation, assumption or guarantee of such Debt by the Company.

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

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

"<u>Master Trustee</u>" means UMB Bank, N.A., a national banking association with a corporate trust office in Dallas, Texas, serving as trustee pursuant to this Master Indenture, and its successors and assigns.

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

"<u>Maximum Annual Debt Service</u>" means, as of any date of calculation, the highest Annual Debt Service Requirements with respect to all Outstanding Debt for any succeeding Fiscal Year.

"Note" means any obligation of the Company issued pursuant to Section 2.01 of this Master Indenture and executed, authenticated and delivered pursuant to Section 2.03 hereof.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 2.05 hereof.

"<u>Notice of Exclusive Control</u>" means the Notice of Exclusive Control or similar control or default notice specified in a Deposit Account Control Agreement.

"Officer's Certificate" means a certificate of the Company signed by an Authorized Representative or any other Person designated by any of such Persons to execute an Officer's Certificate as evidenced by a certificate of the Company executed by an Authorized Representative and delivered to the Master Trustee.

"Opinion of Counsel" means a written opinion of counsel selected by the Company, who may (except as otherwise expressly provided) be counsel to any party to any transaction involving the issuance of Notes pursuant to Section 2.01 hereof.

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

- (i) Notes theretofore cancelled by the Master Trustee or the Paying Agent;
- (ii) Notes for whose payment or redemption money (or Defeasance Obligations to the extent permitted by Section 9.02 of this Master Indenture) in the necessary amount has been theretofore deposited with the Master Trustee or any Paying Agent for such Notes in trust for the Holders of such Notes pursuant to this Master Indenture or any Supplemental Master Trust Indenture authorizing such Notes; provided, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Master Indenture or irrevocable provision therefor satisfactory to the Master Trustee has been made; and
- (iii) Notes upon transfer of or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Master Indenture or any Supplemental Master Trust Indenture authorizing such Notes; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Master Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Master Trustee actually knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Master Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any other Person obligated thereon. If there is any conflict between the aforementioned provisions of this subsection (iii) and Section 1.03 of this Master Indenture, Section 1.03 shall control.

"<u>Participating Campuses</u>" means the authorized charter school campuses benefitting from this Master Indenture and operated by the Company, including, without limitation, such schools that are (i) financed or refinanced, acquired, constructed, renovated, improved or equipped with the proceeds of Related Bonds and (ii) made part of the Trust Estate pursuant to any Supplemental Master Trust Indenture.

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

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

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

"Principal Payment Date" means the Stated Maturity of any installment of principal on a Note.

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

"Qualified Provider" means any financial institution or insurance company that is a party to a Financial Products Agreement if the unsecured long-term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary guarantees the performance of such financial institution or insurance company under such Financial Products Agreement), or obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), are rated in one (1) of the two (2) highest rating categories of a Rating Service at the time of the execution and delivery of the Financial Products Agreement.

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

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

"<u>Related Bond Documents</u>" means the Related Bonds, the Related Bond Indenture, the Related Loan Documents and the Related Deed of Trust.

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

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

"Related Bonds Outstanding" means all Related Bonds that have been duly authenticated and delivered by a Related Bond Trustee under a Related Bond Indenture that remain Outstanding thereunder and under the laws of the State.

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

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

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

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

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

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

"Revenue Fund" has the meaning specified in Section 4.05 hereof.

"Series 2022 Bonds" means, collectively, the Arlington Higher Education Finance Corporation Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022A, and the Arlington Higher Education Finance Corporation Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022B.

"Series 2022 Notes" shall mean any of the Notes issued pursuant to a Supplemental Master Trust Indenture and secured by this Master Indenture to evidence payment obligations of the Company with respect to the Series 2022 Bonds.

"State" means the State of Texas.

"<u>State Revenues</u>" means, for any period of time for which calculated, the total of all moneys received by the Company from the State during such period; subject to the limitations of Chapter 12, Texas Education Code, including particularly, Section 12.107.

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

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

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

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

Section 1.02. Form of Documents Delivered to Master Trustee. Every certificate and every Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Master Indenture shall include a statement that the person making such certification or opinion has read such covenant or condition and the definitions relating thereto, has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion as to whether such covenant or condition has been complied with, and a statement whether such condition or covenant has been complied with. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one (1) such Person, or that they be so certified or covered by only one (1) document, but one such Person may certify or give an opinion with respect to some matters and one (1) or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one (1) or several documents.

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

Where any Person is required to make, give or execute two (2) or more applications, requests, consents, certificates, statements, opinions or other instruments under this Master Indenture, they may, but need not, be consolidated and form one (1) instrument.

Section 1.03. Acts of Note Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Master Indenture to be given or taken by Note Holders may be embodied in and evidenced by one (1) or more instruments of substantially similar tenor signed by such Note Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Master Trustee or Paying Agent, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Note Holders signing such instrument or instruments. Proof of execution of any such instrument, or of a writing appointing any such agent, shall be sufficient for any purpose of this Master Indenture and (subject to Section 7.01)

conclusive in favor of the Master Trustee and the Company, if made in the manner provided in this Section.

- (b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner that the Master Trustee deems sufficient.
 - (c) The ownership of Notes shall be proved by the Note Register.
- (d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Note Holder shall bind every Holder of any Note issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Master Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.
- (e) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.
- In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any demand, direction, request, notice, consent, waiver or other action under this Master Indenture, or for any other purpose of this Master Indenture, Notes or Related Bonds that are owned by the Company shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Notes or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be so disregarded and deemed not to be Outstanding Notes or Related Bonds. Outstanding Notes or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Notes or Related Bonds. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee. In the event that a Note secures the obligation of a Person under an agreement or instrument that provides for the making of advances to or on behalf of such Person, such Note shall only be counted to be Outstanding in a principal amount equal to the amount so advanced or otherwise due and owing under the terms of such agreement (and only if such amount remains outstanding or unpaid) to or on behalf of such Person. In the event that a Note secures a Financial Products Agreement, such Note shall only be deemed to be Outstanding in a principal amount equal to any amount with which the Company is in default with respect to the payment thereof. In no event, however, shall the amount owed to a Holder be counted twice because there are the same amounts due and owing under two (2) Notes relating to the same obligations (e.g., the principal amount reimbursable to the provider of a

liquidity facility as the holder of bonds purchased by such liquidity provider as well as the principal amount of such purchased bonds by such liquidity provider as holder of the purchased bonds).

- (g) At any time prior to (but not after) the time the Master Trustee takes action in reliance upon evidence, as provided in this Section 1.03, of the taking of any action by the Holders of the percentage in aggregate principal amount of Notes specified herein in connection with such action, any Holder of such Note or Related Bond that is shown by such evidence to be included in Notes the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in this Section 1.03, revoke such action so far as it concerns such Note or Related Bond. Except upon such revocation or such action taken by the Holder of a Note or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Note or Related Bond that by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note or Related Bond, and of any Note or Related Bond issued in lieu thereof, whether or not any notation in regard thereto is made upon such Note or Related Bond. Any action taken by the Holders of the percentage in aggregate principal amount of Notes specified
- Section 1.04. Notices, etc., to Master Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Note Holders or other document provided or permitted by this Master Indenture to be made upon, given or furnished to, or filed with:
- (a) the Master Trustee by any Note Holder or by any specified Person shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with and actually received by a Responsible Officer of the Master Trustee at 5910 N. Central Expressway, Suite 1900, Dallas, Texas 75206, Attention: Madelyn Wallace, or at any other address subsequently furnished in writing to the Company and the Holders by the Master Trustee;
- (b) the Company by any Note Holder or by any Person shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, to the Company at 4122 Muir Wood Drive, San Antonio, Texas 78257, Attention: Lauren Lewis, CEO, or at any other address subsequently furnished in writing to the Master Trustee by the Company.
- Section 1.05. Notices to Note Holders; Waiver. Where this Master Indenture provides for notice to Note Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Note Holder affected by such event, at such Note Holder's address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first (1st) giving of such notice. In any case where notice to Note Holders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Note Holder shall affect the sufficiency of such notice with respect to other Note Holders. Where this Master Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Notes shall be filed with the Master Trustee, but such

filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.06. <u>Successors and Assigns</u>. All covenants and agreements in this Master Indenture by the Company and the Master Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 1.07. Severability Clause. If any provision of this Master Indenture shall be held or deemed to be, or shall in fact be, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases because of the conflicting of any provision with any constitution or statute or rule of public policy or for any other reasons, such circumstance shall not have the effect of rendering the provision or provisions in question inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy.

Section 1.08. Benefits of Master Indenture. Nothing in this Master Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto, and their successors hereunder and the Holders of the Notes, any benefit or any legal or equitable right, remedy or claim under this Master Indenture.

Section 1.09. Governing Law. This Master Indenture shall be governed in all respects, including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the State.

Section 1.10. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof

ARTICLE II.

ISSUANCE AND FORM OF NOTES

Section 2.01. Series, Amount and Denomination of Notes.

- (a) At any time and from time to time after the execution and delivery of this Master Indenture, Notes shall be issued under this Master Indenture in series issued pursuant to a Supplemental Master Trust Indenture. Each series shall be designated to differentiate the Notes of such series from the Notes of any other series. Notes shall be issued as fully registered notes with the Notes of each series to be lettered and numbered R-l upwards (with such prefix as may be designated in the Supplemental Master Trust Indenture authorizing any series). The aggregate principal amount of Notes of each series that may be created under this Master Indenture is not limited, except by the additional Debt limitations provided in this Master Indenture. A series of Notes may consist of a single Note or more than one (1) Note.
- (b) Notes may be issued hereunder to evidence (i) any type of Debt, including without limitation any Debt in a form other than a promissory note (such as commercial paper, bonds, or

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

Section 2.02. <u>Conditions to Issuance of Notes</u>. Any Note or series of Notes shall be authenticated by the Master Trustee and delivered to the proposed Holder thereof only upon its receipt of the following:

- (a) An Officer's Certificate stating that (1) no Event of Default under this Master Indenture or any existing Supplemental Master Trust Indenture(s) or existing Note(s) has occurred or will result from the issuance of such Note or series of Notes, (2) the Governing Body has authorized or approved the issuance of such Note or series of Notes, and (3) the Supplemental Master Trust Indenture relating thereto authorizes such Debt and such Supplemental Master Trust Indenture complies with the provisions of Article VIII hereof:
- (b) An original executed counterpart of a Supplemental Master Trust Indenture providing for the issuance of such Note or series of Notes; such Supplemental Master Trust Indenture shall set forth the purpose for which the Debt evidenced thereby is being incurred, the principal amount, maturity date or dates, interest rate or rates and the other pertinent terms of the Note or series of Notes and the name of the Company; and
- (c) Other than in connection with the Series 2022 Notes, an Opinion of Counsel to the effect that: (1) the conditions to issuance of any particular Note or series of Notes set forth in this Section 2.02 and in Section 2.12 of this Master Indenture have been satisfied, (2) upon the execution of such Note or series of Notes by the Company and the authentication thereof by the Master Trustee, such Note or series of Notes will be the valid and binding obligations of the Company enforceable in accordance with its (their) terms, subject to the customary bankruptcy, insolvency and equitable principles exceptions and such other exceptions as may be acceptable to the initial payee thereof, (3) registration of such Note or series of Notes under the Securities Act of 1933, as amended, is not required, or, if such registration is required, that the Company has complied with all applicable provisions of said Act, (4) qualification of this Master Indenture and

any Supplemental Master Trust Indenture providing for the issuance of such Note or series of Notes under the Trust Indenture Act of 1939, as amended, is not required, or if such qualification is required, that the Company has complied with all applicable provisions of such Act, and (5) the issuance of the proposed additional Debt will not adversely affect the exclusion from gross income of interest on any applicable Related Bonds Outstanding for federal income tax purposes.

- (d) The title insurance policy, or endorsement thereof, required by Section 2.12 or 4.07, if permitted by the laws of the State.
- (e) If in connection with the issuance of additional Debt, any other certificate, report or other item required under Section 2.12.

Section 2.03. Execution, Authentication and Delivery.

- (a) Notes shall be executed by the Company through the president of its Governing Body or its president or any officer authorized by the Governing Body and attested to by the secretary or an assistant secretary of the Company, as appropriate, and Notes may have the corporate seal impressed or reproduced thereon. The signature of any officer on the Notes may be manual or facsimile.
- (b) Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.
- (c) At any time, and from time to time, after the execution and delivery of this Master Indenture, the Company may deliver executed Notes to the Master Trustee together with the Supplemental Master Trust Indenture creating such series; and upon the receipt of the Supplemental Master Trust Indenture, and the Officer's Certificate confirming the satisfaction of the other requirements contained herein, the Master Trustee shall authenticate and deliver such Notes as in this Master Indenture and the relevant Supplemental Master Trust Indenture provided.
- (d) No Note shall be entitled to any benefit under this Master Indenture or be valid or obligatory for any purpose, unless there appears on or attached to such Note a certificate of authentication substantially in the form set forth below executed by the Master Trustee by its manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder. The form of certificate of authentication shall be as follows:

CERTIFICATE OF AUTHENTICATION

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

Date of Authentication:	
	UMB Bank, N.A., as Master Trustee, or its agent
	By:

Section 2.04. Form and Terms of Notes. The Notes of each series of Notes shall contain such terms, and be in substantially the form set forth in the Supplemental Master Trust Indenture creating such series, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Master Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any regulatory body, or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their signing of the Notes. Subject to the provisions of Article VIII hereof, the Notes of any series or the relevant Supplemental Master Trust Indenture may contain additional (or different) representations, warranties, covenants, defaults and remedies and other provisions that do not contradict the terms of this Master Indenture, to the extent provided in the related Supplemental Master Trust Indenture, and such additional terms shall supplement and be in addition to the terms of this Master Indenture. Unless the Notes of a series have been registered under the Securities Act of 1933, as amended, each Note of such series shall be endorsed with a legend that shall read substantially as follows: "This Note has not been registered under the Securities Act of 1933, as amended."

Section 2.05. Registration, Transfer and Exchange.

(a) The Company shall cause to be kept at the Corporate Trust Office of the Master Trustee, a register (sometimes herein referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Master Trustee is hereby appointed Note Registrar (the "Note Registrar") for the purpose of registering Notes and transfers of Notes as herein provided. The Master Trustee may delegate any of its duties hereunder pursuant to the terms of a Supplemental Master Trust Indenture. In such case, the Note Register may consist of one (1) or more records of ownership of the various series of Notes and any part of such register may be maintained by the agent of the Master Trustee relating to such series.

- (b) Upon surrender for transfer of any Note at the office or agency of the Company in a Place of Payment, the Company shall execute, and the Master Trustee or its designated agent shall authenticate and deliver, in the name of the designated transferee, one (1) or more new Notes of any Authorized Denominations, of a like aggregate principal amount, series, Stated Maturity and interest rate.
- (c) At the option of the Holder, Notes may be exchanged for Notes of any Authorized Denomination, of a like aggregate principal amount, series, Stated Maturity and interest rate, upon the surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Master Trustee or its designated agent shall authenticate and deliver the Notes that the Note Holder making the exchange is entitled to receive.
- (d) All Notes issued upon any transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Master Indenture as the Notes surrendered upon such transfer or exchange.
- (e) Every Note presented or surrendered for transfer or exchange shall (if so required by the Company or the Master Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Master Trustee or its designated agent duly executed by the Holder thereof or his attorney duly authorized in writing.
- (f) No charge shall be made for any transfer or exchange of Notes, and any transfer or exchange of Notes shall be made without expense or without charge to Holders.

Section 2.06. Mutilated, Destroyed, Lost and Stolen Notes.

- (a) If (i) any mutilated Note is surrendered to the Master Trustee or the Paying Agent, and the Master Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Master Trustee such security or indemnity as may be required by the Master Trustee to save each of the Master Trustee and the Company harmless, then, in the absence of notice to the Company or the Master Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and, upon its request, the Master Trustee shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a new Note of like tenor, series, interest rate and principal amount, bearing a number not contemporaneously outstanding.
- (b) In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company may, in its discretion, instead of issuing a new Note, pay such Note.
- (c) Upon the issuance of any new Note under this Section, the Master Trustee or its designated agent under any Supplemental Master Trust Indenture may require the payment by the Company of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Master Trustee) connected therewith.
- (d) Every new Note issued pursuant to this Section in lieu of any destroyed, lost or stolen Note shall constitute an original, additional contractual obligation of the Company, whether

or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits and security of this Master Indenture equally and proportionately with any and all other Notes duly issued hereunder.

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

Section 2.07. Method of Payment of Notes.

- The principal of, premium, if any, and interest on the Notes shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal, premium, if any, and interest shall be payable at the principal payment office of the Master Trustee in Dallas, Texas, or at the office of any alternate Paying Agent or agents named in any such Notes. Unless contrary provision is made in the Supplemental Master Trust Indenture pursuant to which such Note is issued or the election referred to in the next sentence is made, payment of the interest on the Notes and payment of any redemption or prepayment price on any Note pursuant to Section 3.03 hereof shall be made to the Person appearing on the Note Register as the Holder thereof and shall be paid by check or draft mailed to the Holder thereof at his address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by such Holder; provided, however, that any Supplemental Master Trust Indenture creating any Note may provide that interest on such Note may be paid, upon the request of the Holder of such Note, by wire transfer to an account located in the United States. Anything to the contrary in this Master Indenture notwithstanding, if an Event of Default has not occurred and is not continuing hereunder and the Company so elects or is required, payments on a Note shall be made directly by the Company, by check or draft hand delivered to the Holder thereof or its designee or shall be made by the Company by wire transfer to such Holder, in either case delivered on or prior to the date on which such payment is due. The Company shall give notice (on which the Master Trustee may conclusively rely) of any such payment to the Master Trustee concurrently with the making thereof, specifying the amount paid and identifying the Note or Notes with respect to which such payment was made by series designation, number and Holder thereof. Except with respect to Notes directly paid, the Company agrees to deposit with the Master Trustee on or prior to each due date, as specified in the Related Bond Documents, a sum sufficient to pay the principal of, premium, if any, and interest on any of the Notes due on or before such date. Such moneys shall be held in trust exclusively for the Note Holder for which such payment is intended to be made. Any such moneys shall, upon direction of the Company set forth in an Officer's Certificate, be invested as set forth therein. The foregoing notwithstanding, amounts deposited with the Master Trustee to provide for the payment of Notes pledged to the payment of Related Bonds shall be invested in accordance with the provisions of the Related Bond Indenture and Related Loan Document. The Master Trustee shall not be liable or responsible for any loss resulting from any such investments, and shall not be responsible for determining whether any such investment is permitted hereunder or in accordance with any such Related Bond Indenture or Related Loan Agreement.
- (b) Subject to the foregoing provisions of this Section 2.07, each Note delivered under this Master Indenture upon transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Notes.

Section 2.08. <u>Persons Deemed Owners</u>. The Company, the Master Trustee and any agent thereof shall treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of principal of (and premium, if any) and interest on such Note and for all other purposes whatsoever whether or not such payment is past due, and neither the Company, the Master Trustee, nor any agent of the Company or the Master Trustee shall be affected by notice to the contrary.

Section 2.09. <u>Cancellation</u>. All Notes surrendered for payment, redemption, transfer or exchange shall, if delivered to any Person other than the Master Trustee, be delivered to the Master Trustee and, if not already cancelled or required to be otherwise delivered by the terms of the Supplemental Master Trust Indenture authorizing the series of Notes of which such Note is a part, shall be promptly cancelled by the Master Trustee. The Company may at any time deliver to the Master Trustee for cancellation any Notes previously authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Master Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Master Indenture. All cancelled Notes held by the Master Trustee shall be disposed of according to the retention policies of the Master Trustee.

Section 2.10. Security for Notes.

- (a) All Notes issued and Outstanding under this Master Indenture are equally and ratably secured by the pledge and assignment of a security interest in the Trust Estate pursuant to the Granting Clauses of this Master Indenture. Any one (1) or more series of Notes or obligations issued hereunder may be secured by additional and separate security (including, without limitation, letters or lines of credit, property or security interests in debt service reserve funds or debt service, purchase, construction or similar funds or guarantees of payment by third parties). Such security need not extend to any other Debt (including any other Notes or series of Notes) unless so specified and may contain provisions not inconsistent with this Master Indenture which provide for separate realization upon such security.
- (b) To the extent that any Debt that is permitted to be issued pursuant to this Master Indenture is not issued directly in the form of a Note, a Note may be issued hereunder and pledged as security for the payment of such Debt in lieu of directly issuing such Debt as a Note hereunder.

Section 2.11. Mortgage, Pledge and Assignment; Further Assurances.

(a) Subject only to the provisions of this Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein and in order to secure the payment of the Notes and the performance of the duties and obligations of the Company under the Notes and this Master Indenture, the Company has pledged and assigned unto the Master Trustee and its successors and assigns forever, and granted a security interest thereunto in, among other things, all of the Adjusted Revenues and any other amounts (including proceeds of the sale of Related Bonds) held in the Revenue Fund to secure the payment of the principal of and interest on the Notes in accordance with their terms and the provisions of this Master Indenture and the Deed of Trust. Said pledge, assignment and grant shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Notes

and the execution of the Deposit Account Control Agreement and the Deed of Trust, without any physical delivery thereof or further act.

In order to perfect the Master Trustee's security interest in the Adjusted Revenues as security for the payment of the Notes, the Master Trustee is authorized and directed to enter into and shall be indemnified for (pursuant to Article VII hereof), the Deposit Account Control Agreement; provided that the Master Trustee shall have no duty or responsibility to determine the existence of, or the necessity of perfecting any security interest of the Master Trustee in, any fund or account in which the Master Trustee has been granted a security interest, including, without limitation, as described in Granting Clause (b) of this Master Indenture.

Upon the occurrence and continuance of an Event of Default, the Master Trustee shall be entitled to, subject to its rights to be indemnified pursuant to Article VII, (i) at the written direction of the Holders of not less than a majority in principal amount of the Notes Outstanding, issue a Notice of Exclusive Control under a Deposit Account Control Agreement, and (ii) collect and receive all of the Adjusted Revenues; provided, however that at such time as an Event of Default has been terminated or cured, as provided in Section 6.17 hereof, the Master Trustee shall provide written notice to the parties to the Deposit Account Control Agreement that exclusive control of the accounts described therein has been restored to the Company. The Master Trustee also shall be entitled to (1) enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under this Master Indenture and the Deed of Trust, and (2) assure compliance with all covenants, agreements and conditions of the Company contained in this Master Indenture with respect to the Adjusted Revenues; provided that, without limiting the generality of any of the provisions of this Master Indenture or the Deed of Trust, the Master Trustee need not foreclose the Deed of Trust (or accept a deed in lieu of foreclosure or otherwise exercise remedies with respect to the Mortgaged Property, as such term is defined in the Deed of Trust) if the effect of any such foreclosure (or acceptance of a deed in lieu of foreclosure, or other exercise of remedies with respect to the Mortgaged Property) would be to cause the Master Trustee to: (i) incur financial liability for any then existing environmental contamination at or from the Mortgaged Property, or (ii) risk its own funds for the remediation of any such existing environmental contamination.

(b) The Company shall, at its own expense, take all necessary action to maintain and preserve the lien and security interest in the property granted by this Master Indenture and the Deed of Trust so long as any Notes are Outstanding. In addition, the Company shall, immediately after the execution and delivery of this Master Indenture and thereafter from time to time, cause the Deed of Trust and any financing statements in respect thereof to be filed, registered and recorded in such manner and in such places as may be required by law in order to fully perfect and protect such security interest and mortgage lien and from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed and filed as provided herein any and all continuation statements as required for such perfection and protection. Copies of all filings and recordings hereunder shall be promptly provided to the Master Trustee. Except to the extent it is exempt therefrom, the Company shall pay or cause to be paid all filing, registration and recording fees and all expenses incident to the preparation, execution and acknowledgment of such instruments of perfection, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution, delivery, recording and filing of the Deed of Trust and such instruments of perfection. The Master

Trustee shall not be responsible for the sufficiency of or the recording of this Master Indenture, any supplemental indenture, any mortgage, deed of trust, other security or other instruments of further assurance.

The Master Trustee shall have no obligation to file any initial financing statements. The Master Trustee, upon receipt of written direction from the Company, shall, at the Company's expense, file continuation statements of such originally filed financing statements; provided that a copy of the originally filed financing statements are timely delivered to the Master Trustee. In the absence of any such written direction from the Company, the Master Trustee shall have no obligation to make any continuation filing hereunder. In addition, unless the Trustee shall have been notified in writing that any such initial filing or description of collateral was or has become defective, the Master Trustee shall be fully protected in (i) relying on such initial filing and description in filing any continuation statements pursuant to this Section and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The Master Trustee agrees that, upon written direction of an Authorized Representative, it will cause to be filed or recorded all necessary continuation statements within the time prescribed by the Uniform Commercial Code or other applicable State law in order to continue the financing statements and instruments in connection with the security interests and liens identified in this Master Indenture or the Deed of Trust filed and recorded on or before the Closing Date. The Master Trustee shall have no duty to determine, at any time, whether the financing statements and instruments filed and recorded in connection with the security interests and liens identified in this Master Indenture, the Deed of Trust or otherwise were or remain sufficient to perfect or establish such security interests and liens under applicable law.

- (c) The Company has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the collateral granted hereunder that ranks on a parity with or prior to the lien granted hereunder that will remain outstanding on the Closing Date of the Series 2022A and the Series 2022B Bonds, as such is defined in Section 1.01(b) of the Trust Indenture. The Company has not described such collateral in a UCC financing statement that will remain effective on the Closing Date except as expressly permitted by the Bond Documents. The security interest granted hereunder is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Company on a simple contract.
- (d) The Company covenants and agrees to deposit, or cause to be deposited, all Adjusted Revenues into the account (or accounts) that is (or are) subject to the Deposit Account Control Agreement.

Section 2.12. Additional Debt.

(a) Parity Debt. Upon satisfaction of the applicable requirements of Section 2.02 and any additional requirements set forth in the Related Bond Documents, the Company reserves the right to issue and incur one (1) or more series of parity Debt payable from the Adjusted Revenues of the Company or any other part of the Trust Estate that may be delivered pursuant to this Master Indenture for the purposes provided in the Act, to pay the costs associated with such Debt and/or for the purpose of refunding any Outstanding Debt if the following conditions are met:

- (i) <u>No Default.</u> Delivery of an Officer's Certificate stating that this Master Indenture is in effect and no Event of Default is then existing under this Master Indenture or any Debt Outstanding or any agreement entered into in conjunction with such Debt;
- (ii) <u>Parity Pledge</u>. Such Debt shall be secured on a parity with respect to the Trust Estate and shall be payable by the Company solely from the Adjusted Revenues and other amounts paid out of moneys attributable to the proceeds derived from the sale of the additional Debt or to income from the temporary investment thereof; provided that the terms of any Supplemental Master Indenture may expressly relinquish any right to any of the collateral provided in the Trust Estate (in which case it shall only be entitled to its pro rata share of the collateral which has not been relinquished);
 - (iii) Additional Debt Coverage. Sufficient funds must be evidenced as follows:
 - (A) <u>Historical Coverage on Outstanding Debt</u>. Delivery of an Officer's Certificate stating that, (i) for the Company's most recently completed Fiscal Year immediately preceding the issuance of the additional Debt or (ii) for any consecutive twelve (12) months out of the most recent eighteen (18) months immediately preceding the issuance of the additional Debt, the Company achieved a Debt Service Coverage Ratio equal to at least 1.1:1.0; and
 - (B) Projected Coverage for Additional Debt. Delivery of a written report of an Independent Management Consultant or certified public accountant selected by the Company setting forth projections that indicate that the projected Adjusted Revenues for the Fiscal Year following the completion of the project being financed with the proposed additional Debt are equal to at least 1.20 times the sum of (without duplication) Maximum Annual Debt Service for all Debt then Outstanding and the proposed additional Debt for such Fiscal Year and for the second Fiscal Year immediately following the issuance of the proposed additional Debt. The Officer's Certificate shall take into account (i) the audited results of operations and verified enrollment of the project for the most recently completed Fiscal Year (if available) and (ii) the projected enrollment for the Fiscal Year immediately following the completion of the new project, and shall assume that the proposed additional Debt shall have been outstanding for the entire year;
- (iv) <u>Alternate Coverage for Additional Debt</u>. In lieu of the requirements described in Section 2.12(a)(iii) above, the Company may deliver an Officer's Certificate stating that, based on the audited results of the operations for the most recently completed Fiscal Year, the Available Revenues equal at least 1.10 times the Maximum Annual Debt Service on all parity Debt then Outstanding plus the proposed additional Debt;
- (v) <u>Eliminated Expenses</u>. For the purposes of this Section 2.12, any expenses that the Company certifies will be eliminated as a result of the issuance or incurrence of the additional Debt shall be excluded; and
- (vi) <u>Title Insurance</u>. So long as the Trust Estate contains the lien of the Deed of Trust upon any real property of the Company, the Company shall obtain and provide to the

Master Trustee an endorsement of the title insurance policy, if permitted by the laws of the State, or a new title insurance policy issued in connection with the Debt increasing the coverage thereunder by an amount equal to the aggregate principal amount of the additional Debt.

The satisfaction of the conditions set forth in paragraphs (i) through (vi) above shall be evidenced to the Master Trustee by an Officer's Certificate. The Master Trustee may rely, and (subject to Section 7.01) shall be fully protected in relying upon, an Officer's Certificate certifying that items (i) through (vi) were satisfied.

- (b) Refunding. If additional Debt is being issued for the purpose of refunding any Outstanding Debt, the certificates and reports required to be delivered under Section 2.12(a)(iii) or (a)(iv) shall not be required so long as the Company delivers an Officer's Certificate to the Master Trustee confirming that the Maximum Annual Debt Service on all Outstanding Debt after issuance of the additional Debt will not exceed both the total and the Maximum Annual Debt Service on all Outstanding Debt prior to the issuance of such additional Debt.
- (c) Completion Debt. In the event such additional Debt is being issued or incurred for the purpose of completing any Project (as that term is defined from time to time in connection with the issuance of additional Debt) for which additional Debt is issued or incurred, such additional Debt may be issued in amounts not to exceed ten percent (10%) of the principal amount of the Debt last issued for such Project upon delivery of an Officer's Certificate that such additional Debt is required to fund the costs of completion and such additional Debt shall not be required to comply with Section 2.12(a)(iii) or 2.12(a)(iv) herein; provided that, if the Project was financed with Related Bonds, such additional Debt must comply with any applicable requirements imposed by the Related Bond Indenture and Related Loan Documents.
- (d) Non-MTI Debt. The Company reserves the right to incur Debt that is not secured by a lien on either Available Revenues or Adjusted Revenues or any other part of the Trust Estate ("Non-MTI Debt") and such Non-MTI Debt shall not be subject to this Section 2.12. Such Non-MTI Debt may be secured by a lien on all or any portion of the assets financed therewith.
- (e) <u>Subordinated Debt</u> may be incurred; provided that the issuance of such Subordinated Debt does not result in a Debt Service Coverage Ratio for such Fiscal Year that is less than 1.1:1.0.
- (f) <u>Exemptions</u>. The Series 2022 Notes shall not be considered additional Debt and are not subject to the provisions of this Section 2.12. In addition, the Company reserves the right to enter into a lease with the option to purchase in connection with a new middle school campus that shall not be considered additional Debt subject to the provisions of this Section 2.12 provided no Event of Default has occurred and is continuing under the Master Indenture.

ARTICLE III.

REDEMPTION OR PREPAYMENT OF NOTES

Section 3.01. Redemption or Prepayment. Notes of each series shall be subject to optional and mandatory redemption or prepayment (subject to Section 6.02) in whole or in part and may be

redeemed prior to Stated Maturity only as provided in the Supplemental Master Trust Indenture creating such series. Unless otherwise provided by the Supplemental Master Trust Indenture creating a series of Notes, the provisions of Sections 3.02 through 3.05 of this Master Indenture shall also apply to the redemption of Notes.

- Section 3.02. Election to Redeem or Prepay; Notices. (a) The Company shall notify the Master Trustee in writing of the election by the Company to redeem or prepay all or any portion of the Notes of any series, together with the redemption or prepayment date and the principal amount of Notes of each Stated Maturity and series to be redeemed or prepaid, at least forty-five (45) days prior to the redemption or prepayment date fixed by the Company, unless a shorter notice shall be satisfactory to the Master Trustee.
- (b) Not less than thirty (30) days prior to any redemption or prepayment date, but no more than forty-five (45) days prior to such date, the Master Trustee shall cause notice of such redemption or prepayment identifying the Notes or portions thereof to be redeemed to be given in the name of the Company by first class mail, postage prepaid, to the Holders of each Note to be redeemed or prepaid at the address shown on the Note Register on the date such notices are mailed, provided that no such notice shall be required if the Holder of the applicable Note is a Related Bond Trustee. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, irrespective of whether received.
- **Section 3.03.** <u>Deposit of Redemption or Prepayment Price</u>. Prior to any redemption or prepayment date, the Company shall deposit with the Master Trustee or its designated agent an amount of money sufficient to pay the redemption or prepayment price of all the Notes that are to be redeemed or prepaid on such date.

Section 3.04. Notes Payable on Redemption or Prepayment Date.

- (a) Notice of redemption or prepayment having been given as aforesaid, and the monies for redemption or prepayment having been deposited as described in Section 3.03, the Notes to be redeemed or prepaid shall become due and payable on the redemption or prepayment date at the redemption or prepayment price therein specified, and from and after such date such Notes shall cease to bear interest. Upon surrender of any such Note for redemption or prepayment in accordance with said notice, such Note shall be paid by the Company at the redemption or prepayment price. Installments of interest whose Stated Maturity is on or prior to the redemption date shall be payable to the registered Note Holders on the relevant Record Dates according to their terms.
- (b) If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the redemption or prepayment date at the rate borne by the Note.
- Section 3.05. Notes Redeemed or Prepaid in Part. Any Note that is to be redeemed or prepaid only in part shall be surrendered at a Place of Payment (with, if the Company or the Master Trustee so requires, due endorsement by, or a written instrument of transfer satisfactory in form to, the Company and the Master Trustee, and duly executed by the Holder thereof or by his attorney, who has been duly authorized in writing) and the Company shall execute and the Master

Trustee shall authenticate and deliver without service charge a new Note or Notes of the same series, interest rate and maturity, and of any Authorized Denomination, to the Holder of such Note as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed or unpaid portion of the principal of the Note so surrendered.

ARTICLE IV.

COVENANTS OF THE COMPANY

Section 4.01. Payment of Debt Service. The Company unconditionally and irrevocably covenants that it will promptly pay the principal of, premium, if any, and interest and any other amount due on every Note issued under this Master Indenture at any time at the place, on the dates and in the manner provided in said Notes according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Notes set forth in the Notes, the Company unconditionally and irrevocably covenants and agrees to make payments upon each Note and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, or purchase price, if any, upon any Notes or Related Bonds from time to time Outstanding.

Section 4.02. Money for Note Payments to be Held in Trust; Appointment of Paying Agents.

- (a) The Company may appoint a Paying Agent for each series of the Notes.
- (b) Each such Paying Agent appointed by the Company shall be (i) a corporation organized and doing business under the laws of the United States of America or of any state, (ii) authorized under such laws to exercise corporate trust powers, (iii) have a combined capital and surplus of at least fifty million dollars (\$50,000,000), and (iv) be subject to supervision or examination by federal or state authority.
- (c) Subject to Section 2.07 hereof, the Company will, on or prior to each due date of the principal of (and premium, if any) or interest or any other amounts on any Notes, deposit with the Master Trustee, which shall thereupon deposit such with the Paying Agent, a sum sufficient to pay the principal (and premium, if any) or interest or purchase price so becoming due and any other amounts due in accordance with the terms of the Notes and this Master Indenture, such sum to be held in trust for the benefit of the Holders of such Notes, and the Company will promptly notify the Master Trustee of its action or failure so to act unless such Paying Agent is the Master Trustee.
- (d) The Company will cause each Paying Agent other than the Master Trustee to execute and deliver to the Master Trustee an instrument in which such Paying Agent shall agree with the Master Trustee, subject to the provisions of this subsection, that such Paying Agent will
 - (i) hold all sums held by it for the payment of principal of (and premium, if any) or interest or any other amounts on the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

- (ii) give the Master Trustee notice of any default by the Company or any other obligor upon the Notes in the making of any such payment of principal (and premium, if any) or interest or any other amounts: and
- (iii) upon request by the Master Trustee, pay to the Master Trustee all sums so held in trust by such Paying Agent forthwith at any time during the continuance of such default.
- (e) For the purpose of obtaining the satisfaction and discharge of this Master Indenture or for any other purpose, the Company may at any time by Order direct any Paying Agent to pay to the Master Trustee all sums held in trust by such Paying Agent, such sums to be held by the Master Trustee upon the same trusts as those upon which such sums were held by such Paying Agent. Upon such payment by any Paying Agent to the Master Trustee, such Paying Agent shall be released from all further liability with respect to such money.
- Subject to applicable escheat laws of the State, any money deposited in trust with the Master Trustee or any Paying Agent for the payment of the principal of (and premium, if any) or interest on any Notes and remaining unclaimed for the later of (i) the first (1st) anniversary of the Stated Maturity of the Notes or the installment of interest for the payment of which such money is held, or (ii) two (2) years after such principal (and premium, if any) or interest has become due and payable shall to the extent permitted by law be paid to the Company on its Request (which Request shall include the Company's representation that it is entitled to such funds under applicable escheatment laws and its agreement to comply with such laws) and the Holder of such Note shall thereafter, to the extent of any legal right or claim, be deemed to be an unsecured general creditor, and shall look only to the Company for payment thereof, and all liability of the Master Trustee or such Paying Agent with respect to such trust money, and all liability of the Company. shall thereupon cease; provided, however, that the Master Trustee or such Paying Agent, before being required to make any such repayment, shall, at the written direction of the Company, publish notice in an Authorized Newspaper at the expense of the Company that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company; provided further, notwithstanding the foregoing, the Master Trustee shall be entitled to deliver any such funds to any escheatment authority in accordance with the Master Trustee's customary procedures. The Master Trustee shall hold any such funds in trust uninvested (without liability for interest accrued after the date of deposit or other compensation) for the benefit of Holders entitled thereto.
- **Section 4.03.** <u>Notice of Non-Compliance</u>. Promptly upon the discovery of any default, the Company will deliver to the Master Trustee a written statement describing each default and status thereof that has not been cured or waived under any Note. For the purpose of this Section, the term "default" means any event that is, or after notice or lapse of time or both would become, an Event of Default.
- **Section 4.04.** <u>Corporate Existence</u>. Subject to Sections 5.01 and 5.02, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory), and franchises, including the Charter, and shall not merge or consolidate with any other Person or sell or dispose of all or substantially all of its assets except

in accordance with the terms of the Related Bond Documents; provided, however, that the Company shall not be required to preserve any right or franchise if the Governing Body shall determine that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders of the Notes.

Section 4.05. Revenue Fund.

- (a) There is hereby created by the Company and established with the Master Trustee the special fund of the Company designated the "TGP Public Schools d/b/a The Gathering Place Education Revenue Fund" (herein referred to as the "Revenue Fund"). The Revenue Fund shall contain a principal account (the "Principal Account") and an interest account (the "Interest Account") and such other accounts as the Master Trustee finds necessary or desirable, provided that Master Trustee shall have no duty to establish and maintain the Revenue Fund prior to the occurrence and continuance of an Event of Default. The money deposited to the Revenue Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section and in Section 6.06.
- If, and only if, an Event of Default under Section 6.01(a) of this Master Indenture shall occur, the Company shall deposit or cause to be deposited, within five (5) business days from the date of receipt, with the Master Trustee or the Master Trustee shall otherwise deposit or cause to be deposited (pursuant to the Deposit Account Control Agreement), for credit to the Revenue Fund, all of the Company's Adjusted Revenues including, without limitation, amounts subject to a Deposit Account Control Agreement for which a Notice of Exclusive Control has been delivered, as well as any insurance and condemnation proceeds, beginning on the first (1st) day of such Event of Default thereof and on each day thereafter, until no default under Section 6.01(a) of this Master Indenture then exists. In addition, upon any such Event of Default under Section 6.01(a), the Master Trustee may, or at the direction of the Holders of not less than a majority in principal amount of the Notes Outstanding, shall, deliver a Notice of Exclusive Control or Default Notice and withdraw all or a portion of the amounts in the deposit account subject to the Deposit Account Control Agreement and deposit such funds into the Revenue Fund. To the extent funds in the Revenue Fund are applied in accordance with Section 6.06 of this Master Indenture and are sufficient for such purposes, the transfer and application of such funds for the purposes described in this Master Indenture shall be considered to satisfy the related Loan Payment obligations of the Company. To the extent funds in the Revenue Fund are ever insufficient to satisfy the transfer requirements of this Master Indenture, the Company may make the related Loan Payments from funds other than the Adjusted Revenues, if any.
- (c) Immediately upon receipt of any payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee shall withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order of priority indicated:
 - (i) to the Master Trustee any fees or expenses that are then due and payable;
 - (ii) equally and ratably to the Holder of each instrument evidencing a Note on which there has been a default pursuant to Section 6.01(a), an amount equal to all defaulted principal of (or premium, if any), interest and obligations on such Note or, in the case of the acceleration of the Notes, equally and ratably to all Note Holders;

- (iii) a transfer to the Interest Account of an amount necessary to accumulate in equal monthly installments the interest on the Notes due and payable on the next Interest Payment Date; provided, however, that to the extent available, each transfer made on the fifth (5th) business day before the end of the month immediately preceding each Interest Payment Date shall be in an amount to provide, together with amounts then on deposit in the Interest Account, the balance of the interest due on the Notes on the next succeeding Interest Payment Date. There shall be paid from the Interest Account equally and ratably to the Holder of each instrument evidencing a Note the amount of interest on each Note as such interest becomes due:
- (iv) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Notes maturing or subject to mandatory sinking fund redemption on the next Principal Payment Date taking into account with respect to each such payment (i) any other money actually available in the Principal Account for such purpose, and (ii) any credit against amounts due on each Principal Payment Date granted pursuant to other provisions of this Master Indenture; provided, however, that to the extent available, the transfer made on the fifth (5th) business day before the end of the month immediately preceding such Principal Payment Date shall be in an amount to provide, together with amounts then on deposit in the Principal Account, the balance of the principal maturing or subject to mandatory sinking fund redemption on such Principal Payment Date. There shall be paid from the Principal Account equally and ratably to the Holder of each Note the amount of principal payments due on each Note, whether at maturity or earlier mandatory redemption (other than by reason of acceleration of maturity or other demand for payment), as such principal becomes due;
- (v) to the Holder of any Note entitled to maintain a reserve fund for the payment of such Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in twelve (12) equal monthly installments or as otherwise in such amounts required by the applicable Related Bond Documents; and
- (vi) to the Company, the amount specified in a Request as the amount of ordinary and necessary expenses of the Company for its operations for the following month
- (d) Any amounts remaining on deposit in the Revenue Fund on the day following the end of the month in which all Events of Default under Section 6.01(a) of this Master Indenture have been cured, waived or the termination of which has been acknowledged pursuant to Section 6.17 hereof, shall be paid to the Company upon Request for deposit in a deposit account of the Company that is subject to a Deposit Account Control Agreement, which may be used for any lawful purpose.
- (e) Pending disbursements of the amounts on deposit in the Revenue Fund, the Master Trustee shall promptly invest and reinvest such amounts in the Defeasance Obligations specified in any Order. All such investments shall have a maturity not greater than ninety-one (91) days from date of purchase.

Section 4.06. Insurance and Condemnation Proceeds Fund.

- (a) There is hereby created by the Company and established with the Master Trustee the special fund of the Company designated the "TGP Public Schools d/b/a The Gathering Place Education Insurance and Condemnation Proceeds Fund" (herein referred to as the "Insurance and Condemnation Fund"). The Master Trustee is hereby authorized to create any accounts within such Insurance and Condemnation Fund as the Master Trustee finds necessary or desirable; provided that the Master Trustee shall have no duty to establish the Insurance and Condemnation Fund prior to the first (1st) occurring receipt of proceeds under an insurance policy or a condemnation of all or a portion of any Related Project. The money deposited to the Insurance and Condemnation Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section.
- (b) Immediately upon receipt of any payments to the Master Trustee for deposit into the Insurance and Condemnation Fund, the Master Trustee shall transfer such amounts to the Related Bond Trustee under the Related Indenture to which such insurance or condemnation proceeds relate for use pursuant to such Related Indenture and the Related Loan Documents for such Related Project, all as set forth in a Company Order. In the absence of any such Company Order, any such payments shall be held uninvested in the Insurance and Condemnation Fund.
- Section 4.07. <u>Title Insurance</u>. The Company shall obtain and deliver to the Master Trustee on or prior to the closing date of any Debt a standard Texas form T-l owner's policy of title insurance and a standard Texas form T-2 lender's policy of title insurance issued by a title insurance company selected by the Company, showing the Company and the Master Trustee as insured parties, as their interests may appear, with respect to the Mortgaged Property, together with such endorsements in an aggregate amount not less than the principal amount of the Debt outstanding (including the Debt to be issued) secured by the Mortgaged Property. The policies shall insure that the Company has fee title in the Mortgaged Property and the Master Trustee has a valid first (1st) lien on the Company's interest in the Mortgaged Property described in the Deed of Trust, subject to Permitted Encumbrances and subject to the Master Trustee's protection in Section 7.03(a) hereof. There shall be deleted in such policies the standard exceptions for discrepancies, encroachments, overlaps, conflicts in boundary lines, servitudes or such other matters that would be disclosed by an accurate survey and inspection of the Mortgaged Property.
- Section 4.08. Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 4.02 through 4.06 hereof if before or after the time for such compliance the Holders of the same percentage in principal amount of all Notes then Outstanding, the consent of which would be required to amend the provisions hereof to permit such noncompliance, shall either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the Company and the duties of the Master Trustee in respect of any such covenant or condition shall remain in full force and effect.
- **Section 4.09.** <u>Insurance.</u> (a) The Company shall at all times keep and maintain its properties and facilities insured against such risks and in such amounts, with such deductible provisions, as are customary in connection with the operation of facilities of the type and size

comparable to such facilities and consistent with the requirements of State law. Subject to subsection (c) hereof, the Company shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for, at least the following insurance with respect to such facilities and the Company:

- (i) insurance coverage for buildings and contents, including steam boilers, fired pressure vessels and certain other machinery for fire, lightning, windstorm and hail, explosion, aircraft and vehicles, sprinkler leakage, elevator and all other risks of direct physical loss, at all times in an amount not less than the replacement cost of the facilities;
- (ii) during the course of any construction, reconstruction, remodeling or repair of the facilities, builders' all risk extended coverage insurance (non-reporting Completed Value with Special Cause of Loss form) in amounts based upon the completed replacement value of the facilities and insurance coverage for lost gross revenues due to damage or destruction of the facilities prior to construction in an amount sufficient to provide temporary or interim facilities and equipment during the period of replacement or repair of the damaged or destroyed facility, and endorsed to provide that occupancy by any Person shall not void such coverage;
 - (iii) general liability;
 - (iv) comprehensive professional liability insurance; and
 - (v) worker's compensation insurance as required by the laws of the State.

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

- (b) Insurers and Policies. Each insurance policy required by subparagraph (a) above (i) shall be issued or written by such insurer (or insurers) or by an insurance fund established by the United States or the State or an agency or instrumentality thereof unless such insurance is not otherwise available on commercially reasonable terms from an insurer rated at least "A" by S&P or "Excellent (A or A-)" by Best, (ii) shall be in such form and with such provisions (including, without limitation and where applicable, loss payable clauses payable to the Master Trustee, waiver of subrogation clauses, provisions relieving the insurer of liability to the extent of minor claims and the designation of the named insurers) as are generally considered standard provisions for the type of insurance involved, (iii) shall prohibit cancellation or substantial modification by the insurer without at least thirty (30) days' prior written notice to the Master Trustee and the Company, and (iv) shall name the Master Trustee as additional insured or Mortgagee. The Company shall deliver to the Master Trustee, no later than the date on which it is required to obtain an insurance policy pursuant to Section 4.09(a), an Officer's Certificate confirming it has obtained all required insurance policies.
- (c) <u>Certifications</u>. The Company shall, on the closing date for any Debt and thereafter within one hundred fifty (150) days after the end of each of its Fiscal Years, submit to the Master

Trustee an Officer's Certificate verifying that (i) all insurance required by this Master Indenture is in full force and effect as of the date of such Officer's Certificate and (ii) all Impositions (as defined in Section 4.01(k) of the Deed of Trust) have been paid. The Master Trustee shall have no responsibility for monitoring the existence of or maintaining any insurance policies and may rely upon the certificate delivered to it in accordance with this Section 4.09(c).

- Section 4.10. Negative Pledge. The Company covenants not to take or permit any action that would create or allow any liens to exist, except any Permitted Encumbrances (as defined in the Deed of Trust), on any real property, personal property or equipment included in the Deed of Trust other than a lien arising in connection with the issuance of Debt as permitted by Section 2.12 or as otherwise permitted by the Deed of Trust. The Company will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral described in the Granting Clauses hereunder that ranks prior to or on parity with the lien granted hereunder, or file any financing statement describing any such pledge, assignment, lien or security interest, or knowingly take any other action that will impair the lien of this Master Indenture on the Trust Estate, in each of such cases except as expressly permitted by the Related Bond Documents.
- **Section 4.11.** Removal of Liens. If any lien, encumbrance or charge of any kind based on any claim of any kind (including, without limitation, any claim for income, franchise or other taxes, whether federal, state or otherwise) other than a Permitted Encumbrance shall be asserted or filed against the Trust Estate, or any order (whether or not valid) of any court shall be entered with respect to the Trust Estate by virtue of any claim of any kind, in any case so as to:
- (a) interfere with the due payment of such amount to the Master Trustee or the due application of such amount by the Master Trustee pursuant to the applicable provisions of this Master Indenture.
- (b) subject the Note Holders to any obligation to refund any money applied to payment of principal (premium, if any) and interest on any Note, or
- (c) result in the refusal of the Master Trustee to make such due application because of its reasonable determination that liability might be incurred if such due application were to be made

then the Company will promptly take such action (including, but not limited to, the payment of money) as may be necessary to prevent, or to nullify the cause or result of, such interference, obligation or refusal, as the case may be.

ARTICLE V.

CONSOLIDATION, MERGER, CONVEYANCE AND TRANSFER

- **Section 5.01.** Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms. In addition to any other requirements set forth in the Related Bond Documents, the Company covenants and agrees that it will not consolidate with or merge into any Person or convey or transfer its properties substantially as an entirety to any Person, unless:
 - (a) all of the following conditions exist:

- (i) the Person formed by such consolidation or into which the Company merges or the Person that acquires substantially all of the properties of the Company as an entirety shall be a Person organized and existing under the laws of the United States of America or any state or the District of Columbia and shall expressly assume by instrument supplemental hereto executed and delivered to the Master Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on the Notes and any other amounts due thereunder or in accordance with this Master Indenture and the performance and observance of every covenant and condition hereof on the part of the Company to be performed or observed:
- (ii) an Officer's Certificate shall be delivered to the Master Trustee to the effect that such consolidation, merger or transfer shall not, immediately after giving effect to such transaction, cause a default hereunder to occur and be continuing; and
- (iii) the Company shall have delivered to the Master Trustee and Related Bond Trustee an Officer's Certificate and Opinion of Counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental instrument comply with this Article, applicable law and organizational documents and that all conditions precedent relating to such transaction provided for herein have been complied with, and a Favorable Opinion of Bond Counsel.

Section 5.02. <u>Successor Substituted.</u> Upon any consolidation or merger or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 5.01, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company hereunder with the same effect as if such successor Person had been named as the Company herein.

ARTICLE VI.

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

- **Section 6.01.** Events of Default. "Event of Default," whenever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):
- (a) default in the payment of the principal of (premium, if any) or interest or any other amount due on any Note when due (giving effect to any applicable period of grace, if any); or
- (b) default in the performance, or breach, of any covenant or agreement on the part of the Company contained in this Master Indenture (other than a covenant or agreement the default in the performance or observance of which is elsewhere in this Section specifically addressed) and continuance of such default or breach for a period of thirty (30) days after a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder and has been given by registered or certified mail by (i) the Holders

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of at least twenty-five percent (25%) in principal amount of Notes then Outstanding, or (ii) the Master Trustee to the Company (with a copy to the Master Trustee in the case of notice by the Holders); provided that if such default under this Section 6.01(b) can be cured by the Company but cannot be cured within the 30-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by the Company within such 30-day period and diligently pursued until the default is corrected; provided, however, that the Company shall submit reports to the Master Trustee each fiscal quarter regarding such corrective action until the default is corrected; or

- (c) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Company under the Bankruptcy Code, Title 11 of the United States Code, as amended (the "Bankruptcy Code"), or any other similar applicable federal or state law, and such decree or order shall have continued undischarged and unstayed for a period of ninety (90) days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Company or the Company's property, or for the winding up or liquidation of the Company or the Company's affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of ninety (90) days; or
- (d) the Company shall institute proceedings to be adjudicated a voluntary bankruptcy, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes;
- (e) an event of default, as therein defined, under any instrument or agreement under which any Note may be incurred or secured, or under any Related Bond Documents, occurs and is continuing beyond any applicable period of grace, if any; or
- (f) a Qualified Provider under a Financial Products Agreement that is secured by a Note notifies the Master Trustee in writing that an event of default under such Financial Products Agreement, as therein defined, has occurred and is continuing beyond the applicable grace period, if any.

Section 6.02. Acceleration of Maturity in Certain Cases; Rescission and Annulment.

(a) If an Event of Default occurs and is continuing, then and in every such case the Master Trustee may, and upon the request of the Holders of not less than twenty-five percent (25%) in principal amount of the Notes Outstanding (or, in the case of any Event of Default described in clause (e) above resulting in the loss of any exclusion from gross income of interest on, or the invalidity of, any Debt secured by a pledge of Notes, the Holders of not less than twenty-five percent (25%) in principal amount of the Notes Outstanding of the affected series) shall, by a notice in writing to the Company, accelerate the Maturity of the Notes, and upon any such

declaration such principal of (premium, if any) and interest and any other amount due on any Note shall become immediately due and payable.

- (b) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Master Trustee as hereinafter in this Article provided, the Holders of not less than a majority in principal amount of the Notes Outstanding, by written notice to the Company and the Master Trustee, may rescind and annul such declaration and its consequences if:
 - (i) the Company has caused to be paid or deposited with the Master Trustee a sum sufficient to pay:
 - (A) all overdue installments of interest on all Notes;
 - (B) the principal of (and premium, if any, on) any Notes that have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes as well as any other amounts due and owing as provided in such Notes; and
 - (C) all sums paid or advanced by the Master Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and
 - (ii) all Events of Default, other than the non-payment of the principal of Notes that have become due solely by such acceleration, have been cured or waived as provided in Section 6.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon. If an Event of Default occurs and is continuing, the Master Trustee shall be entitled to exercise any right or remedy at law, in equity, by statute or under any of the Related Bond Documents in connection therewith.

(c) Acceleration of Notes pursuant to this Section 6.02 may be declared separately and independently with or without an acceleration of the Related Bonds.

Section 6.03. Collection of Indebtedness and Suits for Enforcement by Master Trustee.

- (a) The Company covenants that if:
- default is made in the payment of any installment of interest on any Note when such interest becomes due and payable;
- (ii) default is made in the payment of the principal of (or premium, if any, on) any Note when such principal (or premium, if any) becomes due and payable; or
- (iii) default is made in the payment of any other amount when such amount is due and payable;

the Company will, subject to Section 4.01 hereof, upon demand of the Master Trustee, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal (and premium, if any) and interest, with interest upon the overdue principal (and premium, if any) and any other amount due; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel.

- (b) If the Company fails to pay any of the foregoing amounts forthwith upon demand, the Master Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the Trust Estate.
- (c) If an Event of Default occurs and is continuing, the Master Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Notes and other obligations secured hereunder by such appropriate judicial proceedings as the Master Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Master Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy including, without limitation, proceeding under the UCC as to all or any part of the Trust Estate, and the Company hereby covenants and agrees with the Master Trustee that the Master Trustee shall have and may exercise with respect to the Trust Estate all the rights, remedies and powers of a secured party under the UCC as in effect in the State.
- (d) If an Event of Default occurs and is continuing pursuant to Section 6.01(a) hereof, the Company hereby agrees it is not entitled to submit instructions to the Depository Bank and the Master Trustee may, or at the written direction of the Holders of not less than a majority in principal amount of the Outstanding Notes, shall provide a Notice of Exclusive Control to the Company's Depository Bank. For all other Events of Default, the Master Trustee may provide a Notice of Exclusive Control to the Company's Depository Bank.
- (e) If an Event of Default occurs and is continuing, the Mortgage Trustee named in the Deed of Trust may foreclose on any property subject to the Deed of Trust subject, to the extent applicable, to Section 12.128 of the Texas Education Code, as amended.

Section 6.04. Master Trustee May File Proofs of Claim.

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

file such other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel) and of the Holders of Notes allowed in such judicial proceeding; and

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

Any receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of Notes to make such payments to the Master Trustee, and in the event that the Master Trustee shall consent to the making of such payments directly to the Holders of Notes, to pay to the Master Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, and any other amounts due the Master Trustee under this Master Indenture.

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

Section 6.05. Master Trustee May Enforce Claims Without Possession of Notes. All rights of action and claims under this Master Indenture or the Notes may be prosecuted and enforced by the Master Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

Section 6.06. Application of Money Collected. Any money collected by the Master Trustee pursuant to this Article and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable compensation to the Master Trustee, its agents and counsel, and any taxes, assessments or liens prior to the lien of this Master Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, together with, in the case of an entry or sale as otherwise provided herein, any other sums then held by the Master Trustee as part of the Trust Estate, shall be deposited in the Revenue Fund created by this Master Indenture, shall be applied in the order specified in Section 4.05(c), at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any), upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid.

Section 6.07. <u>Limitation on Suits</u>. No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Master Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (a) such Holder has previously given written notice to the Master Trustee of a continuing Event of Default or the Master Trustee has actual knowledge of same in accordance with Section 7.03(h);
- (b) the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Notes shall have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee hereunder;
- (c) such Holder or Holders have provided to the Master Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Master Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Master Trustee during such sixty-day (60-day) period by the Holders of not less than a majority in principal amount of the Outstanding Notes;

it being understood and intended that no one (1) or more Holders of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Master Indenture to affect, disturb or prejudice the rights of any other Holders of Notes, or to obtain or to seek to obtain priority or preference over any other Holders, or to enforce any right under this Master Indenture, except in the manner herein provided and for the benefit of all the Holders of Notes in the priority of payment set forth herein.

Section 6.08. <u>Unconditional Right of Holders of Notes to Receive Principal, Premium and Interest.</u> Notwithstanding any other provision in this Master Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and interest on such Note, but (without waiving or impairing any rights such Holder may have under any other instrument or agreement) solely from the sources provided in this Master Indenture, on the respective Stated Maturities expressed in such Note (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 6.09. Restoration of Rights and Remedies. If the Master Trustee or any Holder of Notes has instituted any proceeding to enforce any right or remedy under this Master Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Master Trustee or to such Holder of Notes, then and in every such case the Company, the Master Trustee and the Holders of Notes shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Master Trustee and the Holders of Notes shall continue as though no such proceeding had been instituted.

Section 6.10. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Master Trustee or to the Holders of Notes is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy

hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.11. <u>Delay or Omission Not Waiver</u>. No delay or omission of the Master Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Master Trustee or to the Holders of Notes may be exercised from time to time, and as often as may be deemed expedient, by the Master Trustee or by the Holders of Notes, as the case may be.

Section 6.12. Control by Holders of Notes. The Holders of a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee or exercising any trust or power conferred on the Master Trustee, provided that such direction shall not be in conflict with any rule of law or with this Master Indenture, and provided further that the Master Trustee shall have the right to decline to comply with any such request in accordance with Section 7.03(e) hereof or if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the Holders of the Notes not parties to such direction. The Master Trustee may take any other action deemed proper by the Master Trustee that is not inconsistent with such direction.

Section 6.13. Waiver of Past Defaults.

- (a) The Holders of a majority in principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except:
 - (i) a default in the payment of the principal of (or premium, if any) or interest or any other amount on any Note; or
 - (ii) a default in respect of a covenant or provision hereof that under Article VIII cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.
- (b) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Master Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.
- Section 6.14. Undertaking for Costs. All parties to this Master Indenture agree, and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Master Indenture, or in any suit against the Master Trustee for any action taken or omitted by it as Master Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply

to any suit instituted by the Master Trustee, to any suit instituted by any Holder of Notes, or group of Holders of Notes, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Notes, or to any suit instituted by any Holder of Notes for the enforcement of the payment of the principal of (or premium, if any) or interest on any Note on or after the respective Stated Maturities expressed in such Note (or, in the case of redemption, on or after the redemption date).

Section 6.15. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Master Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants (to the extent that it may lawfully do so) that it will not hinder, delay or impede the execution of any power herein granted to the Master Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 6.16. No Recourse Against Others. No recourse under or upon any obligation, covenant or agreement contained in this Master Indenture or any indenture supplemental hereto, or in any Note, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present or future director, officer or employee, as such, of the Master Trustee or the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Master Indenture and the Notes are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, directors, officers or employees, as such, of the Master Trustee or the Company or any successor corporation, or any of them, because of the creation of indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Master Indenture or in any of the Notes or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, director, officer or employee, as such, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Master Indenture and the issue of such Notes Termination of Default. Once an Event of Default has been cured in accordance with the provisions of this Master Indenture or the instrument under which any Note is incurred or secured, such Event of Default will be deemed to no longer exist and the Master Trustee shall notify the Company in writing that such Event of Default has been cured and all corrective actions under this Master Indenture shall immediately cease unless or until another Event of Default shall occur; provided, however, that once the Notes are accelerated pursuant to Section 6.02, the provisions of Section 6.02 shall govern rescission and the cessation of remedies.

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ARTICLE VII.

CONCERNING THE MASTER TRUSTEE

Section 7.01. Duties and Liabilities of Master Trustee.

- (a) The Master Trustee accepts and agrees to execute the trusts imposed upon it by this Master Indenture, but only upon the terms and conditions set forth herein, and no implied covenants or obligations shall be read into this Master Indenture against the Master Trustee.
- (b) In case any Event of Default has occurred and is continuing (of which a Responsible Officer of the Master Trustee has actual knowledge or is deemed to have actual knowledge under Section 7.03(h) hereof), the Master Trustee shall exercise the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in the exercise thereof as a reasonably prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.
- (c) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except, that:
 - (i) this subsection shall not be construed to limit the effect of subsection (a) of this Section or Section 7.03 hereof;
 - (ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;
 - (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 Section 6.02(a) hereof or otherwise with the direction of the Holders of a majority in aggregate principal amount of the Notes then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Master Indenture; and
 - (iv) no provision of this Master Indenture shall require the Master Trustee to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability or the payment of its fees and expenses is not reasonably assured to it.
 - (v) Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section and Section 7.03.
- Section 7.02. Notice of Defaults. Promptly after the occurrence of any default of which the Master Trustee is deemed to have knowledge in accordance with Section 7.03(h), the Master

Trustee shall transmit by mail to all Holders of Notes notice of such default, unless such default shall have been cured or waived or unless corrective action to cure such default has been instituted and is being pursued such that such default does not constitute an Event of Default; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Notes or in the payment of any sinking or purchase fund installment, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Master Trustee in good faith determine that the withholding of such notice from the Holders of the Notes is in the interest of the Holders of Notes; and provided further, that in the case of any default of the character specified in Section 6.01(b), no such notice to Holders of Notes shall be given until at least thirty (30) days after the notice described in Section 6.01(b) is given and a cure is not forthcoming. For the purpose of this Section, the term "default" means any event that is, or after notice or lapse of time or both would become, an Event of Default.

Section 7.03. Certain Rights of Master Trustee.

- (a) The Master Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be required to verify the accuracy of any information or calculations required to be included therein or attached thereto.
- (b) Any request or direction of the Company shall be sufficiently evidenced by a Request; and any resolution of the Governing Body may be evidenced to the Master Trustee by a Board Resolution.
- (c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Master Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.
- (d) The Master Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.
- (e) The Master Trustee shall be under no obligation to exercise any of the discretionary rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders of the Notes pursuant to the provisions of this Master Indenture, unless such Holders shall have provided to the Master Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in connection therewith and for the payment of the Master Trustee's fees in connection therewith.
- (f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document, but the Master

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

- (g) The Master Trustee may execute any of the trusts or powers hereunder either directly or by or through agents or attorneys or may act or refrain from acting in reliance upon the opinion or advice of such agents or attorney, but the Master Trustee shall not be held liable for any negligence or misconduct of any such agent or attorney appointed by it with due care. The Master Trustee may act upon the opinion or advice of an attorney or agent selected by it in the exercise of reasonable care and upon the opinion or advice of an attorney or agent retained by the Company. The Master Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice. The Master Trustee may in all cases pay reasonable compensation to any attorney or agent retained or employed by it in connection herewith.
- (h) The Master Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder unless the Master Trustee shall be specifically notified of such Event of Default in writing by the Company or by the Holder of an Outstanding Note, and in the absence of such notice the Master Trustee may conclusively assume that no Event of Default exists; provided, however, that the Master Trustee shall be required to take and be deemed to have notice of its failure to receive the moneys necessary to make payments when due of principal of (premium, if any) or interest on any Note.
- (i) The Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction of the Holders of the Outstanding Notes permitted to be given by them under this Master Indenture.
- (j) The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful misconduct in accordance with the terms of this Master Indenture.
- (k) The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.
- (l) The Master Trustee shall not be responsible for monitoring the existence of or determining whether any lien or encumbrance or other charge including, without limitation, any Permitted Encumbrance (as defined in the Deed of Trust) exists against a Related Project or the Trust Estate except as may be expressly provided for herein or therein.
- (m) The Master Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Company herein or in the Deed of Trust hereunder. The Master Trustee may require of the Company full information and advice as to the performance of the aforesaid covenants, conditions and agreements.

Section 7.04. Not Responsible For Recitals or Issuance of Notes. The recitals contained herein and in the Notes (other than the certificate of authentication on such Notes) shall be taken as the statements of the Company and the Master Trustee assumes no responsibility for their correctness. The Master Trustee makes no representations as to the validity or sufficiency of this Master Indenture or of the Notes. The Master Trustee shall not be accountable for the use or application by the Company of any of the Notes or of the proceeds of such Notes, for the use or application of any money paid over by the Master Trustee in accordance with the provisions of this Master Indenture or for the use and application of money received by any Paying Agent.

Section 7.05. <u>Master Trustee May Own Notes</u>. The Master Trustee or other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company with the same rights it would have if it were not Master Trustee or such other agent.

Section 7.06. Moneys to Be Held in Trust. All moneys received by the Master Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Master Trustee shall be under no liability for interest on any moneys received by it hereunder other than such interest as it expressly agrees in writing to pay.

Section 7.07. Compensation and Expenses of Master Trustee.

(a) The Company hereby agrees:

- to pay to the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any law limiting the compensation of the trustee of an express trust), whether as Master Trustee or as Paying Agent;
- (ii) except as otherwise expressly provided in this Section 7.07(a), to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel); and
- (iii) to indemnify the Master Trustee, its officers, directors, employees, agents and affiliates (including, without limitation, the Master Trustee as Paying Agent hereunder) (collectively, the "Indemnitees") for, and to defend and hold them harmless against, loss, liability, claims, proceedings, suits, demands, penalties, costs and expenses, including, without limitation, the costs and expenses of outside and in-house counsel and experts and their staffs and all expenses of document location, duplication and shipment and of preparation to defend and defending any of the foregoing ("Losses"), that may be imposed on, incurred by or asserted against any Indemnitee in respect of (i) any loss, or damage to any property, or injury to or death of any person, asserted by or on behalf of any Person arising out of, resulting from, or in any way connected with the Related Project, or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Related Project or from the planning, design, acquisition or construction of any

Related Project facilities or any part thereof, (ii) the issuance of any Notes or Related Bonds, or the Company's or the Related Issuer's, as the case may be, authority therefore, (iii) this Master Indenture and any instrument related thereto, (iv) the Master Trustee's execution, delivery and performance of this Master Indenture, except in respect of any Indemnitee to the extent such Indemnitee's gross negligence or bad faith caused such Loss (as determined in a final order by a court of competent jurisdiction), and (v) compliance with or attempted compliance with or reliance on any instruction or other direction upon which the Master Trustee may rely under this Master Indenture or any instrument related thereto. The Company further agrees to indemnify the Indemnitees against any Losses as a result of (1) any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made not misleading in any statement, information or material furnished by the Company to the Master Trustee or the Holder of any Note, including, but not limited to, any disclosure document utilized in connection with the sale of any Related Bonds; or (2) the inaccuracy of the statements contained in any section of any Related Bond Indenture relating to environmental representations and warranties. The foregoing indemnification shall include, without limitation, indemnification for any statement or information concerning the Company or its officers and board members or its Property contained in any official statement or other offering document furnished to the Master Trustee or the purchaser of any Notes or Related Bonds that is untrue or incorrect in any material respect, and any omission from such official statement or other offering document of any statement or information which should be contained therein for the purpose for which the same is to be used or which is necessary to make the statements therein concerning the Company, its officers and board members and its Property not misleading in any material respect. The foregoing is in addition to any other rights, including rights to indemnification, to which the Master Trustee may otherwise be entitled, including, without limitation, pursuant to the Deed of Trust. The provisions of this Section 7.07(a)(iii) will survive the satisfaction and discharge of this Master Indenture and the payment of all Notes hereunder. IT IS THE EXPRESS INTENTION AND AGREEMENT OF THE COMPANY THAT IT WILL INDEMNIFY THE INDEMNITEES AGAINST LOSSES THAT ARISE FROM THE NEGLIGENCE OF THE INDEMNITEES.

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

Section 7.08. Corporate Master Trustee Required; Eligibility. There shall at all times be a Master Trustee hereunder, which shall be organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), subject to supervision or examination by federal or state authority. If the Master Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Master Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Master Trustee shall cease to

be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09. Resignation and Removal; Appointment of Successor.

- (a) No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee pursuant to this Section shall become effective until the acceptance of appointment by the successor Master Trustee under Section 7.10.
- (b) The Master Trustee may resign at any time by giving thirty (30) days' written notice thereof to the Company. If an instrument of acceptance by a successor Master Trustee shall not have been delivered to the Master Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.
- (c) The Master Trustee may be removed at any time by (i) the Holders of a majority in principal amount of the Outstanding Notes, or (ii) so long as there is no Event of Default and no circumstance has occurred that, with the passage of time, will constitute an Event of Default, the Company acting through an Authorized Representative.

(d) If at any time:

- (i) the Master Trustee shall cease to be eligible under Section 7.08 and shall fail to resign after written request therefor by the Company or by any Holder of Notes; or
- (ii) the Master Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or a conservator or a receiver of the Master Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; then, in any such case, (i) the Company by a Request may remove the Master Trustee, or (ii) subject to Section 6.14, any Holder of Notes who has been a bona fide Holder of a Note for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Master Trustee and the appointment of a successor Master Trustee.
- (e) If the Master Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Master Trustee for any cause, the Company shall promptly appoint a successor Master Trustee. If, within six (6) months after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Master Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Master Trustee, the successor Master Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Master Trustee and supersede the successor Master Trustee appointed by the Company. If no successor Master Trustee shall have been so appointed by the Company or the Holders of Notes and accepted appointment in the manner hereinafter provided, the Master Trustee or any Holder of Notes who has been a bona fide Holder of a Note for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

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

Section 7.10. Acceptance of Appointment by Successor

- (a) Every successor Master Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Master Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Master Trustee shall become effective and such successor Master Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Master Trustee; but, on Request of the Company or the successor Master Trustee, such retiring Master Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of the retiring Master Trustee, and shall duly assign, transfer and deliver to the successor Master Trustee all property and money held by such retiring Master Trustee hereunder. Upon request of any such successor Master Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Master Trustee all such rights, powers and trusts.
- (b) No successor Master Trustee shall accept its appointment unless at the time of such acceptance such successor Master Trustee shall be qualified and eligible under this Article.

Section 7.11. Merger or Consolidation. Any Person into which the Master Trustee may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Master Trustee shall be a party, or any Person acquiring and succeeding to all or substantially all of the corporate trust business of the Master Trustee, shall be the successor Master Trustee hereunder, provided such Person shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Master Trustee then in office, any successor by merger or consolidation to such authenticating Master Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Master Trustee had itself authenticated such Notes.

Section 7.12. Reserved.

Section 7.13. Subordination Authority. Notwithstanding anything to the contrary herein or in the Related Bond Documents, without the consent of the Master Trustee, and without such actions constituting a breach or violation of the Deed of Trust, a mortgagor may impose upon real property such reasonable easements and similar encumbrances to title as a ree customarily created or imposed in connection with the development of real property ("Customary Development Encumbrances"), e.g., utility easements and similar rights of way, and easements, building setback lines, and the like created by the platting or re-platting of the real property provided such constitutes a Permitted Encumbrance (as certified to the Master Trustee in an Officer's Certificate). In addition, the liens and security interests covering or encumbering the real property created by

the Deed of Trust shall at all times be subordinate and inferior to the easements and other similar encumbrances against title to the real property created in connection with any future Customary Development Encumbrances, including, but not limited to, plats; provided, however, such liens and security interests of the Deed of Trust shall not be inferior or subordinate to any monetary liens created pursuant to any such future Customary Development Encumbrances, and all liens and security interests created by the said Deed of Trust shall be superior and prior to any and all such monetary liens created by any such future Customary Development Encumbrances. The Master Trustee, to the extent deemed necessary or desirable by the Company, shall sign any and all documents subordinating the lien of the Deed of Trust to any Customary Development Encumbrances confirming such subordination in accordance with the terms of this Section upon receipt of an Officer's Certificate directing the Master Trustee to sign the documents and certifying that such documents are permitted to be executed in accordance with this Section 7.13.

ARTICLE VIII.

SUPPLEMENTS

Section 8.01. <u>Supplemental Master Trust Indentures Without Consent of Holders of Notes</u>. So long as no Event of Default has occurred and is continuing, without the consent of (but with prompt written notice thereafter to) the Note Holders, the Company, when authorized by a Board Resolution, and the Master Trustee at any time may enter into or consent to one (1) or more indentures supplemental hereto, subject to Section 8.03 hereof, for any of the following purposes:

- (a) to cure any ambiguity or to correct or supplement any provision herein or therein that may be inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising under this Master Indenture that shall not be inconsistent with this Master Indenture, provided such action shall not adversely affect the interests of the Holder of any Notes;
- (b) to grant to or confer upon the Master Trustee for the benefit of the Holders of the Notes any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders of the Notes and the Master Trustee, or either of them, to add to the covenants of the Company for the benefit of the Holders of the Notes or to surrender any right or power conferred hereunder upon the Company;
- (c) to assign and pledge under this Master Indenture additional revenues, properties or collateral:
- (d) to evidence the succession of another Person to the agreements of the Master Trustee, or a successor thereof hereunder;
- (e) to evidence the succession of another Person to the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Company as permitted by this Master Indenture;
- (f) to modify or supplement this Master Indenture in such manner as may be necessary or appropriate to qualify this Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal or State statute or regulation, including provisions whereby

the Master Trustee accepts such powers, duties, conditions and restrictions hereunder and the Company undertakes such covenants, conditions or restrictions additional to those contained in this Master Indenture as would be necessary or appropriate so to qualify this Master Indenture; provided, however, that nothing herein contained shall be deemed to authorize inclusion in this Master Indenture or in any indenture supplemental hereto, provisions referred to in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect;

- (g) subject to Section 2.12(b) hereof, to provide for the refunding or advance refunding of any Note, in whole or in part, as permitted hereunder;
- (h) to permit a Note to be secured by new security which may or may not be extended to all Note Holders or to establish special funds or accounts under this Master Indenture;
- (i) subject to Section 2.12 hereof, to allow for the issuance of any series of Notes in certificated or uncertificated form:
- (j) to make any other change which does not materially adversely affect the Holders of any of the Notes and does not materially adversely affect the owners of the Related Bonds, including, without limitation, any modification, amendment or supplement to this Master Indenture or any indenture supplemental hereto or any amendment thereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code;
- (k) so long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event that, with notice or the passage of time, or both, would become an Event of Default under this Master Indenture has occurred and is continuing, to make any other change herein or therein which, in the judgment of an Independent Management Consultant, if any, a copy of whose report shall be filed with the Master Trustee:
 - is in the best interest of the Company;
 - (ii) does not materially adversely affect the Holder of any Note;
 - (iii) provided that, with respect to each applicable series of Related Bonds, the Master Trustee has received an Opinion of Counsel, on which the Master Trustee may conclusively rely, to the effect that the amendment proposed to be adopted by such Supplemental Master Trust Indenture will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on such Related Bonds otherwise entitled to such exclusion; and
 - (iv) provided that no such amendment, directly or indirectly, shall (A) change the provisions of this subsection (k), (B) make any modification of the type prohibited in Section 8.02 hereof or (C) make a modification intended to subordinate the right to payment of a Holder of any Note to the right of Payment of any Holder of any other Note or any other Debt;

- (l) to make any amendment to any provision of this Master Indenture or to any supplemental indenture that is only applicable to Notes issued thereafter or which will not apply so long as any Notes then Outstanding remain Outstanding;
- (m) to modify, eliminate or add to the provisions of this Master Indenture if the Master Trustee shall have received (1) written confirmation from each Rating Service that such change will not result in a withdrawal or reduction of its credit rating assigned to any series of Notes or Related Bonds, as the case may be, and (2) a Board Resolution to the effect that, in the judgment of the Company, such change is necessary to permit the Company to affiliate or merge with one (1) or more other charter schools on acceptable terms and such change and affirmation are in the best interests of the Holders of the Outstanding Notes.

Section 8.02. Supplemental Master Trust Indentures with Consent of Holders of Notes.

- (a) With the consent of the Holders of not less than a majority in principal amount of the Outstanding Notes, by Act of said Note Holders delivered to the Company and the Master Trustee, the Company, when authorized by a Board Resolution, and the Master Trustee may enter into or consent to an indenture or indentures supplemental hereto (subject to Section 8.03 hereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Master Indenture or of modifying in any manner the rights of the Holders of the Notes under this Master Indenture; provided, however, that no such Supplemental Master Trust Indenture shall, without the consent of the Holder of each Outstanding Note affected thereby:
 - (i) change the Stated Maturity of the principal of, or any installment of interest on, any Notes or any date for mandatory redemption thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Notes or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date); or
 - (ii) reduce the percentage in principal amount of the Outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Master Indenture or certain defaults hereunder and their consequences) provided for in this Master Indenture: or
 - (iii) modify any of the provisions of this Section or Section 6.13, except to increase any such percentage or to provide that certain other provisions of this Master Indenture cannot be modified or waived without the consent of the Holder of each Note affected thereby.
 - (iv) It shall not be necessary for any Act of Note Holders under this Section to approve the particular form of any proposed Supplemental Master Trust Indenture, but it shall be sufficient if such Act of Note Holders shall approve the substance thereof, as presented in written form to the Holders of the Notes by the Company.
- Section 8.03. Execution of Supplemental Master Trust Indentures. In executing, or accepting the additional trusts created by, any Supplemental Master Trust Indenture permitted by

this Article or the modifications thereby of the trusts created by this Master Indenture, the Master Trustee must receive, and will be fully protected in relying upon, an Opinion of Counsel to the effect that the execution of such Supplemental Master Trust Indenture or consent is authorized or permitted by this Master Indenture. The Master Trustee may, but shall not (except to the extent required in the case of a Supplemental Master Trust Indenture entered into under Section 8.01(d)) be obligated to, enter into any such Supplemental Master Trust Indenture or consent that affects the Master Trustee's own rights, duties or immunities under this Master Indenture or otherwise.

Section 8.04. Effect of Supplemental Master Trust Indentures. Upon the execution of any Supplemental Master Trust Indenture under this Article, this Master Indenture shall, with respect to each series of Notes to which such Supplemental Master Trust Indenture applies, be modified in accordance therewith, and such Supplemental Master Trust Indenture shall form a part of this Master Indenture for all purposes, and every Holder of Notes thereafter or theretofore authenticated and delivered hereunder shall be bound thereby.

Section 8.05. Notes May Bear Notation of Changes. Notes authenticated and delivered after the execution of any Supplemental Master Trust Indenture pursuant to this Article may bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplemental Master Trust Indenture. If the Company or the Master Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Master Trustee and the Company, to any such Supplemental Master Trust Indenture may be prepared and executed by the Company and authenticated and delivered by the Master Trustee in exchange for Notes then Outstanding.

ARTICLE IX.

SATISFACTION AND DISCHARGE OF MASTER INDENTURE

Section 9.01. Satisfaction and Discharge of Master Indenture.

(a) If at any time the Company shall have paid or caused to be paid the principal of (and premium, if any) and interest and all other amounts due and owing on all the Notes Outstanding hereunder, as and when the same shall have become due and payable, and if the Company shall also pay or provide for the payment of all other sums payable hereunder by the Company and shall have paid all of the Master Trustee's fees and expenses pursuant to Section 7.07 hereof, then this Master Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced or apparently destroyed, lost or stolen Notes, (iii) rights of Holders to receive payments of principal thereof (and premium, if any) and interest thereon and remaining obligations of the Company to make mandatory sinking fund payments, (iv) the rights, remaining obligations, if any, and immunities of the Master Trustee hereunder, and (v) the rights of the Holders as beneficiaries hereof with respect to the property so deposited with the Master Trustee payable to all or any of them and the Master Trustee) on the Request accompanied by an Officer's Certificate and an Opinion of Counsel to the effect that the conditions precedent to the satisfaction and discharge of this Master Indenture have been fulfilled and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture.

- (b) Notwithstanding the satisfaction and discharge of this Master Indenture, the obligations of the Company to the Master Trustee under Section 7.07 and, if funds shall have been deposited with the Master Trustee pursuant to Section 9.02, the obligations of the Master Trustee under Section 9.03 and Section 4.02(f) shall survive.
- **Section 9.02.** <u>Notes Deemed Paid.</u> Unless otherwise provided in the Supplemental Master Trust Indenture establishing any such series of Notes, Notes of any series shall be deemed to have been paid if:
- (a) in case said Notes are to be redeemed on any date prior to their Stated Maturity, the Company by Request shall have given to the Master Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Notes on said redemption date;
- (b) there shall have been deposited with the Master Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment (as established by an Officer's Certificate delivered to the Master Trustee accompanied by a report of an Independent Accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any) and interest due and to become due on said Notes on and prior to the Maturity thereof;
- (c) in the event said Notes are not by their terms subject to redemption within the next forty-five (45) days, the Company by Request shall have given the Master Trustee in form satisfactory to it irrevocable instructions to give a notice to the Holders of such Notes that the deposit required by clause (b) of this Section 9.02 above has been made with the Master Trustee and that said Notes are deemed to have been paid in accordance with this Section and stating such redemption date upon which moneys are to be available for the payment of the principal of (and premium, if any) and interest on said Notes.
- Section 9.03. Application of Trust Money. The Defeasance Obligations and money deposited with the Master Trustee pursuant to Section 9.02 and principal or interest payments on any such Defeasance Obligations shall be held in trust, shall not be sold or reinvested and shall be applied by it, in accordance with the provisions of the Notes and this Master Indenture, to the payment either directly or through any Paying Agent as the Master Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Master Trustee of an Officer's Certificate (accompanied by the report of an Independent Accountant setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in subsection (b) of Section 9.02, any money received from principal or interest payments on Defeasance Obligations deposited with the Master Trustee or the proceeds of any sale of such Defeasance Obligations, if not then needed for such purpose, shall, upon Request be reinvested in other Defeasance Obligations or disposed of as requested by the Company. For purposes of any calculation required by this Section, any Defeasance Obligation that is subject to redemption at the option of its issuer, the redemption date for which has not been irrevocably established as of the date of such calculation, shall be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer thereof and the principal of such obligation shall be assumed to be received at its Stated Maturity.

This Master Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Remainder of page intentionally left blank; signature pages follow.

Indenture to be signed on their behalf by their duly written above.	authorized representatives as of the date first
	UBLIC SCHOOLS D/B/A ATHERING PLACE
Ву:	Chair, Board of Directors

IN WITNESS WHEREOF, the Company and the Master Trustee have caused this Master

UMB BANK, N.A., as Master Trustee		
By:		
•	Madelyn Wallace, Vice President	

SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1

Dated as of May 1, 2022

Between

TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE

and

UMB BANK, N.A., as Master Trustee

Supplemental to:

Master Trust Indenture Dated as of May 1, 2022

In connection with the issuance of the Series 2022A and Series 2022B Master Notes

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E-1.31.34 D		Authentication and Registration (Series 2022A) Form of Taxable Master Indenture Note and Assignment; Certificate of Authentication	
Exhibit B	-	and Registration (Series 2022B)	

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SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1

THIS SUPPLEMENTAL MASTER TRUST INDENTURE NO. 1, dated as of May 1, 2022 (this "Supplemental Master Indenture"), is between UMB Bank, N.A., a national banking association, having a corporate trust office in Dallas, Texas, as master trustee (the "Master Trustee"), and TGP Public Schools d/b/a The Gathering Place, a non-profit corporation organized and existing under the laws of the State of Texas (the "Company"), amending and supplementing the hereinafter referenced Original Master Indenture.

RECITALS:

WHEREAS, the Company entered into a Master Trust Indenture, dated as of May 1, 2022 (being referred to herein as the "Original Master Indenture"), with the Master Trustee, for the purpose of providing for the issuance of Notes thereunder to secure Debt of the Company (as such terms are defined in the Original Master Indenture); and

WHEREAS, the Company and the Master Trustee are authorized under Sections 2.01 and 8.01(i) of the Original Master Indenture, to amend or supplement the Original Master Indenture, subject to the terms and provisions contained therein, to provide for the issuance of a series of Notes; and

WHEREAS, the Company desires to enter into this Supplemental Master Indenture in order to provide for the issuance of certain Notes, as hereinafter described, to be secured under the Original Master Indenture, as amended and supplemented hereby (as so amended and supplemented, the "Master Indenture"); and

WHEREAS, the Company deems it desirable to issue: (i) a Tax-Exempt Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022A entitled to the security of the Master Indenture in the original principal amount of \$ (the "Tax-Exempt Master Note"), and (ii) a Taxable Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022B entitled to the security of the Master Indenture in the original principal amount of (the "Taxable Master Note" and, together with the Tax-Exempt Master Note, the "Notes") and to deliver such Notes to the Arlington Higher Education Finance Corporation (the "Issuer") in order to evidence and secure the obligations of the Company under the Loan Agreement (the "Loan Agreement") between the Company and the Issuer, dated as of May 1, 2022, relating to the Issuer's Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022A (the "Series 2022A Bonds") and the Issuer's Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Bonds") issued pursuant to a Trust Indenture and Security Agreement (the "Bond Indenture"), dated as of May 1, 2022, between the Issuer and UMB Bank, N.A., as trustee (in such capacity, the "Bond Trustee"); and

WHEREAS, pursuant to the terms of the Bond Indenture and the Loan Agreement, the Company will be liable for payment of the Bonds; and

WHEREAS, all acts and things necessary to make the Notes authorized by this Supplemental Master Indenture, when executed by the Company and authenticated and delivered

by the Master Trustee as provided in the Original Master Indenture and this Supplemental Master Indenture, the valid, binding and legal obligations of the Company and to constitute these presents, together with the Original Master Indenture, a valid indenture and agreement according to its terms, have been done and performed, and the execution of this Supplemental Master Indenture and the issuance of the Notes authorized by this Supplemental Master Indenture have in all respects been duly authorized; and

WHEREAS, the Company finds it in its best interest to create and maintain a common Debt Service Reserve Fund established with the Master Trustee exclusively for the Bonds;

NOW, THEREFORE, in order to declare the terms and conditions upon which the Notes authorized hereby are authenticated, issued and delivered, and in consideration of the premises and the acquisition and acceptance of the Notes by the Holders thereof, and in consideration of the mutual covenants, conditions and agreements which follow, the Company covenants and agrees with the Master Trustee as follows:

ARTICLE I.

DEFINITIONS

Section 1.01 <u>Definitions of Words and Terms</u>. Words and terms used in this Supplemental Master Indenture and not otherwise defined herein shall, except as otherwise stated, have the meanings assigned to them in the Original Master Indenture.

"Debt Service" means as of any particular date of computation, with respect to the Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside by the Issuer from proceeds received by the Issuer pursuant to the Loan Agreement as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on the Bonds; assuming, in the case of Bonds required to be redeemed or prepaid as to principal prior to maturity, that the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

" $\underline{\text{Debt Service Fund}}$ " means the special trust fund created pursuant to Section 4.03 of the Bond Indenture.

"Debt Service Reserve Fund" means the fund established pursuant to Section 5.01 hereof.

"<u>Eligible Securities</u>" means, to the extent permitted by law (as determined by the Company but not the Master Trustee), obligations or securities now or hereafter authorized as investments under the Public Funds Investment Act, Chapter 2256, Texas Government Code, maturing or redeemable at the option of the Master Trustee, or marketable, prior to the maturities thereof, at such time or times as to enable disbursements to be made from the Debt Service Reserve Fund in accordance with the terms hereof.

"<u>Maximum Annual Debt Service</u>" means, as of any date of calculation, the highest principal and interest payment requirements with respect to all outstanding Bonds for any succeeding Fiscal Year.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Reserve Fund Requirement" means, as of any date of determination, an amount certified by the Company to the Master Trustee to be equal to the least of (a) the Maximum Annual Debt Service on the Bonds, (b) one hundred twenty-five percent (125%) of the average annual Debt Service on the Bonds, or (c) ten percent (10%) of the initial principal amount of the Bonds (or sale proceeds in the event that the amount of original issue discount exceeds two percent (2%) multiplied by the stated redemption price at maturity of the Bonds); provided, that the amount funded by the Series 2022A Bonds shall not exceed ten (10%) percent of the initial principal amount of the Series 2022A Bonds; provided further that, if the Series 2022A Bonds are sold with more than a de minimis amount of original issue discount or premium, the issue price will be used to measure the ten percent (10%) limit. The initial Reserve Fund Requirement is \$351,062.50.

"Reserve Fund Surety Policy" has the meaning assigned to such term in Section 5.03(a) hereof.

"Value" means the value of any investments, determined at the end of each calendar month, which shall be calculated as follows:

- 1. As to Eligible Securities (other than as provided in (2) and (3) below), the market value thereof determined by the Master Trustee at the end of each month using and relying conclusively and without liability upon the monthly statement generated by the Trustee;
- 2. As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest; and
- 3. As to any investment not specified above, the lower of cost or market value thereof.

Section 1.02 <u>Designation of Participating Campus</u>. The Company hereby designates the following properties and facilities of the Company as a "<u>Participating Campus</u>" and the revenues and assets of such Participating Campus shall, so long as any Debt is outstanding, be subject to all terms, covenants and restrictions contained in the Master Indenture and shall comprise all or part of the Trust Estate created therein: the campus located at 5818 NW Loop 410, San Antonio, Texas 78238.

ARTICLE II.

THE NOTES

Section 2.01 Authorization of Notes.

- (a) There is hereby created and authorized to be issued hereunder a Note, described as follows: "Tax-Exempt Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022A" in the aggregate original principal amount of \$\sum_{\text{odd}}\$, dated May 1, 2022, issued by the Company and for the primary benefit of the Issuer. The Tax-Exempt Master Note shall initially be issued and registered in the name of the Issuer, and then endorsed by the Issuer to the order of and registered in the name of the Bond Trustee, or its successors or assigns, and shall be executed, authenticated and delivered in accordance with Article II of the Original Master Indenture.
- (b) There is hereby created and authorized to be issued hereunder a Note, described as follows: "Taxable Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022B" in the aggregate original principal amount of \$\\$_______, dated May 1, 2022, issued by the Company and for the primary benefit of the Issuer. The Taxable Master Note shall initially be issued and registered in the name of the Issuer, and then endorsed by the Issuer to the order of and registered in the name of the Bond Trustee, or its successors or assigns, and shall be executed, authenticated and delivered in accordance with Article II of the Original Master Indenture.
- Section 2.02 <u>Form of Notes</u>. The Tax-Exempt Master Note and the Taxable Master Note shall be issued as single, fully-registered promissory notes without coupons, in substantially the forms set forth in, respectively, Exhibit "A" and Exhibit "B" hereto.
- Section 2.03 Payments on Notes. The principal of the Notes shall be payable in the amounts and on the dates, and each of the unpaid installments of principal shall bear interest from the date of such notes at the respective rates, and such notes shall have such other terms and provisions, as are set forth in or incorporated by reference into the Loan Agreement.

Section 2.04 Credits on Notes.

- (a) The Company shall receive a credit against amounts due on the Tax-Exempt Master Note on any payment date equal to the amounts paid as principal of (and premium, if any) or interest on, respectively, the Series 2022A Bonds on such payment date, including a credit against any mandatory sinking fund redemption payments.
- (b) The Company shall receive a credit against amounts due on the Taxable Master Note on any payment date equal to the amounts paid as principal of (and premium, if any) or interest on, respectively, the Series 2022B Bonds on such payment date, including a credit against any mandatory sinking fund redemption payments.
- (c) Notwithstanding the provisions of subsection (a) or (b) above or any other provision herein or in the Original Master Indenture, in the event that any payment on or with

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respect to the Bonds shall have been made by or on behalf of the Company and, by reason of bankruptcy or other act of insolvency, such payment shall be deemed to be a preferential payment, and the Bond Trustee shall be required by a court of competent jurisdiction to surrender such payment, any credit on, respectively, the Tax-Exempt Master Note and the Taxable Master Note that may have been given as a result of such payment shall be rescinded, and the amount owing on, respectively, the Tax-Exempt Master Note or the Taxable Master Note shall be calculated as if such payment shall not have been made.

Section 2.05 <u>Interest on Overdue Installments</u>. The Tax-Exempt Master Note and the Taxable Master Note shall bear interest on overdue installments of principal (premium, if any) and interest, to the extent permitted by law, at a rate equal to the applicable interest rate or rates borne by, respectively, the Series 2022A Bonds and the Series 2022B Bonds.

Section 2.06 <u>Registration, Transfer and Exchange</u>. The Notes shall be transferred or exchanged pursuant to Section 2.05 of the Original Master Indenture.

ARTICLE III.

REDEMPTION OR REDUCTION OF NOTES; SATISFACTION AND RELEASE

Section 3.01 <u>Redemption</u>. The Tax-Exempt Master Note and the Taxable Master Note shall be subject to redemption prior to Stated Maturity to the extent and with respect to the corresponding redemption of the Series 2022A Bonds and the Series 2022B Bonds, respectively, in accordance with the terms of the Bond Indenture. Notice of redemption of the Bonds shall, without further notice or action by the Master Trustee or the Company, constitute notice of redemption of the corresponding amounts of principal due on the Tax-Exempt Master Note or the Taxable Master Note, as applicable, and the same shall, thereby, become due and payable on the redemption date of the Series 2022A Bonds and the Series 2022B Bonds, respectively, or at such earlier time as payment is required with respect thereto pursuant to the terms of the Bond Indenture.

Section 3.02 <u>Partial Redemption or Reduction</u>. In the event of a partial redemption of the Tax-Exempt Master Note or the Taxable Master Note pursuant to Section 3.01 hereof, the amount of the principal and interest on such Tax-Exempt Master Note or the Taxable Master Note becoming due after such redemption shall, to the extent appropriate and with the approval of the Master Trustee, be adjusted so that the installments of principal and interest thereafter due on the Tax-Exempt Master Note or the Taxable Master Note correspond to the payments of the principal of and interest on the Outstanding Series 2022A Bonds and Series 2022B Bonds, respectively.

Section 3.03 <u>Effect of Call for Prepayment or Redemption</u>. On the date designated for prepayment or redemption by notice as herein provided, the Tax-Exempt Master Note or the Taxable Master Note or the portion thereof so called for prepayment or redemption shall become and be due and payable at the prepayment or redemption price provided for prepayments or redemption of such Tax-Exempt Master Note or Taxable Master Note or portion thereof on such date. If on the date fixed for prepayment or redemption, moneys for payment of the prepayment or redemption price and accrued and unpaid interest on the Tax-Exempt Master Note or the

Taxable Master Note are held by the Master Trustee or the Bond Trustee, (i) interest on such Tax-Exempt Master Note or the Taxable Master Note or portion thereof so called for prepayment or redemption shall cease to accrue, (ii) such Tax-Exempt Master Note or the Taxable Master Note or portion thereof shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Master Trustee or the Bond Trustee, and (iii) the amount of such Tax-Exempt Master Note or the Taxable Master Note or portion thereof so called for prepayment or redemption shall be deemed paid and no longer outstanding.

Section 3.04 <u>Satisfaction and Release</u>. The Company's payment obligations with respect to the Tax-Exempt Master Note or the Taxable Master Note shall be considered satisfied when all amounts due and owing on the Series 2022A Bonds or the Series 2022B Bonds, respectively, have been paid or deemed paid under the Bond Indenture.

ARTICLE IV.

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.01 <u>Representations and Warranties</u>. The Company represents and warrants that (a) it is duly authorized under the laws of the State of Texas and all other applicable provisions of law to execute this Supplemental Master Indenture and to issue the Notes, (b) all corporate action on the part of the Company required by its organizational documents and the Original Master Indenture to establish this Supplemental Master Indenture as the binding obligation of the Company has been duly and effectively taken, and (c) all such action so required for the authorization and issuance of the Notes has been duly and effectively taken.

Section 4.02 <u>Covenants under the Original Master Indenture and Related Bond Documents</u>. The Company covenants and agrees that so long as any of the Notes remain outstanding, it will deliver to the Bond Trustee all reports, opinions and other documents required by the Original Master Indenture to be submitted to the Master Trustee at the time said reports, opinions or other documents are required to be submitted to the Master Trustee, and that it will faithfully perform or cause to be performed at all times any and all covenants, agreements and undertakings required on the part of the Company contained in the Master Indenture and the Notes, and the Company hereby confirms its covenants and agrees with its undertakings in the Master Indenture.

ARTICLE V.

RESERVE FUND

Section 5.01 <u>Debt Service Reserve Fund</u>.

There is hereby created by the Company and established with the Master Trustee the special fund of the Company designated its "TGP Public Schools d/b/a The Gathering Place Education Revenue Bonds Series 2022 Debt Service Reserve Fund" and, within such Debt Service Reserve Fund, a "Tax-Exempt Bonds Reserve Account" and a "Taxable Bonds Reserve Account." The Debt Service Reserve Fund shall serve as a common reserve fund for the Bonds. There shall initially be deposited with the Master Trustee in the Debt Service Reserve Fund from the proceeds

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of the Bonds an amount sufficient to cause the amount on deposit therein to equal the Reserve Fund Requirement, as specified in the Company Order (as defined in the Bond Indenture) to authenticate and deliver the Bonds, as follows: (a) from sale proceeds of the Series 2022A Bonds, an amount equal to the Maximum Annual Debt Service on the Series 2022A Bonds (provided, that the amount funded by the Series 2022A Bonds shall not exceed ten (10%) percent of the initial principal amount of the Series 2022A Bonds; provided further that, if the Series 2022A Bonds are sold with more than a de minimis amount of original issue discount or premium, the issue price will be used to measure the ten percent (10%) limit) and (b) from sale proceeds of the Series 2022B Bonds, the difference between the Reserve Fund Requirement and the amount deposited in the Tax-Exempt Bond Reserve Account shall be deposited into the Taxable Bonds Reserve Account. The Master Trustee shall be under no obligation to determine or verify whether the applicable amounts set forth in such Company Order satisfy the requirements of clauses (a) and (b) of the immediately preceding sentence. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds as provided herein and in the Loan Agreement.

- (a) If the Master Trustee receives notification from the Bond Trustee that there are insufficient funds in the Debt Service Fund to pay the Debt Service on the Bonds, the Master Trustee shall immediately transfer from the Debt Service Reserve Fund to the Bond Trustee for deposit into such deficient Debt Service Fund, amounts necessary to make such payments.
- (b) In the event of any withdrawal from the Debt Service Reserve Fund pursuant to paragraph (b) above in order to cure any deficiency in the Debt Service Fund, the Master Trustee shall promptly notify the Company in writing that a deficiency in the Debt Service Reserve Fund exists, and the Company shall, as provided in Section 4.06 of the Loan Agreement, (1) within thirty (30) days of receipt of such notice pay to the Master Trustee the full amount needed to restore the amount in the Debt Service Reserve Fund to the Reserve Fund Requirement, or (2) in twelve (12) consecutive equal monthly installments, the first of which shall be made within thirty (30) days from the date of the withdrawal, pay such deficiency to the Master Trustee for deposit into the Debt Service Reserve Fund to restore the amount in the Debt Service Reserve Fund to equal the Reserve Fund Requirement; provided that if any additional decline occurs prior to the restoration of any decline, such additional decline shall be restored in equal monthly installments over the remainder of the restoration period for the initial decline. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund may be applied to pay Debt Service during the twelve (12) months immediately preceding and including the final Debt Service payment at maturity.
- (c) The Master Trustee shall determine the Value of the Eligible Securities on deposit in the Debt Service Reserve Fund as of each January 1 and July 1 (or the succeeding Business Day if such day is not a Business Day), commencing May 1, 2022; provided that, if there is a deficiency in the Debt Service Reserve Fund, the Master Trustee shall determine such Value on a monthly basis until such deficiency is cured. The weighted average maturity of the Eligible Securities on deposit in the Debt Service Reserve Fund shall at no time exceed six (6) months. If the Value of such Eligible Securities plus any moneys in the Debt Service Reserve Fund falls below the Reserve Fund Requirement, the Master Trustee shall immediately notify the Company, and the Company, as provided in Section 4.06 of the Agreement, shall, in no more than four (4) consecutive equal monthly installments, the first of which shall be made within thirty (30) days

from the date of such deficiency, pay an amount equal to such deficiency to the Master Trustee for deposit in the Debt Service Reserve Fund to restore the amount in the Debt Service Reserve Fund to equal the Reserve Fund Requirement; provided, that any amounts being paid to the Master Trustee pursuant to paragraph (c) hereof shall be paid in accordance with such paragraph; provided further, that if any additional decline occurs prior to the restoration of any decline, such additional decline shall be restored in equal monthly installments over the remainder of the restoration period for the initial decline. To the extent the Value of such Eligible Securities plus any moneys in the Tax-Exempt Bonds Reserve Account exceeds the least of (i) ten percent (10%) of the sale proceeds of the Series 2022A Bonds, (ii) the Maximum Annual Debt Service on the Series 2022A Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Series 2022A Bonds, within the meaning of Section 1.148-2(f)(2)(ii) of the Regulations, such excess shall be invested as directed in writing by the Company at a yield which is not "materially higher" than the Yield on the Series 2022A Bonds, as provided in Section 148(a) of the Code or invested in obligations the yield of which is in excess of the Yield on the Bonds, provided the Company and the Issuer agree to make yield restriction payments described in Section 1.148-5(c) of the Regulations. The Master Trustee has no responsibility for determining whether such a condition exists.

- (d) Upon any redemption or defeasance of all or any portion of the Bonds, moneys no longer required to remain on deposit in the Debt Service Reserve Fund may be used for the purposes of such redemption or for any other purpose for which proceeds of the Bonds might be used. Upon final Maturity of the Bonds, the Master Trustee shall transfer the balance on deposit in the Debt Service Reserve Fund to the Bond Trustee for deposit in the Debt Service Fund of the Bond Indenture.
- (e) So long as any Bonds are Outstanding, the Company shall have no right, title or interest in or to the funds in the Debt Service Reserve Fund. Bond proceeds and other funds held from time to time in the Debt Service Reserve Fund shall be invested in accordance with Sections 4.06 and 4.07 of the Related Bond Indenture, with all references contained therein to the Trustee being read to refer to the Master Trustee with respect to the Debt Service Reserve Fund.
- Section 5.02 <u>Exclusive Debt Service Reserve Fund</u>. The Debt Service Reserve Fund is exclusively for the benefit of the Bonds and the trust estate established under the Bond Indenture and maintained by the Bond Trustee. No other Person shall have any right, claim or access to the Debt Service Reserve Fund, including any other related bond trustee or any other holder of Notes.

Section 5.03 Reserve Fund Surety Policy.

(a) The Company expressly reserves the right at any time to satisfy all or any part of the Reserve Fund Requirement by obtaining for the benefit of the Debt Service Reserve Fund one (1) or more Reserve Fund Surety Policies pursuant to a supplemental master trust indenture. In the event the Company elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any bond proceeds thereby released, including investment earnings on bond proceeds, to any purposes for which the Bonds were issued and any other funds thereby released to any purposes for which such funds may lawfully be used. A "Reserve Fund Surety Policy" shall be a guaranty agreement issued by the Texas Public Finance Authority pursuant to Section 53.351(e), Texas Education Code, in a

principal amount equal to the portion of the Reserve Fund Requirement to be satisfied. The cost for any such surety policy may be paid from Bond proceeds or other funds of the Issuer or the Company lawfully available for such purpose. Any Reserve Fund Surety Policy shall be authorized by resolution and, if required by the laws of the State as determined by and communicated to the Master Trustee by Bond Counsel, submitted to the Attorney General for examination and approval by the Company.

(b) In the event the Debt Service Reserve Fund contains one (1) or more Reserve Fund Surety Policies, the Master Trustee shall not draw on a Reserve Fund Surety Policy unless no other cash or investments are otherwise available in the Debt Service Reserve Fund. If more than one (1) Reserve Fund Surety Policy is held in the Debt Service Reserve Fund, the Master Trustee shall draw on such policies on a proportionate basis. Whenever amounts have been drawn on one (1) or more Reserve Fund Surety Policy, amounts subsequently transferred to the Debt Service Reserve Fund shall be used to reimburse the provider (or if more than one (1), to the providers on a proportionate basis) of such Reserve Fund Surety Policy in accordance with the terms thereof, for the amounts advanced, interest thereon and any associated fees. The issuer(s) of such Reserve Fund Surety Policy or Policies shall be secured with respect to such reimbursement obligations by a lien on the Adjusted Revenues, subject and subordinate to the lien securing the Notes and the reimbursement obligations and the required deposits to the Debt Service Fund of the Bond Indenture, and shall further be secured by a lien on amounts from time to time on deposit in and required to be deposited to the Debt Service Reserve Fund, which lien shall be subject and subordinate to the lien securing the Bonds.

ARTICLE VI.

MISCELLANEOUS PROVISIONS

Section 6.01 <u>Notices</u>. Except as otherwise provided in the Original Master Indenture, it shall be sufficient service of any notice, request, complaint, demand or other paper required by the Original Master Indenture to be given to or filed with the parties if the same shall be delivered in person or duly mailed by certified, registered or first class mail addressed to the addresses provided in the Original Master Indenture. The Master Trustee will be deemed to have received notice upon receipt of such notice by the Responsible Officer of the Master Trustee.

Section 6.02 <u>Ratification of Original Master Indenture</u>. The Original Master Indenture, as supplemented by this Supplemental Master Indenture, is in all respects ratified and confirmed and the Original Master Indenture, as so supplemented, shall be read, taken and construed as one and the same instrument. Except as herein otherwise expressly provided, all the provisions, definitions, terms and conditions of the Original Master Indenture, as supplemented by this Supplemental Master Indenture, shall be deemed to be incorporated in, and made a part of, this Supplemental Master Indenture.

Section 6.03 <u>Limitation of Rights</u>. Nothing in this Supplemental Master Indenture or in the Notes, express or implied, shall give or be construed to give any Person other than the Company, the Master Trustee and the respective registered Holders of the Notes or their assigns, any legal or equitable right, remedy or claim under or in respect of this Supplemental Master Indenture, or under any covenant, condition and provision herein contained, all its covenants,

conditions and provisions being for the sole benefit of the Company, the Master Trustee and of the respective Holders of the Notes.

Section 6.04 <u>Binding Effect</u>. All the covenants, stipulations, promises and agreements in this Supplemental Master Indenture by or on behalf of the Company or the Master Trustee shall inure to the benefit of and shall bind their respective successors and assigns, whether so expressed or not.

Section 6.05 Severability Clause. If any provision of this Supplemental Master Indenture shall be held or deemed to be, or shall in fact be, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases because of the conflicting of any provision with any constitution or statute or rule of public policy or for any other reasons, such circumstance shall not have the effect of rendering the provision or provisions in question inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy.

Section 6.06 <u>Execution in Counterparts</u>. This Supplemental Master Indenture may be executed in any number of counterparts, each of which shall be deemed an original; and all of which shall together constitute but one and the same instrument.

Section 6.07 <u>Governing Law</u>. This Supplemental Master Indenture shall be governed in all respects, including validity, interpretation and effect by, and shall be enforceable in accordance with, the law of the State of Texas.

Section 6.08 <u>Texas Education Code Section 12.128</u>. Property purchased or leased by the Company with State Revenues will be subject to Section 12.128 of the Texas Education Code, as amended.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Master Indenture to be duly executed by the persons thereunto duly authorized, as of the date and year first above written.

TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE	
By:	
Chair, Board of Directors	

By:	
Ĵ	Madelyn Wallace, Vice President

EXHIBIT A

FORM OF MASTER INDENTURE NOTE

TAX-EXEMPT MASTER INDENTURE NOTE (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) Series 2022A

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

Registered No. MRA-1	UNITED STATES STATE OF TI		Registere
		\$	
Interest Rate: AS SI	ET FORTH HEREIN	Maturity Date:	15, 20
Issue Date: May,	2022		
Registered Holder:	ARLINGTON HIGHER EDU	CATION FINANCE CORPO	RATION
Principal Amount:			

TGP Public Schools d/b/a The Gathering Place, a Texas nonprofit corporation (the "Company"), for value received, hereby promises to pay to the Holder named above, or registered assigns, the Principal Amount set forth above. The Company also promises to pay interest hereon from the Issue Date set forth above, or from the Interest Payment Date (as defined in the Indenture referred to below) to which interest has been paid or duly provided for, and on such other dates as may be required by the Loan Agreement referenced below until the principal hereof is paid or made available for payment. Principal of (and premium, if any) and interest on this Note are payable at the times and in the amounts described in, and sufficient to pay all other obligations or amounts due from the Company under, Article IV of the Loan Agreement referred to below. The Company also promises to pay to the Holder hereof the obligations of the Company described in Section 4.01 of the Loan Agreement, hereinafter defined, at the times and the amounts specified therein.

1. <u>Authorization of Note</u>. This Note represents the duly authorized Note of the Company, in the principal amount stated above, designated as "Tax-Exempt Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022A" (this Note, together with all other Notes issued and secured under the Master Indenture, referred to collectively as the "Notes") issued under and pursuant to the Master Trust Indenture dated as of May 1, 2022, between the Company, acting on its own behalf, and UMB Bank, N.A., as trustee (the "Master Trustee"), as supplemented by the Supplemental Master Trust Indenture No. 1, dated as of May 1, 2022, between the Company, acting on its own behalf and the Master Trustee (collectively, being herein called the "Master Indenture"). This Note is issued for the purpose of securing the obligations of the Company under a Loan Agreement dated as of May 1, 2022 (the "Loan Agreement"), entered into between the Company and the Arlington Higher Education Finance Corporation (the "Issuer")

Exhibit A-1

It is provided in the Master Indenture that the Company has and may hereafter issue additional Notes from time to time, and if issued, such additional Notes will rank pari passu with this Note and all other Notes heretofore or hereafter issued under the Master Indenture, except as otherwise provided in the Supplemental Master Trust Indenture No. 1 authorizing this Note and in the Master Indenture.

Copies of the Master Indenture, the Indenture and the Loan Agreement are on file at the Corporate Trust Office of the Master Trustee and reference is hereby made to the Master Indenture, the Indenture and the Loan Agreement for the provisions, among others, with respect to the nature and extent of the security for and the rights of the registered Holders of this Note, the terms and conditions on which, and purposes for which, this Note is issued and the rights, duties and obligations of the Company and the Master Trustee under the Master Indenture, to all of which the Holder hereof, by acceptance of this Note assents. The Master Indenture may be modified, amended or supplemented only to the extent and under the circumstances permitted by, and subject to the terms and conditions of, the Master Indenture.

2. <u>Payment</u>. Interest on this Note that is payable, and is punctually paid or duly provided for, on any Interest Payment Date, will, as provided in the Master Indenture, be paid to the Person in whose name this Note is registered at the close of business on the regular Record Date for such interest, which shall be the Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such regular Record Date, and shall be paid to the Person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Master Trustee, notice whereof shall be given to Note Holders not less than ten (10) days prior to such special record date.

Interest on this Note shall be paid to the Holder of this Note at its address as it appears on the registration books of the Master Trustee by wire transfer of immediately available funds or in such other manner as may be mutually acceptable to the Bond Trustee and the registered Holder of this Note.

Principal and the redemption price of this Note shall be payable to the Holder of this Note at the designated payment office of the Master Trustee, initially located in Dallas, Texas (the "Place of Payment"), upon the surrender for cancellation of this Note.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than legal moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment. All such payments shall be made in such coin

or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

- 3. <u>Redemption</u>. This Note is subject to redemption only in connection with the redemption of a related amount of Series 2022A Bonds as described in the Indenture.
- 4. <u>Defeasance of Note</u>. This Note is subject to defeasance as provided in the Master Indenture.
- 5. <u>Limitations of Rights</u>. The Holder of this Note shall have no right to enforce the provisions of the Master Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Master Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Master Indenture.
- 6. Transfer of Note. This Note is transferable by the registered Holder hereof in person or by duly authorized attorney at the principal payment office of the Master Trustee, but only to a successor Bond Trustee for the Holders of the Series 2022A Bonds in the manner, subject to the limitations and upon payment of the charges provided in the Master Indenture, and upon surrender and cancellation of this Note. Upon such transfer a new registered Note or Notes without coupons of the same series and maturity and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Master Trustee may deem and treat the registered Holder hereof as the absolute Holder hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes and the Master Trustee shall not be affected by any notice to the contrary.
- 7. <u>Certain Rights of Holders</u>. If an Event of Default, as defined in the Master Indenture, shall occur, the principal of this Note and any additional notes may be declared due and payable in the manner and with the effect provided in the Master Indenture. To the extent permitted by law, the indebtedness of the Company under the Loan Agreement and this Note may be separately and independently accelerated with or without an acceleration of the Series 2022A Bonds.

The Master Indenture permits, with certain exceptions as therein provided, the amendment of the Master Indenture and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes under the Master Indenture at any time with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding, as defined in the Master Indenture. The Master Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, as defined in the Master Indenture, on behalf of the Holders of all the Notes, to waive compliance by the Company or its affiliates with certain provisions of the Master Indenture and certain past defaults under the Master Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the transfer hereof or in exchange therefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

Exhibit A-3 Exhibit A-4

No reference herein to the Master Indenture and no provision of this Note or of the Master Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of this Note at the times, place and rate, and in the coin or currency herein prescribed from the sources herein described.

- 8. <u>Usury</u>. In no event shall the amount of interest (as defined and calculated in accordance with applicable law) contracted for, charged, reserved, received or taken in connection with the loan exceed the amount of interest that could have been contracted for, charged, reserved, received or taken at the Highest Lawful Rate, as defined in the Loan Agreement. If the applicable law is ever judicially interpreted so as to render usurious any amount contracted for, charged, reserved, received or taken in connection with the loan, or if the exercise of the option contained in the Master Indenture or otherwise to accelerate the maturity of the loan or if any prepayment of the loan by the Company results in there having been paid or received any interest in excess of that permitted by applicable law, then notwithstanding anything to the contrary contained in the Master Indenture, the Master Indenture provides that all excess amounts theretofore paid or received shall be credited on the principal balance of the loan (or, if the loan has been or would thereby be paid in full, refunded), and the provisions of the Master Indenture shall immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for thereunder.
- 9. No Recourse. No recourse shall be had for the payment of the principal of or premium or interest on this Note or for any claim based thereon or upon any obligation, covenant or agreement in the Master Indenture contained, against any past, present or future officer, trustee, director, member, employee or agent of the Company, or any incorporator, officer, director, member, employee or agent of any successor corporation, as such, either directly or through any successor corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise and all such liability of any such incorporators, officers, directors, members, employees or agents, as such, is hereby expressly waived and released as a condition of and consideration for the execution of the Master Indenture and the issuance of this Note.
- 10. <u>Authentication of Note</u>. This Note shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Note shall have been authenticated by execution by the Master Trustee of the Certificate of Authentication inscribed hereon.
- 11. <u>Waiver of Presentment or Notice</u>. The Company hereby waives presentment for payment, demand, protest, notice of protest, notice of dishonor and all defenses on the grounds of extension of time of payment for the payment hereof which may be given (other than in writing) by the Master Trustee to the Company.

IT IS CERTIFIED that all conditions, acts and things required to exist, happen and be performed under the Master Indenture precedent to and in the issuance of this Note, exist, have happened and have been performed, and that the issuance, authentication and delivery of this Note have been duly authorized by resolutions of the Company.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

TGP PUBLIC SCHOOLS D/B/A
THE GATHERING PLACE

Chair, Board of Directors

ASSIGNMENT

For value received, the undersigned hereby assigns to UMB Bank, N.A., as Bond Trustee (the "Bond Trustee") under a Trust Indenture and Security Agreement, dated as of May 1, 2022, between the Bond Trustee and the undersigned, the within Note and all its rights thereunder without recourse or warranty, except warranty of good title and warranty that the Issuer has not assigned this Note to a Person other than the Bond Trustee and that the principal amount remains unpaid under this Note.

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION		
By:	President, Board of Directors	

Exhibit A-5 Exhibit A-6

(Form of Certificate of Authentication to appear on each Note)

CERTIFICATE OF AUTHENTICATION

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

Date of Authentication:	
	UMB Bank, N.A., as Master Trustee
	By:

Exhibit A-7 Exhibit B-1

EXHIBIT B

FORM OF MASTER INDENTURE NOTE

TAXABLE MASTER INDENTURE NOTE (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) Series 2022B

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

Registered No. MRB-1	UNITED STATES OF AMERICA STATE OF TEXAS		Registered	
NO. WIND 1	STATE OF	\$_		
Interest Rate: AS SE	ET FORTH HEREIN	Maturity Date:	15, 202	
Issue Date: May,	2022			
Registered Holder:	ARLINGTON HIGHER ED	UCATION FINANCE CORPO	ORATION	
Principal Amount:				

TGP Public Schools d/b/a The Gathering Place, a Texas nonprofit corporation (the "Company"), for value received, hereby promises to pay to the Holder named above, or registered assigns, the Principal Amount set forth above. The Company also promises to pay interest hereon from the Issue Date set forth above, or from the Interest Payment Date (as defined in the Indenture referred to below) to which interest has been paid or duly provided for, and on such other dates as may be required by the Loan Agreement referenced below until the principal hereof is paid or made available for payment. Principal of (and premium, if any) and interest on this Note are payable at the times and in the amounts described in, and sufficient to pay all other obligations or amounts due from the Company under, Article IV of the Loan Agreement referred to below. The Company also promises to pay to the Holder hereof the obligations of the Company described in Section 4.01 of the Loan Agreement, hereinafter defined, at the times and the amounts specified therein.

1. <u>Authorization of Note</u>. This Note represents the duly authorized Note of the Company, in the principal amount stated above, designated as "Taxable Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022B" (this Note, together with all other Notes issued and secured under the Master Indenture, referred to collectively as the "Notes") issued under and pursuant to the Master Trust Indenture dated as of May 1, 2022 between the Company, acting on its own behalf, and UMB Bank, N.A., as trustee (the "Master Trustee"), as supplemented by the Supplemental Master Trust Indenture No. 1, dated as of May 1, 2022, between the Company, acting on its own behalf and the Master Trustee (collectively, being herein called the "Master Indenture"). This Note is issued for the purpose of securing the obligations of the Company under a Loan Agreement dated as of May 1, 2022 (the "Loan Agreement"), entered into between the Company and Arlington Higher Education Finance Corporation (the "Issuer") in

connection with the issuance and sale of revenue bonds of the Issuer in the principal amount of \$______ designated "Arlington Higher Education Finance Corporation Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B" (the "Bonds"), issued under and pursuant to the Constitution and laws of the State of Texas, and a Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Indenture"), between the Issuer and UMB Bank, N.A., as trustee (the "Bond Trustee").

It is provided in the Master Indenture that the Company has and may hereafter issue additional Notes from time to time, and if issued, such additional Notes will rank pari passu with this Note and all other Notes heretofore or hereafter issued under the Master Indenture, except as otherwise provided in the Supplemental Master Indenture No. 1 authorizing this Note and in the Master Indenture.

Copies of the Master Indenture, the Indenture and the Loan Agreement are on file at the Corporate Trust Office of the Master Trustee and reference is hereby made to the Master Indenture, the Indenture and the Loan Agreement for the provisions, among others, with respect to the nature and extent of the security for and the rights of the registered Holders of this Note, the terms and conditions on which, and purposes for which, this Note is issued and the rights, duties and obligations of the Company and the Master Trustee under the Master Indenture, to all of which the Holder hereof, by acceptance of this Note assents. The Master Indenture may be modified, amended or supplemented only to the extent and under the circumstances permitted by, and subject to the terms and conditions of, the Master Indenture.

2. <u>Payment</u>. Interest on this Note that is payable, and is punctually paid or duly provided for, on any Interest Payment Date, will, as provided in the Master Indenture, be paid to the Person in whose name this Note is registered at the close of business on the regular Record Date for such interest, which shall be the Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such regular Record Date, and shall be paid to the Person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Master Trustee, notice whereof shall be given to Note Holders not less than ten (10) days prior to such special record date.

Interest on this Note shall be paid to the Holder of this Note at its address as it appears on the registration books of the Master Trustee by wire transfer of immediately available funds or in such other manner as may be mutually acceptable to the Bond Trustee and the registered Holder of this Note.

Principal and the redemption price of this Note shall be payable to the Holder of this Note at the designated payment office of the Master Trustee, initially located in Dallas, Texas (the "Place of Payment"), upon the surrender for cancellation of this Note.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than legal moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment. All such payments shall be made in such coin

Exhibit B-2 Exhibit B-3

or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

- 3. Redemption. This Note is subject to redemption only in connection with the redemption of a related amount of Series 2022B Bonds as described in the Indenture referenced above.
- 4. <u>Defeasance of Note</u>. This Note is subject to defeasance as provided in the Master Indenture.
- 5. <u>Limitations of Rights</u>. The Holder of this Note shall have no right to enforce the provisions of the Master Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Master Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Master Indenture.
- 6. Transfer of Note. This Note is transferable by the registered Holder hereof in person or by duly authorized attorney at the principal payment office of the Master Trustee, but only to a successor Bond Trustee for the Holders of the Series 2022B Bonds in the manner, subject to the limitations and upon payment of the charges provided in the Master Indenture, and upon surrender and cancellation of this Note. Upon such transfer, a new registered Note or Notes without coupons of the same series and maturity and of authorized denomination or denomination for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Master Trustee may deem and treat the registered Holder hereof as the absolute Holder hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes and the Master Trustee shall not be affected by any notice to the contrary.
- 7. <u>Certain Rights of Holders</u>. If an Event of Default, as defined in the Master Indenture, shall occur, the principal of this Note and any additional notes may be declared due and payable in the manner and with the effect provided in the Master Indenture. To the extent permitted by law, the indebtedness of the Company under the Loan Agreement and this Note may be separately and independently accelerated with or without an acceleration of the Series 2022B Bonds.

The Master Indenture permits, with certain exceptions as therein provided, the amendment of the Master Indenture and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes under the Master Indenture at any time with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding, as defined in the Master Indenture. The Master Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, as defined in the Master Indenture, on behalf of the Holders of all the Notes, to waive compliance by the Company or its affiliates with certain provisions of the Master Indenture and certain past defaults under the Master Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the transfer hereof or in exchange therefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Master Indenture and no provision of this Note or of the Master Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of this Note at the times, place and rate, and in the coin or currency herein prescribed from the sources herein described.

- 8. <u>Usury</u>. In no event shall the amount of interest (as defined and calculated in accordance with applicable law) contracted for, charged, reserved, received or taken in connection with the loan exceed the amount of interest that could have been contracted for, charged, reserved, received or taken at the Highest Lawful Rate, as defined in the Loan Agreement. If the applicable law is ever judicially interpreted so as to render usurious any amount contracted for, charged, reserved, received or taken in connection with the loan, or if the exercise of the option contained in the Master Indenture or otherwise to accelerate the maturity of the loan or if any prepayment of the loan by the Company results in there having been paid or received any interest in excess of that permitted by applicable law, then notwithstanding anything to the contrary contained in the Master Indenture, the Master Indenture provides that all excess amounts theretofore paid or received shall be credited on the principal balance of the loan (or, if the loan has been or would thereby be paid in full, refunded), and the provisions of the Master Indenture shall immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for thereunder.
- 9. No Recourse. No recourse shall be had for the payment of the principal of or premium or interest on this Note or for any claim based thereon or upon any obligation, covenant or agreement in the Master Indenture contained, against any past, present or future officer, trustee, director, member, employee or agent of the Company, or any incorporator, officer, director, member, employee or agent of any successor corporation, as such, either directly or through any successor corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise and all such liability of any such incorporators, officers, directors, members, employees or agents, as such, is hereby expressly waived and released as a condition of and consideration for the execution of the Master Indenture and the issuance of this Note.
- 10. <u>Authentication of Note</u>. This Note shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Note shall have been authenticated by execution by the Master Trustee of the Certificate of Authentication inscribed hereon.
- 11. <u>Waiver of Presentment or Notice</u>. The Company hereby waives presentment for payment, demand, protest, notice of protest, notice of dishonor and all defenses on the grounds of extension of time of payment for the payment hereof which may be given (other than in writing) by the Master Trustee to the Company.

IT IS CERTIFIED that all conditions, acts and things required to exist, happen and be performed under the Master Indenture precedent to and in the issuance of this Note, exist, have happened and have been performed, and that the issuance, authentication and delivery of this Note have been duly authorized by resolutions of the Company.

Exhibit B-4 Exhibit B-5

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE

By:	
	Chair Board of Directors

ASSIGNMENT

For value received, the undersigned hereby assigns to UMB Bank, N.A., as Bond Trustee (the "Bond Trustee") under a Trust Indenture and Security Agreement, dated as of May 1, 2022, between the Bond Trustee and the undersigned, the within Note and all its rights thereunder without recourse or warranty, except warranty of good title and warranty that the Issuer has not assigned this Note to a Person other than the Bond Trustee and that the principal amount remains unpaid under this Note.

ARLINGTON HIGHER EDUCATION	
FINANCE CORPORATION	
By:	
President, Board of Directors	_

(Form of Certificate of Authentication to appear on each Note)

CERTIFICATE OF AUTHENTICATION

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

Date of Authentication:	
	UMB Bank, N.A., as Master Trustee
	By:

Exhibit B-6 Exhibit B-7

APPENDIX G

SUBSTANTIALLY FINAL FORM OF THE BOND INDENTURE



TRUST INDENTURE AND SECURITY AGREEMENT

between

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

and

UMB BANK, N.A., as Trustee

Relating to

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022A

and

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
TAXABLE EDUCATION REVENUE BONDS
(TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE)
SERIES 2022B

Dated as of

May 1, 2022

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TRUST INDENTURE AND SECURITY AGREEMENT

THIS TRUST INDENTURE AND SECURITY AGREEMENT (this "Indenture"), dated as of May 1, 2022, is between the ARLINGTON HIGHER EDUCATION FINANCE CORPORATION, a nonprofit corporation created and existing under the Act (the "Issuer"), and UMB BANK, N.A., a national banking association with a corporate trust office in Dallas, Texas, not in its individual capacity but solely as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, the City of Arlington, Texas (the "Sponsoring Entity"), a political subdivision of the State, has, pursuant to Chapter 53 of the Texas Education Code, as amended (the "Act"), and particularly Section 53.35(b) and Section 53.48 thereof, approved and created the Issuer as a nonstock, nonprofit corporation;

WHEREAS, the Issuer is a duly constituted authority and instrumentality (within the meaning of those terms in the Regulations of the Department of the Treasury and the rulings of the Internal Revenue Service (the "IRS") prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"):

WHEREAS, the Issuer, on behalf of the Sponsoring Entity, is empowered to issue its revenue bonds in order to acquire by purchase, purchase contract or lease, or to construct, enlarge, extend, repair, renovate or otherwise improve, educational facilities, and to refinance any educational facility acquired, constructed or improved, and for the purpose of aiding authorized charter schools in providing educational facilities and facilities which are incidental, subordinate or related thereto or appropriate in connection therewith;

WHEREAS, TGP Public Schools d/b/a The Gathering Place, a Texas nonprofit corporation (the "Company"), requests that the Issuer issue and, in furtherance of the purpose of the Act, the Issuer proposes to issue, its revenue bonds pursuant to the Board Resolution of the Issuer authorizing the issuance of the Bonds and this Indenture, which will be designated \$\frac{1}{2}\$ Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022A (the "Series 2022A Bonds") and \$\frac{1}{2}\$ Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place), Series 2022B (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Bonds"), the proceeds of the Bonds will be used to (i) finance, refinance, purchase, construct, renovate, improve and equip educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 (the "Project"), (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds:

WHEREAS, the Issuer and the Company have entered into a Loan Agreement, dated as of even date herewith (the "Agreement"), providing for (i) a loan from the Issuer to the Company of the proceeds of the sale of the Bonds and (ii) the repayment of such loan by the Company;

WHEREAS, contemporaneously with the execution and delivery of this Indenture, the parties to the Bond Documents have executed and delivered the other Bond Documents for the purposes of effecting the issuance of the Bonds, furthering the public purposes of the Act, and

securing to the Holders (as defined herein) of the Bonds the payment of the Bond Obligations (as defined herein);

WHEREAS, all things necessary to make the Bonds, when issued, executed and delivered by the Issuer and authenticated by the Trustee pursuant to this Indenture, the valid, legal and binding limited obligations of the Issuer, and to constitute this Indenture a valid pledge of certain income, revenues and assets derived from the proceeds of the Bonds and from the Agreement (as defined herein) for the payment of the Bond Obligations have been performed, and the execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds subject to the terms hereof, have in all respects been duly authorized;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits, covenants and agreements set forth below, the parties agree as follows:

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the Bond Obligations and the performance of the covenants herein contained and to declare the terms and conditions on which the Outstanding Bonds are secured, and in consideration of the premises, of the purchase of the Bonds by the Holders thereof, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the Issuer by these presents does grant, bargain, sell, alien, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Trustee, forever, all and singular, the following described properties, and grants a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All right, title and interest of the Issuer in and to the Agreement, including all amounts payable thereunder including, but not limited to, the Loan Payments, the Notes and the other Bond Documents, any and all security heretofore or hereafter granted or held for the payment thereof, and the present and continuing right to bring actions and proceedings under the Agreement, the Notes and the other Bond Documents or for the enforcement thereof and to do any and all things that the Issuer is or may become entitled to do thereunder, but excluding the amounts agreed to be paid by the Company pursuant to Sections 4.07, 5.01 and 5.06 of the Agreement (the "Issuer's Unassigned Rights"); and

GRANTING CLAUSE SECOND

All right, title, and interest of the Issuer in and to all money and investments held for the credit of the funds and accounts established by or under this Indenture (except the Rebate Fund) as hereinafter described; and

GRANTING CLAUSE THIRD

Any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Issuer or by anyone on its behalf (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations or conditions that shall be set forth in a written instrument executed by the Issuer or the Person so acting on its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof;

TO HAVE AND TO HOLD all said property, rights, privileges and franchises of every kind and description, real, personal or mixed, hereby and hereafter (by supplemental instrument or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, hypothecated, pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties, rights, privileges and franchises together with any cash and securities hereafter deposited or required to be deposited with the Trustee being herein collectively referred to as the "Trust Estate") unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Outstanding Bonds without any priority of any such Bonds over any other such Bonds except as herein otherwise expressly provided;

UPON CONDITION that, if the Issuer, or its successors or assigns shall well and truly pay, or cause to be paid, the principal of (and premium, if any) and interest on the Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee such amounts in such form in order that no Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the Bond Documents, then upon the full and final payment of all such sums and amounts secured hereby or upon such deposit, this Indenture and the rights, titles, liens, security interests and assignments herein granted shall cease, determine and be void and this grant shall be released by the Trustee in due form at the expense of the Issuer, except only as herein provided; otherwise this grant to be and shall remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that all Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, subject to the further covenants, conditions and trusts hereinafter set forth, and the Issuer does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit of all Holders of the Bonds, except as herein otherwise expressly provided, as follows:

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ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01 Construction of Terms; Definitions.

- (a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:
 - (1) "<u>Indenture</u>" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.
 - (2) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.
 - (3) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular. Terms used herein but defined only in the Agreement or Master Indenture have the meanings assigned to them in the Agreement or the Master Indenture, as applicable. Reference to any Bond Document means that Bond Document as amended or supplemented from time to time. Reference to any party to a Bond Document means that party and its successors and assigns.
- (b) The following terms have the meanings assigned to them below whenever they are used in this Indenture, except to the extent otherwise defined in Exhibit A-1, A-2, or B hereto:

"Act" means Chapters 53 and 53A, Texas Education Code, as amended from time to time, including particularly Section 53.35(b) and Section 53A.35(b) thereof.

"Act of Bondholder" has the meaning assigned to such term in Section 1.04 hereof.

"Agreement" means the Loan Agreement, dated as of the date of this Indenture, between the Issuer and the Company relating to the loan of the proceeds of the Bonds.

"Architect" means [_____], or such other architectural firm designated by the Company from time to time.

"Authenticating Agent" means the Person designated pursuant to Section 8.12 hereof to perform the duties of such set forth in this Indenture, initially the Trustee.

"Authorized Denominations" means, with respect to the Bonds, five thousand dollars (\$5,000) and any integral multiple thereof.

"Authorized Newspaper" means a newspaper of general circulation in the relevant area, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays. Whenever successive weekly publications in an Authorized Newspaper are required hereunder, they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or in different Authorized Newspapers.

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

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time.

"Beneficial Owner" means, (i) when used with reference to the book entry only system described in Section 2.12 hereof, the person who is considered the beneficial owner of the Bonds and with respect to the Bonds pursuant to the arrangements for book entry determination of ownership applicable to the Depository and (ii) for purposes of Section 2.05 hereof, any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds and with respect to the Bonds (including persons holding such through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds and, with respect to the Bonds, for federal income tax purposes.

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

"Bond Counsel" means Schulman, Lopez, Hoffer & Adelstein, LLP, or such other attorney or firm of attorneys that are nationally recognized as having expertise in the practice of tax-exempt municipal finance law as approved by the Company.

"Bond Documents" means this Indenture, the Agreement, the Bonds, the Master Indenture, the Supplemental Master Trust Indenture, the Master Notes, the Deed of Trust, the Bond Purchase Agreement, the Deposit Account Control Agreement and all other agreements, documents and instruments ever delivered pursuant to any of the foregoing and any and all future renewals and extensions or restatements of any of the foregoing.

"Bond Obligations" means all principal of (and premium, if any) and interest on the Bonds and any other amounts that may be owed by the Company to, or on behalf of, the Issuer or the Trustee under the Bond Documents.

"Bond Register" and "Bond Registrar" have the respective meanings specified in Section 2.04.

"Bond Year" has the meaning assigned to it in the Agreement.

"Bonds" means the Series 2022A Bonds and the Series 2022B Bonds and any bonds issued upon transfer thereof or in exchange therefor or in lieu thereof.

"Book-Entry-Only Form" or "Book-Entry-Only System" means, with respect to the Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the Bonds may be transferred only through a book entry and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates held in the custody of the Depository.

"Business Day" means any day that is not a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York or in the cities where the Corporate Trust Office of the Trustee or its payment office is located or is authorized by law or executive order to close.

"Closing Date" means the date on which the Bonds are first authenticated and delivered to the initial purchasers thereof against payment therefor.

"Collateral" shall have the meaning assigned to such term in the Deed of Trust.

"Company" means TGP Public Schools d/b/a The Gathering Place, a Texas nonprofit corporation, its permitted successors and assigns, and any resulting, surviving or transferee Person permitted hereunder.

"Company Order" means an Order of the Company executed by an Authorized Representative and delivered in accordance with Section 4.02 hereof.

"Consent," "Order" and "Request" of any specified Person mean, respectively, a written consent, order or request signed in the name of such Person and delivered to the Trustee by (i) an authorized officer of the Issuer or (ii) an Authorized Representative.

" $\underline{\text{Construction Fund}}$ " means the special trust fund created in Section 4.05 of this Indenture.

"Corporate Trust Office" means the address or addresses of the Trustee designated from time to time pursuant to Section 1.05 hereof.

"Costs of Issuance" means the costs of financing, legal, printing and other costs attributable to the issuance of the Bonds within the meaning of Section 147(g) of the Code.

"Debt" has the meaning assigned to such term in the Master Indenture.

"<u>Debt Service</u>" means, as of any particular date of computation, with respect to the Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside by the Issuer from proceeds received by the Issuer pursuant to the Agreement as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on the Bonds; assuming, in the case of Bonds required to be redeemed or prepaid as to principal prior to Maturity, that the principal amounts thereof will be redeemed prior to Maturity in accordance with the mandatory redemption provisions applicable thereto.

"<u>Debt Service Fund</u>" means the special trust fund created pursuant to Section 4.03 of this Indenture.

"<u>Debt Service Reserve Fund</u>" means the special trust fund created pursuant to Section 5.01 of the Supplemental Master Trust Indenture.

"Deed of Trust" has the meaning assigned to such term in the Master Indenture.

"<u>Defeasance Obligations</u>" means obligations now or hereafter authorized by Section 1207.062(b), Texas Government Code.

"Depository" means any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, operating and maintaining, with its participants or otherwise, a Book-Entry-Only System to record ownership of beneficial interests in the Bonds, and to effect transfers of the Bonds, in Book-Entry-Only Form. The initial Depository for the Bonds shall be DTC.

"DTC" means The Depository Trust Company, New York, New York, the initial securities depository of the Book-Entry-Only System described in Section 2.12 hereof. DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended.

"<u>Eligible Securities</u>" means, to the extent permitted by law (as determined by the Company but not the Trustee), obligations or securities now or hereafter authorized as investments under the Public Funds Investment Act, Chapter 2256, Texas Government Code, maturing or redeemable at the option of the Trustee, or marketable, prior to the maturities thereof, at such time or times as to enable disbursements to be made from the Debt Service Fund, the Debt Service Reserve Fund, the Construction Fund and the Rebate Fund in accordance with the terms hereof.

"Event of Default" is defined in Article VII of this Indenture.

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"Exempt Person" means a state or local governmental unit or an organization exempt from federal income taxation under Section 501(a) of the Code by reason of being described in Section 501(c)(3) of the Code.

"<u>Favorable Opinion of Bond Counsel</u>" means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of Bond Counsel, delivered to and in form and substance satisfactory to the Issuer and addressed to the Issuer and the Trustee to the effect that such action does not violate the laws of the State (including the Act), the Code and the Indenture and will not adversely affect the exclusion of interest on the Series 2022A Bonds from gross income for purposes of federal income taxation.

"Fiscal Year" has the meaning assigned to such term in the Agreement.

"Governing Body" of any specified Person means the board of directors or board of trustees of such Person or any duly authorized committee of that board, or if there is no board of trustees or board of directors, then the person or body which, pursuant to law or the organizational documents of such Person, is vested with powers similar to those vested in a board of trustees or a board of directors.

"Governmental Obligations" means, as used in Section 10.02 hereof, (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Company approves the related defeasance are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (3) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the Company approves the related defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

"<u>Holder</u>" or "<u>Bondholder</u>" or "<u>Registered Holder</u>" or "<u>Owner</u>" means a Person in whose name a Bond is registered in the Bond Register.

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

"<u>Initial Bonds</u>" means the initial Series 2022A Bond and the initial Series 2022B Bond authorized in Section 2.11 herein.

"<u>Interest Payment Date</u>" means each February 15 and August 15, commencing August 15, 2022.

- "Interest Rates" shall mean interest rates as set forth in Sections 2.02(a) and 2.02(b) of this Indenture.
- "Investment Grade Credit Rating" means a credit rating of BBB- or higher by S&P Global Ratings and a credit rating of Baa3 or higher by Moody's Investors Services.
- "Investor Letter" means an investor letter substantially in the form of Exhibit C attached hereto.
- "<u>Issuer</u>" means Arlington Higher Education Finance Corporation, a nonprofit corporation organized under the Act.
- "Loan" means the loan made by the Issuer to the Company pursuant to the Agreement.
 - "Loan Payments" has the meaning assigned to such term in the Agreement.
- "Management Consultant" means a firm of Independent professional management consultants, or an Independent school management organization, knowledgeable in the operation of public or private schools and having a favorable reputation for skill and experience in the field of public or private school management consultation.
- "Master Indenture" means that certain Master Trust Indenture and Security Agreement, dated as of May 1, 2022, between the Company and the Master Trustee, as amended by the Supplemental Master Trust Indenture, and as further amended or supplemented from time to time in accordance with its terms.
- "Master Notes" means the promissory notes in the form attached to the Supplemental Master Trust Indenture as Exhibits "A" and "B", which are secured by the Master Indenture, executed by the Company and dated the Closing Date in the principal amount of the Series 2022A Bonds and the Series 2022B Bonds, respectively.
- "<u>Master Trustee</u>" means UMB Bank, N.A., a national banking association with a corporate trust office in Dallas, Texas, serving as master trustee pursuant to the Master Indenture or any successor thereto pursuant to the provisions of the Master Indenture.
- "<u>Maturity</u>" means, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption or otherwise.
- "Note" or "Notes" means the Series 2022A Note or the Series 2022B Note and, collectively, the Series 2022 Notes.
- "Officer's Certificate" of any specified Person means a certificate signed by the president of the respective Governing Body or an Authorized Representative.
 - "Opinion of Counsel" has the meaning assigned to such term in the Agreement.

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- "<u>Outstanding</u>" means, when used with respect to any Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except:
 - (i) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation:
 - (ii) Bonds for whose payment or redemption money (or Defeasance Obligations to the extent permitted by Section 10.02 of this Indenture) in the necessary amount has been theretofore deposited with the Trustee or any paying agent for such Bonds in trust for the Holders of such Bonds pursuant to this Indenture; provided, that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or irrevocable provision therefor satisfactory to the Trustee has been made;
 - (iii) Bonds upon transfer of or in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to this Indenture; and
 - (iv) Bonds alleged to have been destroyed, lost or stolen that have been paid as provided in Section 2.05;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned of record or beneficially by the Company or any other obligor upon the Bonds or the Note or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that the Responsible Officer actually knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company or any other obligor upon the Bonds or the Notes or such other obligor.

"Participating Campuses" has the meaning assigned to such term in the Agreement.

"<u>Paying Agent</u>" means, initially, the Trustee, and any other Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Bonds on behalf of the Issuer.

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

"<u>Place of Payment</u>" for the Bonds means a city or any political subdivision thereof designated as such in the Bonds.

"Principal Payment Date" means each August 15, commencing August 15, 20 .

"Proceeds Fund" means the special trust fund created pursuant to Section 4.02 of this Indenture.

"Project" means the Project described in Exhibit A to the Agreement.

"Rating Service" means each nationally recognized securities rating service that at the time has a credit rating assigned to the Bonds.

"Rebate Fund" means the special trust fund created in Section 4.04 of this Indenture.

"Record Date" means the close of business for the Trustee on the last Business Day of the calendar month immediately preceding any Interest Payment Date.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Requisition Certificate" means any Requisition Certificate in substantially the form attached as Exhibit B to this Indenture.

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

"Series 2022A Bonds" means the Arlington Higher Education Finance Corporation Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022A, authorized to be issued pursuant to Section 2.01 of this Indenture.

"Series 2022B Bonds" means the Arlington Higher Education Finance Corporation Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B, authorized to be issued pursuant to Section 2.01 of this Indenture.

"<u>Series 2022A Note</u>" means the Tax-Exempt Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022A, in substantially the form attached as Exhibit A to the Supplemental Master Trust Indenture.

"Series 2022B Note" means the Taxable Master Indenture Note (TGP Public Schools d/b/a The Gathering Place) Series 2022B, in substantially the form attached as Exhibit B to the Supplemental Master Trust Indenture.

"Sponsoring Entity" means the City of Arlington, Texas.

"State" means the State of Texas.

"<u>Stated Maturity</u>" means, when used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

"Supplemental Master Trust Indenture" means Supplemental Master Trust Indenture No. 1, dated as of May 1, 2022, between the Company and the Master Trustee.

"Trust Estate" is defined in the Granting Clauses of this Indenture.

"<u>Trustee</u>" means UMB Bank, N.A., a national banking association with a corporate trust office in Dallas, Texas, serving as Trustee pursuant to this Indenture or any successor thereto pursuant to the provisions of this Indenture.

Section 1.02 <u>Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.</u>

Section 1.03 Form of Documents Delivered to Trustee. Every certificate and opinion and every Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include a statement that the Person making such certification or opinion has read such covenant or condition and the definitions relating thereto, has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether such covenant or condition has been complied with, and a statement whether such condition or covenant has been complied with. In any case where several matters are required to be certified by or covered by an opinion of any specified Person, it is not necessary that all such matters be certified by or covered by the opinion of only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

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

Where any Person is required to make, give or execute two (2) or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.04 Acts of Bondholders.

- (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by its agent duly appointed in writing (an "Act of Bondholder"); and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and (subject to Section 8.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.
- (b) The fact and date of the execution by any Bondholder of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his or her authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner that the Trustee deems sufficient.
 - (c) The ownership of Bonds shall be proved by the Bond Register.
- (d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of Bondholder shall bind every Holder of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.
- Section 1.05 <u>Notice Addresses.</u> Any request, demand, authorization, direction, notice, consent, waiver or Act of Bondholders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,
- (a) the Trustee by any Bondholder or by any specified Person shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with and actually received by a Responsible Officer of the Trustee at its Corporate Trust Office located at 5910 N. Central Expressway, Suite 1900, Dallas, Texas, Attention: Madelyn Wallace or at any other address subsequently furnished in writing to the Bondholders and the other parties to the Bond Documents by the Trustee;
- (b) the Issuer by any Bondholder or by any specified Person shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, to the Issuer at Arlington Higher Education Finance Corporation, 4381 W. Green Oaks Blvd., Suite 200, Arlington, Texas 76016, Attention: Phillip Wambsganss, or at any other address subsequently furnished in writing to the Trustee and the Company by the Issuer; and

(c) the Company by any Bondholder or by any specified Person shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, to the Company at TGP Public Schools d/b/a The Gathering Place, 5818 NW Loop 410, San Antonio, Texas 78238, Attention: Ryan York, Co-CEO or at any other address subsequently furnished in writing to the Trustee and the Issuer by the Company.

Section 1.06 Notices to Bondholders; Waiver. Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Bondholder affected by such event, at his address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. Any notice or communication to the Bondholders when the Bonds are in Book-Entry-Only Form shall be given in accordance with the applicable procedures of the Depository not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Bonds shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.07 <u>Successors and Assigns</u>. All covenants and agreements in this Indenture by the Issuer and the Trustee shall bind their respective successors and assigns, whether so expressed or not

Section 1.08 <u>Severability Clause</u>. In case any provision in this Indenture or in the Bonds or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

Section 1.09 <u>Benefits of Indenture</u>. Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder, any separate trustee or co-trustee appointed hereunder, the Company, and the Holders of Bonds, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.10 <u>Governing Law.</u> This Indenture shall be governed in all respects, including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the State.

Section 1.11 <u>Directors, Officers, Employees and Agents Exempt from Personal Liability.</u>
No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Bond, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present or future director, officer or employee, as such, of the Issuer or the Trustee, or of any successor corporation, either directly or through the Issuer or the Trustee, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment, judgment or penalty, or otherwise; it being expressly understood that this

Indenture and the Bonds are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, directors, officers or employees, as such, of the Issuer, the Trustee, or any other successor corporation, or any of them, because of the creation of indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or the Bonds or implied therefrom, and that any and all such personal liability either at common law or equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, director, officer or employee, as such, are hereby expressly waived and released as a condition of, and in consideration for, the execution of this Indenture and the issuance of the Bonds.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS; ISSUANCE AND FORM OF BONDS

Section 2.01 Authorization and Form of Bonds.

- (a) The Series 2022A Bonds shall be designated "Arlington Higher Education Finance Corporation Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022A." The aggregate principal amount of Series 2022A Bonds is \$______. Each of the Series 2022A Bonds shall be numbered separately from RA-1 upwards. Each of the Series 2022A Bonds shall be issued only in fully registered form in Authorized Denominations. The Series 2022A Bonds shall be issued for the purpose of providing funds to be loaned by the Issuer to the Company to be used to (i) finance, refinance, purchase, construct, renovate, improve and equip educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 (the "Project"), (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds.
- (b) The Series 2022B Bonds shall be designated "Arlington Higher Education Finance Corporation Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B." The aggregate principal amount of Series 2022B Bonds is \$_____. Each of the Series 2022B Bonds shall be numbered separately from RB-1 upwards. Each of the Series 2022B Bonds shall be issued only in fully registered form in Authorized Denominations. The Series 2022B Bonds shall be issued for the purpose of providing funds to be loaned by the Issuer to the Company to pay a portion of the Costs of Issuance of the Bonds and fund a portion of the Debt Service Reserve Fund.
- (c) The Bonds shall be substantially in the forms set forth in Exhibit A-1 and Exhibit A-2 attached hereto, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto. The Bonds may be typewritten, printed, lithographed, engraved or produced in similar manner. If any Bond is printed, any portion of the text of the Bond may be printed on the back of the Bond with an appropriate reference placed on the front of the Bond.

Section 2.02 Terms of Bonds.

(a) The Series 2022A Bonds shall be dated as of May 1, 2022, shall mature on August 15 in the years and in the amounts set forth below, and shall bear interest at the following rates (the "Interest Rates") from the later of (i) the date of delivery or (ii) the most recent Interest Payment Date to which interest has been paid or provided for:

Year of Maturity Amount Interest Rate

(b) The Series 2022B Bonds shall be dated as of May 1, 2022, shall mature on August 15 in the years and in the amounts set forth below, and shall bear interest at the following Interest Rates from the later of (i) the date of delivery or (ii) the most recent Interest Payment Date to which interest has been paid or provided for:

Year of Maturity Amount Interest Rate

- (c) The Bonds shall be subject to optional and mandatory redemption prior to Maturity in the manner provided in the forms of Bonds set forth in Exhibit A-1 and Exhibit A-2 attached hereto.
- (d) Interest on the Bonds shall be paid on each Interest Payment Date until the principal thereof shall have been paid or provided for. Interest shall be calculated on the basis of a 360-day year consisting of twelve (12) 30-day months.
- (e) Amounts due with respect to the Bonds shall be payable in lawful money of the United States. Payment of principal of, premium, if any, and interest on the Bonds shall be paid by check mailed to the Registered Holder thereof at his or her address as it appears on the Bond Register on the Record Date or Maturity, as applicable. Upon written request of a Registered Holder of at least one million dollars (\$1,000,000) in principal amount of Bonds or all of any series of the Bonds, all payments of principal of, premium, if any, and interest on the Bonds shall be paid by wire transfer (at the risk and expense of such registered Owner) in immediately available funds to an account in the United States designated by such registered Owner upon written notice fifteen (15) days before a Record Date to the Trustee. CUSIP number identification with appropriate dollar amounts for each CUSIP number must accompany all payments of principal, premium, if any, and interest, whether by check or by wire transfer. Principal of, premium, if any, and interest on the Bonds that are in Book-Entry-Only Form will be paid in immediately available funds to DTC or its nominee, as the case may be, as the registered owner of such Bonds.

Section 2.03 Execution, Authentication and Delivery.

The Bonds shall be executed on behalf of the Issuer by its President or its Vice President and attested to by its Secretary. The signature of any of these officers on the Bonds may be manual or facsimile.

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

The Initial Bonds issued hereunder shall be registered by the Comptroller of Public Accounts of the State of Texas or by one of the Comptroller's deputies.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Bonds executed by the Issuer to the Authenticating Agent; the Authenticating Agent shall authenticate such Bonds; and the Bond Registrar shall register and deliver such Bonds as in this Indenture provided and not otherwise.

Prior to the initial delivery by the Trustee (in its capacity as Bond Registrar) of the Bonds, there shall be delivered to the Trustee:

- (a) a Board Resolution of the Issuer authorizing the issuance, execution and delivery of the Bonds;
- (b) a Company Order (i) to register the Bonds with the Stated Maturity, principal amount and other terms provided in the Order and (ii) to authenticate and deliver the Bonds to the original purchasers upon payment to the Trustee for deposit or payment in accordance with the provisions of this Indenture of the sum specified in such Order;
- (c) the Master Notes of the Company, duly executed by the Company on behalf of itself and duly authenticated by the Master Trustee, payable to the Trustee or properly endorsed or assigned to the Trustee;
- (d) executed counterparts of each of the documents specifically listed in the definition of Bond Documents;
- (e) an Opinion of Counsel to each of the Issuer and the Company to the effect that each Bond Document to which such entity is a party has been duly authorized, executed and delivered by that party and that the Bond Document, as amended or supplemented, constitutes a legal, valid, binding and enforceable obligation of that party subject to customary exceptions, and an Opinion of Counsel to the Company to the effect that the Company is an organization described in Section 501(c)(3) of the Code;
- (f) an Officer's Certificate of the Company (i) approving the issuance and delivery of the Bonds and (ii) certifying that there then exists no event of default under the Bond Documents or any outstanding documents by which the Company is bound;

- (g) an opinion of Bond Counsel, subject to the exceptions and qualifications set forth therein, to the effect that (i) this Indenture has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Bonds have occurred, (ii) the Bonds have been duly authorized, executed, issued and delivered by the Issuer, are the legal and valid limited obligations of the Issuer, and are entitled to the benefits and security of this Indenture, (iii) the Bonds and the offering or sale of the Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended, and (iv) interest on the Series 2022A Bonds is excludable from gross income of the holders of the Series 2022A Bonds for federal income tax purposes.
- (h) the Initial Bonds, together with the approval of the Bonds by the Attorney General of Texas as evidenced by his approving opinion related thereto and initial registration of the Bonds by the Comptroller of Public Accounts of the State of Texas.

Section 2.04 <u>Registration, Transfer and Exchange</u>. The Trustee is hereby appointed as Bond Registrar (the "Bond Registrar") for the purpose of registering Bonds and transfers of Bonds as herein provided. The Issuer shall cause to be kept at a corporate trust office or the designated payment office of the Bond Registrar or Bond Registrars for the Bonds, a register or registers (sometimes herein referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Bonds and of transfers of Bonds. The Bond Registrar shall keep the Bond Register with respect to the Bonds at its designated payment office in Dallas, Texas.

Upon surrender for transfer of any Bond at the office or agency of the Trustee in a Place of Payment, the Issuer shall execute, the Authenticating Agent shall authenticate and the Bond Registrar shall register and deliver, in the name of the designated transferee, one or more new Bonds of any Authorized Denomination, of a like aggregate principal amount, series, Stated Maturity and interest rate.

At the option of the Holder, Bonds may be exchanged for Bonds of any Authorized Denomination, of a like aggregate principal amount, series, Stated Maturity and interest rate, upon the surrender of the Bonds to be exchanged at such office or agency. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, the Authenticating Agent shall authenticate and the Bond Registrar shall deliver, the Bonds that the Bondholder making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall (if so required by the Issuer or the Bond Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Bond Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the Issuer and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, other than exchanges expressly provided in this Indenture to be made without expense or without charge to Holders.

The Issuer and the Bond Registrar shall not be required (1) to issue, transfer or exchange any Bonds during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of Bonds selected for redemption under Section 3.03 and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bond selected for redemption in whole or in part.

Section 2.05 <u>Mutilated, Destroyed, Lost and Stolen Bonds</u>. If (a) any mutilated Bond is surrendered to the Bond Registrar, or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Bond Registrar such security or indemnity as may be required by it to save each of the Issuer and the Bond Registrar harmless, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon its request, the Authenticating Agent shall authenticate and the Bond Registrar shall register and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor, series, interest rate and principal amount, bearing a number not contemporaneously outstanding.

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

Upon the issuance of any new Bond under this Section, the Issuer and the Bond Registrar may require the payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Bond Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits and security of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

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

Section 2.06 <u>Payment of Interest on Bonds; Interest Rights Preserved.</u> Interest on any Bond that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond is registered at the close of business on the Record Date for such interest.

Any interest on any Bond that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be

payable to the Holder thereof on the relevant Record Date by virtue of having been such Holder; and such Defaulted Interest shall be paid by the Issuer (but only from the sources provided herein). to the Persons in whose names the Bonds are registered at the close of business on a special record date ("Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Trustee, as agent of the Issuer, shall determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Issuer shall deposit (but only from the sources provided herein) with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of Persons entitled to such Defaulted Interest. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer and the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the date and amount of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Bondholder at his address as it appears in the Bond Register, not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds are registered on such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Bonds.

Section 2.07 <u>Persons Deemed Owners</u>. The Issuer, the Trustee, the Authenticating Agent, the Bond Registrar and any of their respective agents may treat the Person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of (and premium, if any) and (subject to Section 2.07) interest on such Bond and for all other purposes whatsoever, whether or not such Bond be overdue, and except as otherwise provided in this Indenture, neither the Issuer, the Trustee, nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Section 2.08 <u>Cancellation</u>. All Bonds surrendered for payment, redemption, transfer or exchange shall, if delivered to any Person other than the Bond Registrar, be delivered to the Bond Registrar and, if not already canceled, shall be promptly canceled by it. The Issuer or the Company may at any time deliver to the Bond Registrar for cancellation any Bonds previously authenticated and delivered hereunder that the Issuer or the Company may have acquired in any lawful manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Bond Registrar. No Bonds shall be authenticated in lieu of or in exchange for any Bonds canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Bonds held by the Bond Registrar shall be maintained or disposed of according to the retention policies of the Bond Registrar in effect from time to time.

Section 2.09 <u>Limited Liability of Issuer</u>. NEITHER THE SPONSORING ENTITY, THE STATE NOR A STATE AGENCY, ANY POLITICAL CORPORATION, SUBDIVISION

OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SPONSORING ENTITY, THE STATE, OR ANY STATE AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

Section 2.10 <u>Initial Bonds.</u> Pending the preparation of definitive Bonds, the Issuer will execute, and the Bond Registrar shall deliver the Initial Bonds, which may be printed, lithographed, typewritten, mimeographed or otherwise produced, substantially of the tenor of the definitive Bonds in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Initial Bonds may determine, as evidenced by their execution of such Initial Bonds.

Upon the issuance of the Initial Bonds, the Issuer will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the Initial Bonds shall be exchangeable for definitive Bonds upon surrender of the Initial Bonds at the office of the Trustee in a Place of Payment, without charge to the Holder. Upon surrender for cancellation of the Initial Bonds, the Issuer shall execute and the Bond Registrar shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the Initial Bonds shall in all respects be entitled to the same benefits under this Indenture as the definitive Bonds.

Section 2.11 Book-Entry-Only System.

- (a) The Bonds may and initially shall be registered under a Book-Entry-Only System maintained by a Depository. Notwithstanding any inconsistent provisions in this Indenture to the contrary, the provisions of this Section 2.12 shall govern at any time the Bonds are issued and Outstanding in Book-Entry-Only Form.
- (b) Under the Book-Entry-Only System, the Bonds shall be issued in the form of a separate, single, fully registered and immobilized bond certificate representing the aggregate principal amount of the Bonds. Except as provided herein, the ownership of such Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC, which will serve as initial Depository for the Bonds. Ownership of beneficial interests in the Bonds shall be shown by book-entry on the system maintained and operated by the Depository and its participants and indirect participants (such participants and indirect participants being collectively referred to as the "Participants"), and transfers of ownership of beneficial interests shall be made only by the Depository and its Participants by book-entry, and the Issuer, the Company and the Trustee shall have no responsibility therefor. The Depository will be required to maintain records of the positions of Participants in the Bonds, and the Participants and Persons acting through Participants will be required to maintain records of the purchasers of beneficial interests in the Bonds (the "Beneficial Owners"). Except as provided in subsection (i) of this Section 2.12, the Bonds shall not be transferable or exchangeable, except for transfer to another Depository or to another nominee of a Depository.

- With respect to Bonds registered in the Bond Register in the name of the Depository or its nominee, the Issuer, the Company and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner for whom a Participant acquires an interest in the Bonds. NEITHER THE ISSUER, THE COMPANY, NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, OR INTEREST, AND PREMIUM, IF ANY, ON OR REDEMPTION PRICE OF THE BONDS; (iii) THE DELIVERY BY THE DEPOSITORY OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REOUIRED OR PERMITTED TO BE GIVEN TO HOLDERS UNDER THE TERMS OF THIS INDENTURE: (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS. NEITHER THE ISSUER, THE COMPANY NOR THE TRUSTEE HAS ANY DIRECT OBLIGATION OR RESPONSIBILITY TO PARTICIPANTS OR BENEFICIAL OWNERS.
- (d) So long as the Bonds or any portions thereof are registered in the name of a Depository or any nominee thereof, all payments of principal of (premium, if any) or interest on the Bonds or redemption price of such Bonds shall be made only to or upon the order of such Depository on the dates and at the times provided for such payment under this Indenture and at the address indicated for such Depository in the Bond Register kept by the Bond Registrar by transfer of immediately available funds; provided that the Trustee has received sufficient funds from the sources described in this Indenture and the Agreement to make such payment. Each such payment to the Depository or its nominee shall be valid and effective to fully satisfy and discharge all liability of the Issuer or the Trustee with respect to the principal of (premium, if any) or interest on the Bonds and redemption price with respect to the Bonds so registered to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any Stated Maturity, the Trustee shall not require surrender by the Depository or its nominee of the Bonds so purchased or redeemed, and the Depository may retain such Bonds. In the event of partial redemption of the Bonds, the Depository shall make an appropriate notation on the Bonds as to the amount of such partial redemption; provided that the Depository shall deliver to the Trustee, upon request, a written confirmation of such partial redemption and thereafter the records maintained by the Trustee shall be conclusive as to the amount of the Bonds of such Stated Maturity that have been redeemed. The Issuer, the Company and the Trustee shall not be liable for the failure of the Depository to properly indicate on the Bonds the payment of such principal or redemption price.
- (e) All transfers of beneficial ownership interests in the Bonds when issued in Book-Entry-Only Form shall be effected by procedures promulgated by the Depository with its Participants for recording and transferring the ownership of beneficial interest in each of such Bonds.
- (f) The Issuer, the Company, the Bond Registrar and the Trustee and any of their respective agents may treat the Depository (or its nominee) as the sole and exclusive

Bondholder of the Bonds registered in its name for the purposes of payment of the principal of (premium, if any) or interest on the Bonds or redemption price with respect to the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and the Issuer, the Company, the Bond Registrar and the Trustee shall not be affected by any notice to the contrary.

- (g) So long as the Bonds are registered in the name of the Depository or any nominee thereof, all notices required or permitted to be given to the Holders of such Bonds under this Indenture shall be given to the Depository in accordance with the methods and practices prescribed by the Depository. In connection with any notice or other communication to be provided to Holders pursuant to this Indenture by the Issuer, the Company or the Trustee with respect to any consent or other action to be taken by Holders, the Depository shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the Issuer or the Trustee may establish a special record date for such consent or other action. The Issuer or the Trustee shall give the Depository notice of such special record date not less than fifteen (15) calendar days in advance of such special record date to the extent possible.
- (h) Any successor Trustee, in its written acceptance of its duties under this Indenture, shall agree to take any actions necessary from time to time to comply with the requirements of such Depository.
- (i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the Trustee and the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstance (if there is not a successor Depository), Bond certificates will be delivered as described elsewhere in Article II of this Indenture. Upon receipt of such notice from the Depository, the Trustee shall provide a copy of the notice to the Company. The Company, in its sole discretion, and without the consent of any other Person, may terminate the services of the Depository with respect to the Bonds if the Company determines that: (i) the Depository is unable to discharge its responsibilities with respect to the Bonds; or (ii) a continuation of the requirement that all of the Bonds be registered in the Bond Register in the name of the nominee of the Depository is not in the best interest of the Beneficial Owners. In the event that no substitute Depository is found by the Company or restricted registration is no longer in effect, Bond certificates will be delivered as described in Article II of this Indenture. Upon the termination of the services of the Depository with respect to the Bonds pursuant to this Section 2.12 (i), after which no successor Depository willing to undertake the functions of the Depository hereunder can be found that, in the opinion of the Company, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the nominee of the Depository, but may be registered in the name or names and in such maturities and principal amounts as the Depository shall designate in writing to the Bond Registrar in accordance with the provisions elsewhere in Article II of this Indenture, but without any liability on the part of the Issuer or the Bond Registrar for the accuracy of such designation. Upon the termination of the services of the Depository with respect to the Bonds for any reason and the appointment of a successor Depository, all references in this Indenture to the Depository shall refer to such successor Depository. Whenever the Depository requests the Issuer,

the Company and the Trustee to do so, the Issuer, the Company and the Trustee shall cooperate with the Depository in taking appropriate action after reasonable notice to arrange for another Depository to maintain custody of certificates evidencing the Bonds.

(j) So long as any Bonds are registered in the name of the nominee of the Depository, a legend prescribed by the Depository to that effect may be printed on such Bond certificate.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01 <u>Redemption</u>. The Bonds shall be subject to redemption as set forth in the forms of Bonds in Exhibit A-1 and Exhibit A-2 hereto.

Section 3.02 <u>Election to Redeem; Notice to Trustee.</u> The election of the Company to redeem any Bonds shall be evidenced by a Board Resolution delivered to the Issuer. In case of any redemption at the election of the Company, the Company shall, at least sixty (60) days prior to the redemption date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), deliver a Company Request to the Trustee notifying the Trustee in writing of such redemption date and of the principal amount of Bonds of each Stated Maturity to be redeemed.

Section 3.03 <u>Selection by Trustee of Bonds to be Redeemed.</u> If less than all of the Bonds of a particular Stated Maturity are called for redemption, the particular Bonds or portions thereof to be redeemed shall be redeemed by the Trustee by lot; provided, however, that, if the Bonds are registered in the Book-Entry-Only System, the method of redemption shall be in accordance with the procedures of the Depository and provided, further, that portions of Bonds shall be redeemed in Authorized Denominations and no redemption shall result in a Bond being held in less than an Authorized Denomination.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed.

Section 3.04 Notice of Redemption.

(a) Not less than thirty (30) days prior to any redemption date, but not more than sixty (60) days prior to any redemption date, the Trustee shall cause notice of the call for any redemption identifying the Bonds or portions thereof to be redeemed to be given in the name of the Issuer by first class mail, postage prepaid, to the Holders of each Bond to be redeemed at the address shown on the Bond Register on the date such notices are mailed. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, irrespective of whether received.

Each notice of redemption shall state at a minimum, the complete official name of the issue, including series designation, CUSIP number, amounts called of each Stated Maturity (for partial calls), date of the notice, date of issue, interest rate, maturity date of the Bonds called for

redemption, redemption date, redemption price, the place or places of redemption, and appropriate address or addresses with name of contact person and telephone number. Unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

(b) If any of the Bonds are redeemed pursuant to an advance refunding, notice of such advance refunding and redemption shall be given in the same manner as above provided, and within the same time period with respect to the actual redemption date.

Section 3.05 <u>Deposit of Redemption Price.</u> Subject to any condition to such redemption, on or prior to any redemption date, the Company shall deposit with the Trustee or with a Paying Agent an amount of money sufficient to pay the redemption price, premium, if any, and interest accrued thereon to the date fixed for redemption of all the Bonds that are to be redeemed on such date.

Section 3.06 <u>Bonds Payable on Redemption Date.</u> Notice of redemption having been given as aforesaid, and the deposit described in Section 3.05 having been made, and all conditions to such redemption having been fulfilled, the Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date such Bonds shall cease to bear interest. If, however, funds available to pay the redemption price have not been so deposited on the redemption date, the redemption will be cancelled. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Issuer at the redemption price. Installments of interest whose Stated Maturity is on or prior to the redemption date shall be payable to the Holders of such Bonds registered as such on the relevant Record Dates according to their terms.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by the Bond.

Section 3.07 <u>Bonds Redeemed in Part.</u> Any Bond that is to be redeemed only in part shall be surrendered at a Place of Payment (with, if the Issuer or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond without service charge, a new Bond or Bonds of the same interest rate and Stated Maturity and of any Authorized Denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

ARTICLE IV

FUNDS AND INVESTMENTS

Section 4.01 Establishment of Funds: Source of Payment of the Bonds.

- (a) The Issuer hereby establishes with the Trustee the Proceeds Fund, the Debt Service Fund, the Construction Fund and the Rebate Fund (collectively, the "Funds"). The Issuer reserves the right to establish additional trust funds or accounts from time to time.
- (b) The Bonds and all payments by the Issuer hereunder are not and shall never become general obligations of the Issuer, but are special and limited obligations payable solely from the Loan Payments and other payments made by the Company under the Agreement. Loan Payments made pursuant to the Agreement by the Company are to be made directly to the Trustee for the account of the Issuer and shall be deposited pursuant to the provisions of Section 4.01 of the Agreement. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any officer, director, agent or employee of the Issuer in his or her individual capacity and neither the members of the Board of Directors of the Issuer nor any official executing or authenticating the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability, by reason of the issuance or authentication thereof.

Section 4.02 Proceeds Fund.

- (a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "TGP Public Schools d/b/a The Gathering Place Education Revenue Bonds Series 2022 Proceeds Fund" (herein referred to as the "Proceeds Fund") and, within such Proceeds Fund, a "Tax-Exempt Bond Proceeds Account" and a "Taxable Bond Proceeds Account." The proceeds of the sale of the Series 2022A Bonds shall be deposited into the Tax-Exempt Bond Proceeds Account and immediately transferred by the Trustee (i) to the Debt Service Fund and the Construction Fund and (ii) to the Master Trustee for deposit in the Debt Service Reserve Fund, all as specified in the Company Order to authenticate and deliver the Series 2022A Bonds. The proceeds of the sale of the Series 2022B Bonds shall be deposited into the Taxable Bond Proceeds Account of the Proceeds Fund and applied by the Trustee as specified in the Company Order to authenticate and deliver the Series 2022B Bonds. Promptly following final disbursement and/or transfer, the Trustee shall close the Tax-Exempt Proceeds Account and the Taxable Bond Proceeds Account. Within the Proceeds Fund there shall be created by the Issuer and established with the Trustee an Insurance Proceeds Account; provided that the Trustee shall have no duty to establish and maintain the Insurance Proceeds Account prior to the receipt of insurance or condemnation proceeds pursuant to the Agreement.
- (b) In the event of the receipt of insurance or condemnation proceeds pursuant to Section 3.06(b) of the Agreement, the Trustee is hereby directed to deposit such proceeds in the Insurance Proceeds Account of the Proceeds Fund and to make payments from the Insurance Proceeds Account of the Proceeds Fund for the purposes permitted under such section of the Agreement upon receipt of a Requisition Certificate signed by an Authorized Representative of the Company. Any balance of the insurance or condemnation proceeds remaining after the

affected Participating Campus has been repaired, restored or replaced to a state substantially like that prior to the event of damage, destruction or taking, as determined by the Company, shall be, upon delivery to the Trustee of a Company Order to such effect, deposited to the Debt Service Fund and applied to the redemption of the Bonds at the earliest practical date. Upon receipt of insurance or condemnation proceeds pursuant to Section 3.06(c) of the Agreement, the Trustee is hereby directed to deposit such funds in the Insurance Proceeds Account of the Proceeds Fund and subsequently make disbursements from such account or transfer such funds to the Debt Service Fund upon receipt of a Requisition Certificate signed by an Authorized Representative of the Company in accordance with the requirements of Section 3.06(d) and Section 3.06(e) of the Agreement.

Section 4.03 Debt Service Fund.

- (a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "TGP Public Schools d/b/a The Gathering Place Education Revenue Bonds Series 2022 Debt Service Fund" (herein referred to as the "Debt Service Fund") and, within such Debt Service Fund, a "Tax-Exempt Bonds Account" and a "Taxable Bonds Account." The money deposited to the Debt Service Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section and Section 7.06.
- (b) The Trustee shall deposit to the credit of the corresponding Debt Service Fund Account immediately upon receipt: (1) amounts due and payable by the Company pursuant to Section 4.01(a) or (b) of the Agreement and the terms of the Master Notes; (2) the amounts described in Section 4.07(b); and (3) any other amounts delivered to the Trustee specifically for deposit thereto.
- (c) On each Principal Payment Date or Interest Payment Date, as the case may be, the Trustee shall withdraw money first from the applicable account of the Debt Service Fund in an amount sufficient to pay the Bondholders principal and interest on each series of Bonds.
- (d) If there are insufficient funds in the Debt Service Fund to pay the Debt Service on the Bonds by 12:00 noon (Central Time) four (4) Business Days prior to any Principal Payment Date, Interest Payment Date or at Maturity, as the case may be, the Trustee shall contact the Master Trustee and request transfer from the Debt Service Reserve Fund to the appropriate account of the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund on such Principal Payment Date, Interest Payment Date or otherwise.

Section 4.04 Rebate Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "TGP Public Schools d/b/a The Gathering Place Education Revenue Bonds Series 2022 Rebate Fund" (herein referred to as the "Rebate Fund"). The money deposited to the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section.

- (b) The Trustee shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Trustee by the Company for deposit thereto and each amount directed by the Company to be transferred thereto.
- (c) (i) Within five (5) days after each receipt or transfer of funds to the Rebate Fund in accordance with Section 5.03(g)(i)(B) of the Agreement (and in any event within sixty (60) days after each Computation Date), the Trustee shall withdraw from the Rebate Fund and pay to the United States of America the balance of the Rebate Fund.
 - (ii) Within five (5) days after receipt from the Company of any amount pursuant to Section 5.03(g)(ii) of the Agreement, the Trustee shall withdraw such amount from the Rebate Fund and pay such amount to the United States of America.
 - (iii) All payments to the United States of America pursuant to this Section shall be made by the Trustee for the account and in the name of the Issuer and shall be paid by draft posted by registered United States Mail (return receipt requested), addressed to the appropriate IRS address accompanied by the relevant IRS Form 8038-T (or to such other applicable successor information return specified by the IRS) described in Section 5.03(g)(i)(C) or Section 5.03(g)(ii) of the Agreement, as the case may be.
- (d) The Trustee shall preserve copies of all statements and forms received from the Company pursuant to Section 5.03(g) of the Agreement and all records maintained by it of transactions in the Rebate Fund and shall deliver such materials to the Company and, if requested, shall deliver copies thereof to the Issuer within sixty (60) days following the retirement of all of the Bonds.
- (e) The Trustee may conclusively rely on the instructions of the Company with regard to any actions to be taken by it pursuant to this Section and shall have no liability for any consequences of any failure of the Company to supply accurate or sufficient instructions.

If at any time during the term of this Indenture, the Issuer, the Trustee, or the Company desires to take any action that would otherwise be prohibited by the terms of this Section, such Person shall be permitted to take such action if it shall first obtain and provide to the other Persons named herein a Favorable Opinion of Bond Counsel.

Section 4.05 Construction Fund.

(a) There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "TGP Public Schools d/b/a The Gathering Place Education Revenue Bonds Series 2022 Construction Fund" (herein referred to as the "Construction Fund"). The money deposited in the Construction Fund, including all money therein and all investments thereof, shall be held in trust and applied solely as provided in this Section. The Construction Fund shall contain a Reimbursement Account, a Project Account and a Costs of Issuance Account. The Trustee shall have the authority to create accounts and subaccounts within the Construction Fund as necessary and convenient for the administration of such Fund. The Trustee shall, at the written direction of the Company, transfer funds between subaccounts in the Project Account as needed to fund all or any portion of the Project.

- (b) The Trustee shall deposit to the credit of the Construction Fund or any account or subaccount therein all amounts paid to the Trustee by the Issuer or the Company specifically for deposit to the credit of the Construction Fund and the proceeds of the Bonds to the extent specified by the Company Order.
- (c) For payments out of the Project Account of the Constuction Fund, the Borrower has agreed in the Loan Agreement that the Requisition Certificate delivered to the Trustee will certify that is has delivered to the Trustee, an Officer's Certificate described in the second paragraph of Section 3.02(a) of the Loan Agreement. The Trustee may rely upn any Requisition Certificate received hereunder and shall have no obligation to determine if an Officer's Certificate is required to be delivered to it hereunder.
- (d) The Trustee shall disburse amounts in the Reimbursement Account of the Construction Fund on the Closing Date following receipt of and in accordance with a Requisition Certificate. The Trustee may rely fully on any Requisition Certificate, and shall not be required to make any investigation in connection therewith. Promptly following the final disbursement and/or transfer, the Trustee shall close the Reimbursement Account.
- (e) The Trustee shall disburse amounts in the Costs of Issuance Account on or after the Closing Date upon receipt of a Requisition Certificate.
- (f) Subject to Section 4.05(d), the Trustee shall disburse amounts in the Project Account of the Construction Fund to pay or reimburse the Company for all other Project Costs (as defined in the Agreement) no later than three (3) Business Days following receipt of and in accordance with a properly completed and executed Requisition Certificate in substantially the form of Exhibit B to this Indenture. The Trustee may rely fully on any requisition in substantially the form of Exhibit B to this Indenture, and shall not be required to make any investigation in connection therewith.
- (g) Any moneys remaining in the Costs of Issuance Account ninety (90) days after the Closing Date and the Company confirms in writing to the Trustee are not needed to pay unpaid Costs of Issuance shall be deposited in the Debt Service Fund. Upon final disbursement and/or transfer, the Trustee shall close the Costs of Issuance Account.
- (h) In furtherance and not in limitation of this Section 4.05 hereof, all payments made from the Reimbursement Account, the Project Account or the Costs of Issuance Account pursuant to a written requisition from the Company in the form set forth in Exhibit B shall be presumed to be made properly and the Trustee shall not be required to see the application of any payments made from the Reimbursement Account, the Project Account or the Costs of Issuance Account or to inquire into the purposes for which withdrawals are being made from such Accounts.
- (i) Any funds remaining in the Construction Fund or any sub-account thereto after the Project is certified or deemed "complete" pursuant to Section 3.04 of the Agreement, except for such amounts as to which the Trustee has received from the Company a Requisition Certificate stating such amounts are for payment of incurred but unpaid Project Costs, shall be transferred to the Debt Service Fund. To the extent the amounts are transferred to the Debt Service Fund, such amounts may be used, as specified in a Company Order, to (i) pay principal or interest

on the Bonds, subject to the limitations described in Section 1.148-6(d)(3) of the Regulations or (ii) redeem Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest dates at which the Bonds may be redeemed under this Indenture; provided, however, if the Bonds may not be redeemed, the Bonds may be defeased, as specified in a Company Order, in accordance with Section 1.141-12 of the Regulations.

(j) On the earlier of the end of the fifth (5th) Bond Year or receipt of the Officer's Certificate required by Section 3.04 of the Agreement, the Trustee shall transfer any amount then on deposit in the Construction Fund to the Debt Service Fund unless the Trustee has received from the Company a Requisition Certificate for all or any portion of such amounts for payment of incurred but unpaid Project Costs. To the extent the amounts are transferred to the Debt Service Fund, such amounts may be used, as specified in a Company Order, to (i) pay principal or interest on the Bonds, subject to the limitations described in Section 1.148-6(d)(3) of the Regulations or (ii) redeem Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest dates at which the Bonds may be redeemed under this Indenture; provided, however, if the Bonds may not be redeemed, the Bonds may be defeased, as specified in a Company Order, in accordance with Section 1.141-12 of the Regulations.

Section 4.06 <u>Investment of Bond Proceeds</u>. Pending the disbursement of any amounts deposited from the proceeds of the Bonds to any Fund, such proceeds may only be invested as specified in a Company Order in direct obligations or obligations unconditionally guaranteed by the United States of America as more particularly described in Section 2256.009, Texas Government Code.

Section 4.07 Investment of Funds.

- (a) Pending disbursement of the amounts on deposit in any Fund, the Trustee shall promptly invest and reinvest such amounts in the particular Eligible Securities specified in any Company Order; provided that, if no such Company Order is delivered to the Trustee, the Trustee shall invest and reinvest such amount in: _______. All such investments shall be credited to the Fund, account or subaccount from which the money used to acquire such investments shall have come.
- (b) All income and profits on investments in the Proceeds Fund, the Debt Service Fund, the Construction Fund and the Rebate Fund shall be credited to those respective Funds. All losses on investments shall be charged against the Fund and Account to which such investments are credited. The Trustee may make any investment through its own trust department. As amounts invested are needed for disbursement from any Fund or Account, the Trustee shall cause a sufficient amount of the investments credited to that Fund or Account to be redeemed or sold and converted into cash to the credit of that Fund or Account. The Trustee shall rely on the written instructions of the Company in investing money in any Fund or Account, and shall not be accountable for any depreciation in the value of the investments made in accordance with the provisions of this Article IV or for any losses incurred upon any authorized disposition thereof.
- (c) The Company by its execution of the Agreement covenants to restrict the investment of money in the funds or accounts in such manner and to such extent, if any, as may be

necessary so that the Series 2022A Bonds will not constitute arbitrage bonds under Section 148 of the Code and the Regulations.

(d) The Issuer, and the Company (by its execution of the Agreement), acknowledge that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Issuer or the Company the right to receive brokerage confirmation of security transactions as they occur, the Issuer and the Company waive receipt of such confirmations. The Trustee shall furnish to the Company a periodic statement, made at least yearly, that includes details of all investment transactions made by the Trustee.

Section 4.08 <u>Trustee and Issuer Relieved from Responsibility.</u> The Trustee and the Issuer shall be fully protected in relying upon any Company Order relating to investments and disbursements from any fund or account, and shall not be liable for any losses or for interest on the Series 2022A Bonds becoming includable in gross income for federal income tax purposes as a result of complying with any such Company Order, and shall not be required to ascertain any facts with respect to any such Order.

ARTICLE V

COVENANTS OF THE ISSUER

Section 5.01 <u>Payment of Debt Service; Limited Obligations.</u> The Issuer will duly and punctually pay the principal of (and premium, if any) and interest on the Bonds in accordance with the terms of the Bonds and this Indenture; provided, however, that the Bonds and the other obligations of the Issuer provided for herein shall be limited obligations of the Issuer and shall be payable by the Issuer solely out of the Trust Estate and the revenues derived therefrom or in connection with the Bond Documents. The Bonds and the other expense reimbursement obligations of the Issuer provided for herein shall never be payable out of any other funds of the Issuer except the Trust Estate and such revenues.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than a moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Section 5.02 Money for Bond Payments to be Held in Trust; Appointment of Paying Agents. The Issuer shall appoint a Paying Agent in each Place of Payment for the Bonds. Each such Paying Agent appointed by the Issuer shall be organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least ten million dollars (\$10,000,000) and subject to supervision or examination by federal or state authority. The Issuer will, prior to each due date of the principal of (and premium, if any) or interest on any Bonds, deposit or cause to be deposited (but only from the sources provided herein) with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Holders of such Bonds. Each Paying Agent for the Bonds shall provide the CUSIP number for the Bond with each payment of interest on and the principal or the redemption

price of any Bond, specifying the amount paid in respect of each CUSIP number. Each Paying Agent shall make payment of interest or the redemption price of any Bond, upon written request of a Registered Holder of at least one million dollars (\$1,000,000) in principal amount of Bonds, by wire transfer (at the risk and expense of such Registered Holder) in immediately available funds to an account in the United States designated by such Registered Holder upon written notice to the Trustee fifteen (15) days prior to the Record Date.

The Issuer hereby appoints the Trustee as the initial Paying Agent for the Bonds. The Trustee shall accept such appointment by executing this Indenture in such capacity on the signature page hereto.

The Issuer will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee and the Company an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (2) give the Trustee notice of any default by the Issuer (or any other obligor upon the Bonds) in the making of any such payment of principal (and premium, if any) or interest; and
- (3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paving Agent.

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

Subject to applicable escheat laws of the State, any money deposited in trust with the Trustee or any Paying Agent in trust for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for the later of (i) the first (1st) anniversary of the Stated Maturity of the Bond or the installment of interest for the payment of which such money is held or (ii) two (2) years after such principal (and premium, if any) or interest has become due and payable, shall be paid to the Company on Company Request (which Request shall include the Company's representation that it is entitled to such funds under applicable escheatment laws and its agreement to comply with such laws) and the Holder of such Bond shall thereafter, to the extent of any legal right or claim, be deemed to be an unsecured general creditor, and shall look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuer, shall thereupon cease; provided, however, that the Trustee, the Issuer or such Paying Agent, before being required to make any such repayment, shall, upon receipt of a Company Order and at the expense of the Company, cause to be published

once, in an Authorized Newspaper, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company; and provided further, notwithstanding the foregoing, the Trustee shall be entitled to deliver any such funds to any escheatment authority in accordance with the Trustee's customary procedures. The Trustee shall hold any such funds in trust uninvested (without liability for interest accrued from the date deposited) for the benefit of the Holders entitled thereto.

Any bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Indenture. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within thirty (30) days thereafter, appoint such bank or trust company as shall be specified by the Company and acceptable to the Trustee and located in the same city as such Paying Agent to fill such vacancy; provided, however, that if the Issuer shall fail to appoint a successor Paying Agent within said period, the Trustee shall make such appointment. No removal, resignation or termination of the Paying Agent shall take effect until a successor shall be appointed. Notice of the designation of a successor Paying Agent shall be sent by the Trustee by first class mail to each Holder of the Bonds.

Section 5.03 <u>Instruments of Further Assurance.</u> The Issuer covenants that to the extent of its power to do so, it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as necessary or as the Trustee may reasonably require to assign, pledge and confirm unto the Trustee the Trust Estate assigned and the revenues pledged hereunder, all at the expense of the Company. The Issuer has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the collateral granted hereunder that ranks on a parity with or prior to the lien granted hereunder that will remain outstanding on the Closing Date. The Issuer has not described such collateral in a UCC financing statement that will remain effective on the Closing Date. The Issuer will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral described hereunder that ranks prior to or on parity with the lien granted hereunder, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted by the Bond Documents. The security interest granted hereunder is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Issuer on a simple contract.

Section 5.04 Maintenance of Rights. The Issuer will use its best efforts to perform and observe all obligations to be performed by it under the Bond Documents. The Issuer will maintain the validity and effectiveness of the Bond Documents and, except as permitted hereby, take no action, and not knowingly omit to take any reasonable action, the taking or omission of which might release any party from its liabilities or obligations under the Bond Documents, or result in the surrender, termination, amendment or modification of, or impair the validity of, any Bond Document. The Issuer agrees that the Trustee, subject to the conditions thereof, may enforce for and on behalf of the Holders all of the covenants and agreements of the parties to the Bond Documents (other than the Trustee) as set forth in the Bond Documents, whether or not the Issuer is in default hereunder. Under the Agreement, the Company has agreed to cause to be recorded or filed, at the Company's expense, all necessary financing statements, including continuation statements, related to this Indenture and all supplements hereto, and such other documents as may

be necessary to be kept and filed in such manner and in such places as may be required by law in order to perfect, preserve and protect fully the security of the Bondholders and the rights of the Trustee hereunder. The Trustee shall have no obligation to file or record any initial financing statements. The Trustee, upon receipt of written direction from the Company, shall, at the Company's expense, file continuation statements of such originally filed financing statements: provided that a copy of the originally filed financing statements are timely delivered to the Trustee. In the absence of any such written direction from the Company, the Trustee shall have no obligation to make any continuation filing hereunder. In addition, unless the Trustee shall have been notified in writing that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in (i) relying on such initial filing and description in filing any continuation statements pursuant to this Section and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The Trustee agrees that, upon written direction of an Authorized Representative, it will cause to be filed or recorded all necessary continuation statements within the time prescribed by the Uniform Commercial Code or other applicable State law in order to continue the financing statements and instruments in connection with the security interests and liens identified in this Indenture or the Agreement filed and recorded on or before the Closing Date. The Trustee shall have no duty to determine, at any time, whether the financing statements and instruments filed and recorded in connection with the security interests and liens identified in this Indenture, the Agreement or otherwise were or remain sufficient to perfect or establish such security interests and liens under applicable law.

Section 5.05 <u>Corporate Existence.</u> Subject to Article VI hereof, the Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights (charter and statutory); provided, however, that the Issuer shall not be required to preserve any right if its Governing Body shall determine that the preservation thereof is no longer desirable in the conduct of the affairs of the Issuer and that the loss thereof is not disadvantageous in any material respect to the Bondholders.

Section 5.06 <u>Limitations on Liens, Debt and Disposition of Assets.</u> Except as permitted or contemplated in this Indenture, the Issuer covenants that it will not: (i) create any mortgage, lien, encumbrance, pledge, charge or other exception to title (other than those created by this Indenture) upon or against any of the properties or assets constituting the Trust Estate, or any revenues derived therefrom or any other funds held by the Trustee for the benefit of the Holders superior to or ranking on parity with the lien created by this Indenture; (ii) sell, lease, transfer, convey or otherwise dispose of all or any part of the Trust Estate or its interest therein except subject to the interests of the Trustee created by this Indenture; (iii) create, incur or assume any debt secured by the Trust Estate or the Issuer's interest therein or the revenues pledged herein; or (iv) knowingly take any other action that will impair the lien of this Indenture on the Trust Estate.

Section 5.07 Tax Covenants.

(a) The Issuer agrees that, until the final Maturity of the Series 2022A Bonds, it will not knowingly use or direct the use of any money on deposit in any Fund or account maintained in connection with the Series 2022A Bonds, whether or not such money was derived from the proceeds of the sale of the Series 2022A Bonds or from any other source, in a manner that would cause the Series 2022A Bonds to be "arbitrage bonds," within the meaning of Section 148 of the Code. In the event the Company notifies the Issuer that it is necessary to restrict or

limit the yield on the investment of moneys held by the Trustee pursuant to this Indenture, or to use such moneys in any certain manner to avoid the Series 2022A Bonds being considered arbitrage bonds, the Issuer at the direction of the Company shall instruct the Trustee to take such action as is necessary to restrict or limit the yield on such investment or to use such moneys in accordance with such written direction.

- (b) The Issuer shall not knowingly use or direct the use of any proceeds of the Series 2022A Bonds or any other funds of the Issuer, directly or indirectly, in any manner, and shall not itself take or knowingly permit to be taken any other action or actions, that would result in any of the Series 2022A Bonds being treated other than as an obligation described in Section 103(a) of the Code.
- (c) The Issuer will not knowingly use or direct the use of any portion of the proceeds of the Series 2022A Bonds, including any investment income earned on such proceeds, directly or indirectly, to make or finance loans to Persons who are not Exempt Persons. For purposes of the preceding sentence, a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, constitutes a loan to a Person who is not an Exempt Person.
- (d) The Issuer will not knowingly take any action, or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2022A Bonds, and in the event of such action or omission will promptly, upon receiving knowledge thereof, take all lawful actions, based on advice of counsel and at the expense of the Company, as may rescind, remediate or otherwise negate such action or omission.
- (e) The Issuer will not knowingly take any action that would result in all or any portion of the Series 2022A Bonds being treated as "federally guaranteed" within the meaning of Section 149(b)(2) of the Code.
- (f) The Issuer shall file, or cause to be filed, with the Secretary of the Treasury a Form 8038 with respect to the Series 2022A Bonds.
- (g) For purposes of this Section 5.07, the Issuer's compliance shall be based solely on acts or omissions by the Issuer and no acts or omissions of, or direction by, the Company, the Trustee or any other Persons shall be attributed to the Issuer.

All officers, employees and agents of the Issuer are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Issuer as of the Closing Date for the Series 2022A Bonds. In complying with the foregoing covenants, the Issuer may rely from time to time upon a Favorable Opinion of Bond Counsel.

Section 5.08 <u>Change in Law.</u> To the extent that published rulings of the IRS, or amendments to the Code or the Regulations modify the covenants of the Issuer or the Trustee that are set forth in this Indenture or that are necessary for interest on any issue of the Series 2022A Bonds to be excludable from gross income for federal income tax purposes, the Trustee and the Issuer will comply with such modifications, as described in an Opinion of Counsel delivered to the Issuer and the Trustee.

ARTICLE VI

CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

- Section 6.01 <u>Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms.</u>
 The Issuer shall not consolidate with or merge into any other corporation or convey or transfer the Trust Estate substantially as an entirety to any Person, unless:
- (a) such consolidation, merger, conveyance or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Trustee and the Holders of the Bonds hereunder:
- (b) the corporation formed by such consolidation or into which the Issuer is merged or the Person that acquires by conveyance or transfer the Trust Estate substantially as an entirety shall be organized and existing under the laws of the United States of America or any state or the District of Columbia and shall execute and deliver to the Trustee an indenture supplemental hereto in form satisfactory to the Trustee, meeting the requirements of Section 6.02 and containing:
 - (1) an assumption by such surviving or successor corporation or such transferee of the due and punctual payment of the principal of (and premium, if any) and interest on all the Bonds and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Issuer, subject, however, to the same limitations and conditions as are herein or in the Bonds provided; and
 - (2) a grant, conveyance and transfer complying with Section 6.02;
- (c) immediately after giving effect to such transaction, no Event of Default hereunder (nor any event which, with the giving of notice or the elapse of time or both, would become an Event of Default as a result of such transaction) shall have occurred and be continuing;
 - (d) the Trustee shall have received a Favorable Opinion of Bond Counsel; and
- (e) the Issuer, at the expense of the Company, shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.
- Section 6.02 <u>Successor Issuer Substituted.</u> Upon any consolidation or merger or any conveyance or transfer of the Trust Estate substantially as an entirety in accordance with Section 6.01, the successor corporation formed by such consolidation or into which the Issuer is merged or the Person to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such successor had been named as the Issuer herein. If the supplemental indenture required by Section 6.01 shall contain a grant, conveyance and transfer, in terms sufficient to include and subject to the lien of this Indenture all and singular the properties described in the granting clauses hereof, whereupon such successor may cause to be executed, in its own name or in the name of the Issuer prior to such succession, and delivered to the Trustee for authentication, any Bonds

issuable hereunder; and upon request of such successor, and subject to all the terms of this Indenture, the Trustee shall authenticate and deliver any Bonds that shall have been previously executed and delivered by the Issuer to the Trustee for authentication, and any Bonds that such successor shall thereafter, in accordance with this Indenture, cause to be executed and delivered to the Trustee for such purpose. Such changes in phraseology and form (but not in substance) may be made in such Bonds as may be appropriate in view of such consolidation, merger, conveyance or transfer.

ARTICLE VII

REMEDIES OF THE TRUSTEE AND HOLDERS OF BONDS IN EVENT OF DEFAULT

- Section 7.01 Events of Default. "Event of Default" means, whenever used herein, any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):
 - (1) default in the payment of (i) the principal of and any premium on any Bond at its Stated Maturity or otherwise or (ii) an installment of interest on any Bond at the Stated Maturity for such installment or otherwise; or
 - (2) default in the performance, or breach, of any covenant or agreement on the part of the Issuer contained in this Indenture (other than a covenant or agreement whose performance or observance is dealt with specifically elsewhere in this Section and continuance of such default or breach for a period of thirty (30) days after there has been given, by registered or certified mail, to the Issuer and the Company by the Trustee, or to the Issuer, the Company and the Trustee by the Holders of at least twenty-five percent (25%) in principal amount of Bonds then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; provided that if such default can be cured by the Issuer but cannot be cured within the 30-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such 30-day period and diligently pursued until the default is corrected; provided, however, that if such default or breach shall last longer than ninety (90) days, it shall constitute an Event of Default hereunder; or
 - (3) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Company under the Bankruptcy Code or any other similar applicable federal or state law, and such decree or order shall have continued undischarged and unstayed for a period of ninety (90) days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Company or of the Company's property, or for the winding up or liquidation of the Company's affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of ninety (90) days; or

- (4) the Company shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes; or
- (5) the Maturity of any Note issued under the Master Indenture shall be accelerated unless such acceleration has been rescinded and annulled pursuant to the Master Indenture; or
- (6) receipt by the Trustee of written notice from the Master Trustee that the Notes have been accelerated under the Master Indenture; or
- (7) an "Event of Default" has occurred under any of the Bond Documents as the term "Event of Default" is therein defined.

If any portion of a Loan Payment shall not be paid at the time therein specified, the Trustee shall promptly give telephonic or facsimile notice to any Person that may execute an Officer's Certificate on behalf of the Company of such failure and shall promptly thereafter confirm such notice by telex, facsimile or letter to the other parties to the Bond Documents unless such amount is immediately thereafter paid.

Section 7.02 Acceleration of Maturity; Rescission and Annulment.

- (a) If an Event of Default occurs and is continuing, then and in every such case the Trustee shall, at the direction of the Holders of not less than twenty-five percent (25%) of the principal amount of Bonds Outstanding, give written notice to the Issuer, the Company and the Holders of the Bonds declaring the principal of the Outstanding Bonds to be due and payable immediately. The Trustee having given such notice, the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding.
- (b) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Bonds Outstanding, by written notice to the Issuer and the Trustee, in the case of any acceleration of Maturity of the Bonds, may direct the Trustee to rescind and annul such declaration and its consequences if the Issuer has caused to be paid or deposited with the Trustee a sum sufficient to pay:
 - (1) all overdue installments of interest on all Bonds;

- (2) the principal of and any premium on any Bonds that have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Bonds;
- (3) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel: and
- (4) all Events of Default, other than the nonpayment of the principal of Bonds that have become due solely by such acceleration, have been cured or waived as provided in Section 7.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon. If an Event of Default occurs and is continuing, the Trustee shall be entitled to exercise any right or remedy at law, in equity, by statute or under the Bond Documents in connection therewith.

Section 7.03 <u>Collection of Indebtedness and Suits for Enforcement by Trustee.</u> The Issuer covenants that if:

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

the Issuer will, upon demand of the Trustee, pay (but solely from the Trust Estate and the revenues pledged by this Indenture to such payment) to it, for the benefit of the Holders of such Bonds, the whole amount then due and payable on such Bonds for principal (and premium, if any) and interest, with interest upon the overdue principal (and premium, if any); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Issuer fails to pay any of the foregoing amounts forthwith upon demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Issuer or any other obligor upon the Bonds and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property constituting a part of the Trust Estate of the Issuer or any other obligor upon the Bonds, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may proceed to protect and enforce its rights and the rights of the Holders of Bonds by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 7.04 <u>Trustee May File Proofs of Claim.</u> In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer, the Company or any other obligor upon the Bonds or property of the Issuer, of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer, the Company or such other obligor for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise.

- (i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of Bonds allowed in such judicial proceeding; and
- (ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Bonds to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders of Bonds, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under this Indenture.

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

Section 7.05 Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered to the extent of the obligations then owing to such Persons.

Section 7.06 <u>Application of Money Collected</u>. Any money collected by the Trustee pursuant to this Article and any other sums then held by the Trustee as part of the Trust Estate shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- (a) First: To the payment of all amounts due the Trustee under this Indenture;
- (b) Second: To the payment of the amounts then due and unpaid upon the Bonds, for interest, in respect of which or for the benefit of which such money has been collected, ratably without preference or priority of any kind, according to the amounts due and payable on such Bonds for interest:
- (c) Third: To the payment of the amounts then due and unpaid upon the Bonds, for principal (and premium, if any), in respect of which or for the benefit of which such money has been collected, ratably without preference or priority of any kind, according to the amounts due and payable on such Bonds for principal (and premium, if any); and
 - (d) Fourth: To the Company, any remaining amounts of money so collected.
- Section 7.07 <u>Limitation on Suits</u>. Subject to Section 7.12 hereof, the Holder of any Bond shall have no right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:
- (a) such Holder has previously given written notice to the Trustee of a continuing Event of Default or the Trustee has actual knowledge (or is deemed to have actual knowledge under Section 8.03(h) hereof) of same;
- (b) the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (c) the Holders have furnished to the satisfaction of the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee, for sixty (60) days after its receipt of such notice, request and furnishing of indemnity, has failed to institute any such proceeding; and
- (e) no direction inconsistent with such request during such sixty (60) day period by the Holders of a majority in principal amount of Outstanding Bonds has been received by the Trustee:

it being understood and intended that no one (1) or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Bonds, or to obtain or to seek to obtain priority or preference over any other Holders, to take any action that would affect the validity of the lien of this Indenture on the Trust Estate, or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Bonds to the extent of the amounts then owing to such Persons.

Section 7.08 <u>Unconditional Right of Holders of Bonds to Receive Principal, Premium and Interest.</u> Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and interest on such Bond, but solely from the sources provided in this Indenture,

on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 7.09 <u>Restoration of Rights and Remedies</u>. If the Trustee or any Holder of Bonds has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Holder of Bonds, then and in every such case the Issuer, the Trustee, the Company, and the Holders of Bonds shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders of Bonds shall continue as though no such proceeding had been instituted.

- Section 7.10 <u>Rights and Remedies Cumulative</u>. No right or remedy herein conferred upon or reserved to the Trustee or the Holders of Bonds is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.
- Section 7.11 <u>Delay or Omission Not Waiver</u>. No delay or omission of the Trustee or any Holder of any Bond to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Holders of Bonds may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Holders of Bonds, as the case may be.
- Section 7.12 <u>Control by Holders of Bonds.</u> Subject to Section 8.03(e) hereof, the Holders of a majority in principal amount of the Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that:
 - (i) such direction shall not be in conflict with any rule of law or with this Indenture; and
 - (ii) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.
- Section 7.13 <u>Waiver of Past Defaults</u>. The Holders of a majority in principal amount of the Outstanding Bonds may waive any past default hereunder and its consequences, except:
- (a) a default in the payment of the principal of (or premium, if any) or interest on any Bond; or
- (b) a default in respect of a covenant or provision hereof, which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

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

Section 7.14 <u>Undertaking for Costs</u>. All parties to this Indenture agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder of Bonds, or group of Holders of Bonds, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Holder of Bonds for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on or after the redemption date).

Section 7.15 <u>Waiver of Stay or Extension Laws</u>. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants (to the extent it may lawfully do so) that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 7.16 No Recourse Against Others. No recourse under or upon any obligation, covenant or agreement contained in this Indenture or any indenture supplemental hereto, or in the Agreement, or in any Bond or any Note, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present or future director, officer or employee, as such, of the Issuer, the Company or the Sponsoring Entity or of any successor corporation, either directly or through the Issuer, the Company or the Sponsoring Entity, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Agreement and the Bonds and the Notes are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, directors, officers or employees, as such, of the Issuer, the Company or the Sponsoring Entity or any successor corporation, or any of them, because of the creation of indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in the Agreement or in any of the Bonds or any of the Notes or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, director, officer or employee, as such, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of such Bonds or any of the Notes.

Section 7.17 Expenses Payable under Indenture. All expenses incurred in carrying out this Indenture shall be payable solely from funds derived by the Issuer from the Company. Anything in this Indenture to the contrary notwithstanding, the performance by the Issuer of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and liability of the Issuer for all warranties and other covenants herein shall be limited solely to the money and revenues received from the payments by the Company in respect to the Notes and under the Agreement, and from moneys attributable to the proceeds of Bonds, or the income from the temporary investment thereof, and, to the extent herein or in the Agreement provided, the proceeds of insurance, sale and condemnation awards; and the Issuer shall not be required to effectuate any of its duties, obligations, powers or covenants except from, and to the extent of, such moneys, revenues, proceeds and payments.

Section 7.18 <u>Termination of Default</u>. Once an Event of Default has been cured in accordance with the provisions of this Indenture, such Event of Default will be deemed to no longer exist and the Trustee shall notify the Company in writing that the Event of Default has been cured and all corrective actions under this Indenture shall immediately cease unless or until another Event of Default shall occur.

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 8.01 Duties and Liabilities of Trustee.

- (a) The Trustee accepts and agrees to execute the specific trusts imposed upon it by this Indenture, but only upon the terms and conditions set forth herein, and no implied covenants or obligations shall be read into this Indenture against the Trustee.
- (b) In case any Event of Default (of which a Responsible Officer of the Trustee has actual knowledge or is deemed to have actual knowledge under Section 8.03(h) hereof) has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonably prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.
- (c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:
 - (1) this subsection shall not be construed to limit the effect of subsection (a) of this Section or Section 8.03;
 - (2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;
 - $(3) \qquad \text{the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction given to the Trustee}$

under Section 7.02 of this Indenture or at the direction of the Holders of a majority in aggregate principal amount of Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

- (4) no provision of this Indenture shall require the Trustee to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability or the payment of its fees and expenses is not reasonably assured to it.
- (d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and Sections 8.03 and 8.13.

Section 8.02 Notice of Defaults. Promptly, but no later than thirty (30) days after the occurrence of any default hereunder of which the Trustee has knowledge in accordance with Section 8.03(h) hereof, the Trustee shall transmit by mail to all Holders of Bonds, notice of such default, unless such default shall have been cured or waived or unless corrective action to cure such default has been instituted and is being pursued such that such default does not constitute an Event of Default; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Bonds or in the payment of any sinking or purchase fund installment, the Trustee shall be protected in withholding such notice from the Holders of Bonds if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Bonds; provided, further, that in the case of any default of the character specified in Section 7.01(2) hereof no such notice to Holders of Bonds shall be given until at least thirty (30) days after the occurrence thereof; and provided that in the case of acceleration pursuant to Section 7.02, the Trustee shall give immediate notice as provided therein. For the purpose of this Section, the term "default" means any event that is, or after notice or lapse of time or both would become, an Event of Default.

The Trustee shall mail, first class postage prepaid, to each Rating Service then rating the Bonds notice of any of the following events, whenever:

- (a) the Trustee, pursuant to the Indenture, has resigned or been removed and a successor Trustee has been appointed, such notice to be mailed within ten (10) Business Days after the appointment of such successor Trustee;
- (b) an amendment or supplement to the Bond Documents executed or consented to by the Trustee or of which the Trustee has received written notice is to be entered into, such notice and a copy of such amendment or supplement to such Rating Service to be mailed at least ten (10) Business Days prior to the effective date of such amendment or supplement and within three (3) Business Days after the receipt of such written notice by the Trustee;
- (c) the Trustee either (1) receives a Company Request pursuant to Section 3.02 that directs the Trustee to redeem all the Outstanding Bonds or (2) declares the principal of all

Outstanding Bonds to be immediately due and payable pursuant to Section 7.02, such notice to be mailed within ten (10) Business Days after the receipt of such Company Request (and to specify the redemption date requested thereby) or after such declaration; or

(d) all Bonds shall be deemed to have been paid or defeased as provided in Article X hereof.

Section 8.03 Certain Rights of Trustee.

- (a) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be required to verify the accuracy of any information or calculations required to be included therein or attached thereto:
- (b) Any request or direction of any Person mentioned herein shall be sufficiently evidenced by a Request of such Person; and any resolution of the Governing Body of any Person may be evidenced to the Trustee by a Board Resolution of such Person;
- (c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;
- (d) The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;
- (e) The Trustee shall be under no obligation to exercise any of the discretionary rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Bonds pursuant to the provisions of this Indenture, unless such Holders shall have furnished to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in connection with such request or direction and for the payment of the Trustee's fees in connection therewith:
- (f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney and to take copies of such memoranda from and in regard thereto as reasonably may be desired; provided that the Trustee shall have no obligation to perform any of the duties of the Issuer under this Indenture or of the Company under any of the Bond Documents;

- (g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, but the Trustee shall not be held liable for any negligence or misconduct of any such agent or attorney appointed with due care:
- (h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder unless a Responsible Officer of the Trustee shall be specifically notified of such default in writing by the Issuer or the Company or by the Holder of an Outstanding Bond, and in the absence of such notice the Trustee may conclusively assume that no default exists; provided, however, that the Trustee shall be required to take and be deemed to have notice of its failure to receive the moneys necessary to make payments when due of Debt Service;
- (i) The Trustee shall not be liable for any error of judgment made in good faith by its officers, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts:
- (j) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction of the Holders of the applicable percentage of the Holders of Outstanding Bonds permitted to be given by them under this Indenture;
- (k) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;
- (l) The Trustee may seek the approval of the Holders of the Bonds by any means it deems appropriate and not inconsistent with the terms of this Indenture or the Master Indenture in connection with the giving of any consent or taking of any action in its capacity as holder of any Note;
- (m) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty to take such action;
- (n) The Trustee shall not be required to give any bond or surety in respect of the execution of the trusts and powers established by this Indenture; and
- (o) The Trustee shall not be responsible for monitoring the existence of or determining whether any lien or encumbrance or other charge including, without limitation, any Permitted Encumbrance (as defined in the Deed of Trust), exists against the Project or the Trust Estate or for monitoring, inspecting or overseeing the construction, completion or development of the Project.

Notwithstanding the aforesaid, the Trustee shall be required to pay the Holders of the Bonds at the times required under this Indenture so long as moneys are available therefor in the Trust Estate, subject to the Trustee's rights to compensation and indemnification hereunder.

Section 8.04 Not Responsible for Recitals or Issuance of Bonds. The recitals contained herein and in the Bonds (other than the certificate of authentication on such Bonds) shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the adequacy, sufficiency or perfection of the security afforded thereby or hereby; as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder; as to the validity or sufficiency of this Indenture, the other Bond Documents or of the Bonds; or as to the correctness or sufficiency of any statement made in the offering documents used in connection with the offer or sale of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer or the Company of any of the Bonds or of the proceeds of such Bonds.

Section 8.05 <u>Trustee May Own Bonds</u>. The Trustee or any other agent appointed hereunder, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee or such other agent.

Section 8.06 Moneys to Be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided (including payment of moneys to the Company under Section 10.01), be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder other than such interest as it expressly agrees in writing with the Issuer or the Company to pay.

Section 8.07 <u>Compensation and Expenses of Trustee and Paying Agent.</u> The Issuer agrees, but solely from the Trust Estate and the revenues pledged by this Indenture to such payment,

- (1) to pay to the Trustee, Bond Registrar, Authenticating Agent and Paying Agent from time to time, when due, reasonable compensation for all services rendered by them hereunder, including extraordinary services during the existence of a default, which shall not be limited by any law limiting the compensation of the trustee of an express trust; and
- (2) except as otherwise expressly provided herein, to reimburse the Trustee and the Paying Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee or such Paying Agent in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel and securities or transaction charges to the extent not expressly waived by the Trustee) except any such expense, disbursement or advance as may be attributable to the negligence or bad faith of such Person.

Nothing in this Section 8.07 shall affect or otherwise diminish the obligations of the Company to pay compensation and indemnification to the Trustee in accordance with the Agreement as security for the performance of the obligations of the Issuer under this Section and the obligations of the Company under Sections 4.07(b) and 5.01(h) of the Agreement. As such

security for the performance of the obligations of the Issuer under this Section, the Trustee shall have a lien prior to the Bonds upon all property and funds held or collected by the Trustee as such.

When the Trustee incurs expenses or renders services in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors' rights generally.

Section 8.08 <u>Corporate Trustee Required; Eligibility.</u> There shall at all times be a Trustee hereunder, which shall be organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), subject to supervision or examination by federal or state authority. If the Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 8.09 Resignation and Removal; Appointment of Successor.

- (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Section shall become effective until the acceptance of appointment by the successor Trustee under Section 8.10.
- (b) The Trustee may resign at any time by giving thirty (30) days' written notice thereof to the Issuer and the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.
- (c) The Trustee may be removed at any time (i) by an act of the Holders of a majority in principal amount of the Outstanding Bonds or (ii) by the Company so long as no Event of Default has occurred or no circumstance exists that, with the passage of time, will constitute an Event of Default, in each case delivered to the Trustee and the Issuer.

(d) If at any time:

- (1) the Trustee shall cease to be eligible under Section 8.08 and shall fail to resign after written request by the Issuer or by any such Holder of Bonds, or
- (2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Issuer by an Issuer Request may remove the Trustee and (ii) subject to Section 7.14, any Holder of Bonds who has been a bona fide Holder of a Bond for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

- (e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Issuer, by an Issuer Request, at the direction of the Company, shall promptly appoint a successor Trustee. If, within three (3) months after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Bondholders of a majority in principal amount of the Outstanding Bonds delivered to the Issuer and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer. If no successor Trustee shall have been so appointed by the Issuer or the Holders of Bonds and accepted appointment in the manner hereinafter provided, the Trustee or any Holder of Bonds who has been a bona fide Holder of a Bond for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.
- (f) So long as no default or Event of Default has occurred and is continuing hereunder, the Issuer hereby authorizes the Company to remove the Trustee at any time in the Company's sole discretion and appoint a substitute Trustee and notify the Issuer of such occurrence.
- (g) The Company shall give, or cause to be given, notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first class mail postage prepaid, to the Holders of Bonds at their addresses as shown in the Bond Register. Each notice shall include the name and address of the applicable corporate trust office or payment office of the successor Trustee.
- Section 8.10 <u>Acceptance of Appointment by Successor.</u> Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon the payment of its outstanding charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to the successor Trustee, any and all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

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

Section 8.11 <u>Merger or Consolidation.</u> Any Person into which the Trustee may be merged or with which it may be consolidated, or any Person resulting from any merger or

consolidation to which the Trustee shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee hereunder, provided such Person shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

Section 8.12 <u>Authenticating Agent.</u> There may (and whenever the Trustee shall not maintain an office or agent in each Place of Payment there shall) be an Authenticating Agent appointed by the Trustee with power to act on its behalf and subject to its direction in the authentication and delivery of the Bonds in connection with delivery of Bonds pursuant to Section 2.03 and transfers and exchanges under Sections 2.04, 2.05 and 3.07, as fully to all intents and purposes as though the Authenticating Agent had been expressly authorized by those Sections to authenticate and deliver the Bonds. For all purposes of this Indenture, the authentication and delivery of the Bonds by the Authenticating Agent pursuant to this Section shall be deemed to be the authentication and delivery of the Bonds "by the Trustee."

The Trustee is hereby appointed Authenticating Agent with respect to the Bonds.

Each Authenticating Agent shall at all times be a bank or trust company having an office or agent in a Place of Payment, and shall at all times be organized and doing business under the laws of the United States or of any state with a combined capital and surplus of at least fifty million dollars (\$50,000,000) and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. If the Authenticating Agent publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of the Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any Person into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any Person succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor Person is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, the Issuer and the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Authenticating Agent and shall give written notice of such appointment to the Issuer and the Company.

The Company shall be responsible for the payment of the compensation and fees of the Authenticating Agent. To the extent the Trustee pays such compensation or fees of the Authenticating Agent, the Trustee shall be entitled to be reimbursed for any reasonable compensation paid by the Trustee to the Authenticating Agent for its service subject to Sections 8.03 and 8.07. The provisions of Sections 2.07, 8.03, 8.04 and 8.05 of this Indenture shall be applicable to any Authenticating Agent.

Section 8.13 <u>Trustee Not Liable for Agents.</u> Notwithstanding anything contained herein to the contrary, the Trustee shall not be liable for any failure of the Paying Agent or the Authenticating Agent to perform in accordance with this Indenture any duty required or authorized herein to be performed by such Person or for any other acts or omissions of such Person.

ARTICLE IX

SUPPLEMENTS AND AMENDMENTS

Section 9.01 <u>Supplemental Indentures and Amendatory Agreements Without Consent of Holders of Bonds.</u> So long as no Event of Default has occurred and is continuing, without the consent of (but with prompt written notice thereafter to) the Holders of any Bonds, the Issuer, when authorized by a Board Resolution, and the Trustee at any time upon receipt of Company Consent, may enter into or consent to one or more indentures supplemental hereto or amendments to the Agreement or the Supplemental Master Trust Indenture, subject to Section 9.03 hereof, for any of the following purposes:

- (1) to evidence the succession of another Person to the Issuer or the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer as permitted by this Indenture or the Company as permitted by the Agreement;
- (2) to add to the covenants of the Issuer or the Company for the benefit of the Holders of Bonds, to surrender any right or power herein or therein conferred upon the Issuer or the Company;
- (3) to cure any ambiguity or to correct or supplement any provision herein or therein that may be inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising under this Indenture or the Agreement that shall not be inconsistent with this Indenture, provided such action shall not adversely affect the interests of the Holders of Bonds;
- (4) to modify or supplement this Indenture in such manner as may be necessary to qualify this Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal or state statute or regulation, including provisions whereby the Trustee accepts such powers, duties, conditions and restrictions hereunder and the Issuer or the Company undertakes such covenants, conditions or restrictions additional to those contained in this Indenture as would be necessary or appropriate so to qualify this Indenture; provided, however, that nothing herein contained shall be deemed to authorize inclusion in this Indenture or in any indenture supplemental hereto, provisions referred to

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in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect;

- (5) in connection with any other change herein or therein which, in the judgment of a Management Consultant, a copy of whose report shall be filed with the Trustee, (a) is in the best interest of the Company and (b) does not materially adversely affect the Holder of any Bond; or
- (6) to modify or supplement this Indenture in such manner as may be necessary or appropriate to cause the rating assigned to the Bonds by any Rating Service to maintain an Investment Grade Credit Rating on the Bonds from such Rating Service, provided that such action shall not adversely affect the interests of the Holders of the Bonds.

Section 9.02 <u>Supplemental Indentures and Amendatory Agreements with Consent of Holders of Bonds</u>. With the consent of the Holders of a majority in principal amount of the Outstanding Bonds affected by such supplemental indenture, by an Act of Bondholders delivered to the Issuer, the Company, the Trustee and the Rating Service, the Issuer (or in the event the Issuer is dissolved, terminated or fails to remain a duly constituted authority and instrumentality under the Act, the Company), when authorized by a Board Resolution, and the Trustee may, upon receipt of a Company Consent, enter into or consent to an indenture or indentures supplemental hereto, amendments to the Agreement or the Supplemental Master Trust Indenture (subject to Section 9.03 hereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture, the Agreement and the Supplemental Master Trust Indenture; of modifying in any manner the rights of the Holders of the Bonds under this Indenture, the Agreement and the Supplemental Master Trust Indenture; provided, however, that no such supplemental indenture or amendment shall, without the consent of the Holder of each Bond affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Bonds or any date for mandatory redemption thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Bonds or the interest thereon is payable, or impair or subordinate the lien of this Indenture on the Trust Estate or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date), or
- (2) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for any such supplement or amendment, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture. or
- (3) modify any of the provisions of this Section or Section 7.13, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

It shall not be necessary for any Act of Bondholders under this Section to approve the particular form of any proposed supplement or amendment, but it shall be sufficient if such Act of Bondholders shall approve the substance thereof as presented in written form to the Holders of Bonds.

Section 9.03 Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture and in consenting to any amendment to the Agreement or to any indenture supplemental to this Indenture, the Trustee shall be entitled to receive, and (subject to Section 8.01) shall be fully protected in relying upon, a Favorable Opinion of Bond Counsel and an Opinion of Counsel stating that the execution of supplemental indenture or consent is authorized or permitted by this Indenture, the Agreement and the Supplemental Master Trust Indenture, as the case may be. The Trustee may, but shall not (except to the extent required in the case of a supplemental indenture entered into under Section 9.01(4)) be obligated to, enter into any such supplemental indenture or consent that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise. The Trustee shall not execute any supplemental indenture without the consent of the Company.

Section 9.04 <u>Effect of Supplemental Indentures.</u> Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes, and every Holder of Bonds thereafter or theretofore authenticated and delivered hereunder shall be bound thereby.

Section 9.05 <u>Bonds May Bear Notation of Changes.</u> Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Bonds then Outstanding.

ARTICLE X

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

Section 10.01 <u>Satisfaction and Discharge of Indenture.</u> Whenever the following conditions shall exist, namely:

- (a) all Bonds theretofore authenticated and delivered have been cancelled by the Trustee or delivered to the Trustee for cancellation, excluding, however:
 - (1) Bonds alleged to have been destroyed, lost, or stolen that have been replaced or paid as provided in Section 2.06, except for any such Bond that, prior to the satisfaction and discharge of this Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction;

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- (2) Bonds, other than those referred to in paragraph (1) above, for the payment or redemption of which the Issuer or the Company has deposited or caused to be deposited with the Trustee at the Maturity thereof in trust for such purpose funds (which shall be immediately available for payment) in an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal (and premium, if any) and interest to such Maturity; and
- (3) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Defeasance Obligations or both as described in Section 10.02:
- (b) the Issuer or the Company has paid or caused to be paid all other sums payable by the Issuer or the Company hereunder and under the Agreement; and
- (c) there has been delivered to the Trustee an Opinion of Counsel stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with;

then, upon Issuer Request (which the Issuer shall make upon Company Order), this Indenture and the lien, rights, and interests created hereby shall cease, determine and become null and void (except as to any surviving rights of transfer, exchange or tender of Bonds herein or therein provided for) and the Trustee and each co-trustee and separate trustee, if any, then acting as such hereunder shall, at the expense of the Company, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary (in form and substance satisfactory to the Company) and pay, assign, transfer and deliver to the Company or upon Company Order all cash, securities and other property then held by it hereunder as a part of the Trust Estate.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer and the Company to the Trustee under Section 8.07 shall survive unless otherwise agreed by the Trustee in writing.

Section 10.02 Payment of Bonds.

(a) All of the Bonds shall be deemed to have been paid for purposes of this Indenture if (i) there has been deposited with the Trustee in trust in a segregated account either (A) moneys in an amount or (B) Defeasance Obligations, the principal of and interest on which will, when due, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, (as established by a report of an Independent certified public accountant or accounting firm setting forth the calculations upon which such report is based) provide moneys in an amount, which, together with any moneys deposited with or held by the Trustee at the same time and available for such purpose pursuant to this Indenture, will be sufficient to pay when due and payable the principal, premium, if any, and interest due and payable and to become due and payable on and prior to the respective redemption dates or Maturity dates on all of the Bonds, or (C) a combination of (A) and (B), and (ii) in case any of such Bonds are to be redeemed on any date prior to their Stated Maturity, the Company has given to the Trustee irrevocable written instructions instructing the Trustee to effect the redemption of such Bonds on such date and to give notice of such redemption to Holders prior to said date as provided in

Exhibits A-1 and Exhibit A-2 to this Indenture, and (iii) in the event such Bonds are not to be redeemed within the sixty (60) days next succeeding the date of such deposit with the Trustee, the Company has given irrevocable written instructions to the Trustee to give notice to the Holders of such Bonds advising that the deposit required by clause (i) of this paragraph has been made with the Trustee and that the Bonds are deemed to have been paid in accordance with this Article and stating such Maturity or redemption date or dates upon which money is to be available for the payment of the principal, premium, if any, and interest on such Bonds. The Trustee shall not be required to accept any deposit of Defeasance Obligations pursuant to clause (i)(B) or (i)(C) during the continuance of an Event of Default. For purposes of this Section, Governmental Obligations issued or held in the name of the Trustee in book-entry form on the books of the Department of Treasury of the United States of America shall be deemed to be deposited with the Trustee.

Any Defeasance Obligations deposited with the Trustee pursuant to this Section shall mature on such dates as shall be required for the aforesaid purpose. Such Defeasance Obligations shall not contain provisions permitting the redemption thereof at the option of the issuer thereof.

(b) Any release under this Section shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under this Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts created by this Indenture and the performance of its powers and duties under this Indenture.

Section 10.03 Application of Trust Money. The Defeasance Obligations and money deposited with the Trustee pursuant to Section 10.02 and principal or interest payments on any such Defeasance Obligations shall be held in trust, shall not be sold or reinvested, and shall be applied by it, in accordance with the provisions of the Bonds and this Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Trustee of an Officer's Certificate (accompanied by the report of an Independent certified public accountant or accounting firm setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in Section 10.02(a), any money received from principal or interest payments on Defeasance Obligations deposited with the Trustee or the proceeds of any sale of such Defeasance Obligations, if not then needed for such purpose, shall, upon Company Request, be reinvested in other Defeasance Obligations or disposed of as requested by the Company. For purposes of any calculation required by this Article, any Defeasance Obligation that is subject to redemption at the option of its issuer, the redemption date for which has not been irrevocably established as of the date of such calculation, shall be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer thereof and the principal of such obligation shall be assumed to be received at its Stated Maturity.

ARTICLE XI

MISCELLANEOUS

Section 11.01 <u>Execution in Counterparts.</u> This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Indenture by facsimile or electronic transmission shall be equally as effective as delivery of an original executed counterpart of this Indenture.

Section 11.02 <u>Final Agreement</u>. This written Indenture represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be signed on their behalf by their duly authorized representatives as of the date first written above.

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

By	r:	
•	President, Board of Directors	

TRUST INDENTURE

UMB BANK, N.A. as Trustee, Paying EXHIBIT A-1 Agent, Bond Registrar and Authenticating Agent FORM OF SERIES 2022A BONDS EXCEPT AS MAY OTHERWISE BE PROVIDED HEREIN, THIS BOND OR ANY PORTION HEREOF MAY BE TRANSFERRED ONLY IN MINIMUM By: DENOMINATIONS OF \$5,000 OR ANY INTEGRAL MULTIPLE THEREOF Madelyn Wallace, Vice President ("AUTHORIZED DENOMINATIONS"). Form of Series 2022A Bonds. 1. REGISTERED NO. RA-__ UNITED STATES OF AMERICA STATE OF TEXAS ARLINGTON HIGHER EDUCATION FINANCE CORPORATION EDUCATION REVENUE BOND (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022A **Interest Rate Maturity Date Dated Date** CUSIP NO. May 1, 2022 [__]% Arlington Higher Education Finance Corporation (the "Issuer"), a nonprofit higher education finance corporation organized and existing pursuant to the laws of the State of Texas (the "State"), including Chapter 53 of the Texas Education Code, as amended (the "Act"), and particularly Section 53.35(b) and Section 53.48 thereof, hereby promises to pay to the order of Cede & Co., or its successor in interest, or registered assigns, at the designated payment office of UMB Bank, N.A., initially in Dallas, Texas (the "Place of Payment"), the aggregate principal _] (\$[_) on the Maturity Date set forth above (or earlier as hereinafter provided) and to pay interest thereon, calculated on the basis of a 360-day year of twelve (12) 30-day months at the per annum rate set forth above, from the date of delivery or the most recent Interest Payment Date to which interest has been paid or provided for, provided that such principal and interest are payable solely from the sources and in the manner hereinafter described, and solely as authorized and provided in the Act.

THE OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation or from any source whatsoever except the payments and amounts described in the Indenture, the Note, the Agreement (all as defined herein) and this Bond. The Bonds are special and limited obligations payable solely as provided herein. NONE OF THE CITY OF ARLINGTON, TEXAS, THE STATE NOR A STATE AGENCY, ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE SHALL

Trust Indenture A-1-1

BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, ANY STATE AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

THE PRINCIPAL of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. Amounts due on this Bond shall be paid by check drawn upon by UMB Bank, N.A. (the "Trustee," "Paying Agent" and "Bond Registrar" for this series of Bonds), and mailed to the Owner hereof at its address as it appears on the bond registration books of the Issuer, kept by the Bond Registrar (the "Bond Register") on the last Business Day of the calendar month immediately preceding the month in which such payment date occurs. Upon written request of a registered owner of at least one million dollars (\$1,000,000) in principal amount of Bonds or all of the Bonds, all payments of principal, premium and interest on the Bonds shall be paid by wire transfer at the risk and expense of such registered owner in immediately available funds to an account in the United States designated by such registered owner upon at least fifteen (15) days' prior written notice to the Trustee.

THE INTEREST on this Bond shall be paid on each February 15 and August 15, commencing August 15, 2022 until the principal thereof shall have been paid or provided for.

THIS BOND is one of a series of bonds (the "Bonds") authorized and issued in the aggregate principal amount of \$ for the purpose of loaning the proceeds to TGP Public Schools d/b/a The Gathering Place (the "Company") to be used to: (i) finance, refinance, purchase, construct, renovate and improve educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 (the "Project"), (ii) fund a debt service reserve fund and (iii) pay costs of issuance of the Bonds, under and pursuant to authority conferred by the Act, a resolution adopted by the Governing Body of the Issuer, and a Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Indenture"), by and between the Issuer and the Trustee. The proceeds of the sale of the Bonds will be loaned to the Company pursuant to a Loan Agreement, dated as of May 1, 2022 (the "Agreement"), between the Issuer and the Company, and the Company's obligations under the Agreement are further evidenced by the Company's execution and issuance of a promissory note (the "Note"), dated as of the date of delivery, in an amount equal to the aggregate principal amount of the Bonds. The Note is a "Note" as defined in and is entitled to the security of a Master Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Master Indenture"), as supplemented by Supplemental Master Trust Indenture No. 1, dated as of May 1, 2022 (the "Supplemental Master Trust Indenture"), between the Company on behalf of itself and UMB Bank, N.A., as Master Trustee.

THE TRANSFER of this Bond may be registered by the owner hereof in person or by his attorney or legal representative at the corporate trust office or designated office of the Bond Registrar as set forth in the Indenture, but only in the manner and subject to the limitations and conditions provided in the Indenture and upon surrender and cancellation of this Bond and execution of the Assignment hereon. Upon any such surrender for transfer of the Bond at the office or agency of the Trustee in a Place of Payment, the Issuer shall execute, the Trustee shall authenticate, and the Bond Registrar shall register and deliver, in the name of the designated

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transferee, one or more new Bonds of any Authorized Denomination, of a like aggregate principal amount, maturity and interest rate. The Issuer and the Bond Registrar shall not be required: (1) to issue, transfer or exchange any Bonds during a period beginning at the opening of business fifteen (15) days before the day of mailing a notice of redemption of the Bonds selected for redemption under the Indenture and ending the close of business on the day of such mailing, or (2) to transfer or exchange any Bond selected for redemption in whole or in part.

Subject to the limitations set forth in the Master Indenture, the Company may from time to time issue additional notes authorized by and entitled to the security of the Master Indenture for the purposes set forth in the Master Indenture ("Master Notes"), which shall rank equally and on a parity with the Note and all other Master Notes except as set forth in any supplemental master trust indenture authorizing issuance of any Master Note.

EXCEPT AS hereinafter set forth, the Bonds are not subject to redemption prior to Maturity.

The Bonds are subject to mandatory redemption in part prior to Maturity with funds from the Debt Service Fund, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium, on August 15 in each of the years, and in the principal amounts, respectively, as set forth in the following schedule:

\$	Series 2022A Bon	ds Maturing 20
Mandatory Redemption	n Date	Principal Amount to be
August 15		Mandatorily Redeemed
_		\$
*		
*Final Maturity		
Final Maturity		
\$	Series 2022A Bon	ds Maturing 20
Mandatory Redemption	n Date	Principal Amount to be
August 15		Mandatorily Redeemed
		\$
		Ť
4T' 136 . '.		
*Final Maturity		

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

Optional Redemption. The Bonds maturing on August 15, 20_ and thereafter are subject to optional redemption prior to scheduled Maturity, in whole or in part, at the option of the Company, upon written notice of the exercise of the option to redeem Bonds delivered to the Trustee by the Company at least thirty (30) days prior to the date fixed for redemption but not more than sixty (60) days prior to the date of redemption, on or after each of the optional redemption dates set forth below at the redemption prices equal to the percentage of the principal amount thereof set forth opposite each optional redemption date plus accrued interest to the redemption date:

Optional Redemption Date	Redemption
August 15	Price
-	%
	%
	0/2

Mandatory Redemption Upon Determination of Taxability. The Bonds shall be redeemed in whole prior to Maturity on a date selected by the Company that is not more than one hundred twenty (120) days following receipt by the Trustee of written notice of the occurrence of a Determination of Taxability (as hereinafter defined) at a redemption price equal to one hundred three percent (103%) of the principal amount thereof plus accrued interest to the redemption date.

As used herein, "Determination of Taxability" means a determination that the interest income on any of the Bonds does not qualify as interest excluded from gross income of the recipient thereof for the purpose of federal income taxation ("exempt interest") under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") (in the case of a private activity bond, for a reason other than that a registered owner is or a former registered owner was a substantial user within the meaning of Section 147 of the Code), which determination shall be deemed to have been made upon the first to occur of any of the following: (a) the date on which the Trustee is notified that an opinion of counsel is unable to be delivered to the effect that the interest on the Bonds qualifies as such exempt interest; or (b) the date on which the Trustee is notified by or on behalf of the Issuer that a change in law or regulation has become effective or that the Internal Revenue Service has issued any public or private ruling, technical advice memorandum or any other written communication or that there has occurred a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Bonds does not qualify as such exempt interest; or (c) the date on which the Company shall receive notice from the Trustee in writing that the Trustee has been notified by the Internal Revenue Service, or has been advised by the Issuer, the Company or any owner or former owner of a Bond

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that the Internal Revenue Service has issued a notice of deficiency or similar notice that asserts that the interest on any of the Bonds does not qualify as such exempt interest.

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

IF LESS THAN ALL of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be redeemed by the Trustee in accordance with the written direction of the Company; provided, however, that portions of Bonds shall be redeemed in Authorized Denominations and that no redemption shall result in a Bond being held in less than an Authorized Denomination.

IN CASE PART, but not all, of this Bond shall be selected for redemption, the owner hereof or his attorney or legal representative shall present and surrender this Bond to the Trustee for payment of the redemption price, and the Issuer shall cause to be executed, authenticated and delivered to or upon the order of such owner or his attorney or legal representative, without charge therefor, in exchange for the unredeemed portion of the principal amount of this Bond so surrendered, a Bond of the same maturity and bearing interest at the same rate.

AT LEAST thirty (30) days prior to the date fixed for any redemption of the Bonds but not more than sixty (60) days prior to any redemption date, the Trustee shall cause a written notice of such redemption to be mailed by first class mail, postage prepaid, to each Holder of the Bonds to be redeemed, at the address appearing on the Bond Register on the date such notice is mailed by the Trustee. Any notice mailed as provided herein shall be conclusively presumed to have been given, irrespective of whether or not received. By the date fixed for any such redemption, due provision shall be made with the Trustee and the Paying Agent for the payment of the principal amount of the Bonds being redeemed, premium, if any, and interest accrued hereon. If such written notice of redemption is made, due provision for payment of the redemption price is made and all conditions to the redemption have been fulfilled, all as provided above and in the Indenture, the Bonds that are to be redeemed shall become due and payable at the redemption price and from and after such date shall cease to bear interest. If any Bond shall not be paid upon the surrender thereof for redemption, the principal shall, until paid, bear interest at the rate borne by this Bond.

IF THE DATE for any such payment on this Bond shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than a moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

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IT IS HEREBY CERTIFIED AND COVENANTED that this Bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, exist and been done in accordance with law; that this Bond is a special limited revenue obligation of the Issuer, and that the principal of, premium, if any, and interest on this Bond are payable from and secured by a lien on and pledge of the payments designated as Loan Payments (the "Loan Payments") to be paid, or caused to be paid, to the Trustee, pursuant to the Master Indenture, the Supplemental Master Trust Indenture and the Agreement, as evidenced by the Note, and by an assignment by the Issuer to the Trustee of the Note to evidence the Company's obligations to make Loan Payments under the Master Indenture, the Supplemental Master Trust Indenture and the Agreement to the Trustee. The Company is unconditionally obligated (subject only to the provisions of the Agreement relating to merger, consolidation and transfer of assets) to the Issuer and the Trustee to pay, or cause to be paid, without set off, recoupment or counterclaim, to the Trustee each Loan Payment for deposit into the Debt Service Fund created for the benefit of the owners of the Bonds by the Indenture, in aggregate amounts sufficient to pay and redeem, and provide for the payment and redemption of, the principal of, premium, if any, and interest on the Bonds, when due, and to make certain other deposits as required by the Indenture, subject to and as required by the provisions of the Agreement, the Note and the Indenture.

THE BONDS are secured by the Indenture whereunder the Trustee is custodian of the Debt Service Fund and is obligated to enforce the rights of the owners of the Bonds and to perform other duties in the manner and under the conditions stated in the Indenture. In case an "Event of Default," as defined in the Indenture, shall occur, the principal of the Bonds then Outstanding may be declared to be due and payable immediately upon the conditions and in the manner provided in the Indenture. The Trustee shall, upon written request of the owners of a majority in principal amount of the Bonds then Outstanding, waive, as permitted by the Indenture, any Event of Default and its consequences except a default in the payment of the principal of (or premium, if any) or interest on any Bond or a default in respect of a covenant or provision of the Indenture that under the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected. The Holder of this Bond shall have no right to institute any action, suit or proceeding at law or in equity to enforce the Indenture except as provided in the Indenture; provided that nothing in the Indenture shall affect or impair the rights of the owner hereof to enforce the payment of the principal of, premium, if any, and interest on this Bond from the source and in the manner herein expressed. Reference is hereby made to the Indenture for additional provisions with respect to the nature and extent of the security for the Bonds; the rights, duties and obligations of the Company, the Issuer, the Trustee and the Holders of the Bonds; the terms upon which the Bonds are issued and secured; and the modification of any of the foregoing.

THE ISSUER has reserved the right to amend the Indenture, as provided therein; and, under some (but not all) circumstances, amendments thereto must be approved by the owners of a majority in aggregate principal amount of the Outstanding Bonds.

[To appear on Initial Series 2022A Bond only]

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture until the certificate of registration hereon shall have been manually executed A-1-6

by the Comptroller of Public Accounts of the State of Texas (or his duly authorized deputy), as provided by the Indenture.

[To appear on each exchange or replacement Bond]

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture until the certificate of authentication hereon shall have been executed by the Trustee.

IN WITNESS WHEREOF, Arlington Higher Education Finance Corporation has caused this Bond to be executed with the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above.

	ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
	By:President, Board of Directors
ATTEST:	
By:Secretary, Board of Directors	

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2. Form of Trustee's Certificate of Authentication.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of the within mentioned Indenture, which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

UMB BANK, N.A., as Trustee

	By:Authorized Signature
Date of authentication:	

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Form of Assignment.

ASSIGNMENT

For value received, the undersigned hereby sells, a	assigns and transfers unto
Please insert Social Security or Taxpayer Identific	eation number of Transferee
(Please print or typewrite name and address, include	ling zip code of Transferee)
the within Bond and all rights thereunder, and her register the transfer of the within Bond on the boo	
register the transfer of the within Bond on the boo of substitution in the premises.	ks kept for registration thereof, with full power
Dated:	_
Signature Guaranteed:	_
NOTICE C' ()	NOTICE
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock	NOTICE: The signature to this assignment must correspond with the name as it appears
Exchange or a commercial bank or trust	upon the face of this Bond in every particular,
company that is a medallion guarantor. The assignor's signature to this assignment must	without alteration or enlargement or any change whatsoever.
correspond with the name as it appears upon the face of the within Bond in every	
particular, without alteration or any change	

4. <u>Initial Series 2022A Bond.</u>

whatsoever.

The initial Series 2022A Bond shall be in the form set forth in "Form of Series 2022A Bonds" above except for the following alterations:

- (a) the Initial Series 2022A Bond shall be numbered IA-1 and shall be payable to the initial purchaser of the Series 2022A Bonds instead of to Cede & Co.;
- (b) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP" deleted; and
- (c) in the first paragraph of the initial Series 2022A Bond, the words "on the Maturity Date set forth above (or earlier as hereinafter provided)" and "at the per annum rate set forth above" shall be deleted and the following shall be inserted after paid or provided for "..., with A-1-10

such principal to be paid in installments on August 15 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:"

Year of Maturity	Amount	Interest Rate
Form of Comptroller's Registrat		4 1 2 1 5 2 222
Form of Comptroller's Registrat only.	non Certificate to appea	r on the Initial Series 2022
	ATION CERTIFICAT LER OF PUBLIC ACC	
FFICE OF COMPTROLLER	8 8 8	REGISTER NO.
ΓATE OF TEXAS	§ §	REGISTER NO.
		it this Bond has been regis
	he State of Texas.	-
pproved by the Attorney General of the Comptroller of Public Accounts of the WITNESS my signature and sea	the State of Texas.	er of Public Accounts
e Comptroller of Public Accounts of t WITNESS my signature and sea	the State of Texas. If this	er of Public Accounts
e Comptroller of Public Accounts of t WITNESS my signature and sea	the State of Texas. If this	er of Public Accounts
e Comptroller of Public Accounts of t WITNESS my signature and sea	the State of Texas. If this	er of Public Accounts
e Comptroller of Public Accounts of t	the State of Texas. If this	er of Public Accounts
e Comptroller of Public Accounts of t WITNESS my signature and sea	the State of Texas. If this	er of Public Accounts

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EXHIBIT A-2

FORM OF SERIES 2022B BONDS

EXCEPT AS MAY OTHERWISE BE PROVIDED HEREIN, THIS BOND OR ANY PORTION HEREOF MAY BE TRANSFERRED ONLY IN MINIMUM DENOMINATIONS OF \$5,000 OR ANY INTEGRAL MULTIPLE THEREOF \$5,000 ("AUTHORIZED DENOMINATIONS").

Form of Series 2022B Bonds.

Interest Rate

	REGISTERED
NO. RB	\$[]

UNITED STATES OF AMERICA
STATE OF TEXAS
ARLINGTON HIGHER EDUCATION FINANCE CORPORATION
TAXABLE EDUCATION REVENUE BOND (TGP PUBLIC SCHOOLS D/B/A THE
GATHERING PLACE)
SERIES 2022B

Dated Date

CUSIP NO.

Maturity Date

	[]70	LJ	May 1, 202	2		
	Arlington Higher Edu	cation Finance	Corporation (the	"Issuer"),	a nonprofit hig	her
education	on finance corporation	organized and e	xisting pursuant to	the laws o	f the State of Te	xas
(the "St	tate"), including Chapte	er 53 of the Tex	as Education Code	, as amend	led (the "Act"), a	and
particul	arly Section 53.35(b) a	nd Section 53.4	8 thereof, hereby p	romises to	pay to the order	r of
Cede &	Co., or its successor in	interest, or regi	stered assigns, at th	e designate	d payment office	e of
	Bank, N.A., initially in			_	1 *	
amount	of [,	1 ([1) on the	Maturity Date	set
	ove (or earlier as herein				•	
	0-day year of twelve (1		1 *	-		
	delivery or the most r	,	1		,	
	d for; provided that suc		•			

THE OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation or from any source whatsoever except the payments and amounts described in the Indenture, the Note, the Agreement (all as defined herein) and this Bond. The Bonds are special and limited obligations payable solely as provided herein. NONE OF THE CITY OF ARLINGTON, TEXAS, THE STATE NOR A STATE AGENCY, ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON AND NEITHER

the manner hereinafter described, and solely as authorized and provided in the Act.

THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, ANY STATE AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

THE PRINCIPAL of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. Amounts due on this Bond shall be paid by check drawn upon by UMB Bank, N.A. (the "Trustee," "Paying Agent" and "Bond Registrar" for this series of Bonds) and mailed to the Owner hereof at its address as it appears on the bond registration books of the Issuer, kept by the Bond Registrar (the "Bond Register") on the last Business Day of the calendar month immediately preceding the month in which such payment date occurs. Upon written request of a registered owner of at least one million dollars (\$1,000,000) in principal amount of Bonds or all of the Bonds, all payments of principal, premium and interest on the Bonds shall be paid by wire transfer at the risk and expense of such registered owner in immediately available funds to an account in the United States designated by such registered owner upon at least fifteen (15) days' prior written notice to the Trustee.

THE INTEREST on this Bond shall be paid on each February 15 and August 15, commencing August 15, 2022, until the principal thereof shall have been paid or provided for.

THIS BOND is one of a series of bonds (the "Bonds") authorized and issued in the for the purpose of providing funds to be loaned by the aggregate principal amount of \$ Issuer to TGP Public Schools d/b/a The Gathering Place (the "Company"), to pay a portion of the costs of issuance of the Bonds and fund a portion of the debt service reserve fund, under and pursuant to authority conferred by the Act, a resolution adopted by the Governing Body of the Issuer, and a Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Indenture"), by and between the Issuer and the Trustee. The proceeds of the sale of the Bonds will be loaned to the Company pursuant to a Loan Agreement, dated as of May 1, 2022 (the "Agreement"), between the Issuer and the Company, and the Company's obligations under the Agreement are further evidenced by the Company's execution and issuance of a taxable promissory note (the "Note"), dated as of the date of delivery, in an amount equal to the aggregate principal amount of the Bonds. The Note is a "Note" as defined in and is entitled to the security of a Master Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Master Indenture"), as supplemented by Supplemental Master Trust Indenture No. 1, dated as of May 1, 2022 (the "Supplemental Master Trust Indenture"), between the Company on behalf of itself and UMB Bank, N.A., as Master Trustee.

THE TRANSFER of this Bond may be registered by the owner hereof in person or by his attorney or legal representative at the corporate trust office or designated office of the Bond Registrar as set forth in the Indenture, but only in the manner and subject to the limitations and conditions provided in the Indenture and upon surrender and cancellation of this Bond and execution of the Assignment hereon. Upon any such surrender for transfer of the Bond at the office or agency of the Trustee in a Place of Payment, the Issuer shall execute, the Trustee shall authenticate, and the Bond Registrar shall register and deliver, in the name of the designated transferee, one or more new Bonds of any Authorized Denomination, of a like aggregate principal amount, maturity and interest rate. The Issuer and the Bond Registrar shall not be required: (1) to issue, transfer or exchange any Bonds during a period beginning at the opening of business fifteen

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(15) days before the day of mailing a notice of redemption of the Bonds selected for redemption under the Indenture and ending the close of business on the day of such mailing, or (2) to transfer or exchange any Bond selected for redemption in whole or in part.

Subject to the limitations set forth in the Master Indenture, the Company may from time to time issue additional notes authorized by and entitled to the security of the Master Indenture for the purposes set forth in the Master Indenture ("Master Notes"), which shall rank equally and on a parity with the Note and all other Master Notes except as set forth in any supplemental master trust indenture authorizing issuance of any Master Note.

EXCEPT AS hereinafter set forth, the Bonds are not subject to redemption prior to Maturity.

The Bonds are subject to mandatory redemption in part prior to Maturity with funds from the Debt Service Fund, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium, on August 15 in each of the years, and in the principal amounts, respectively, as set forth in the following schedule:

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

Optional Redemption. The Bonds are not subject to optional redemption prior to scheduled maturity.

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

part, after reconstruction, repair or replacement of the Project in accordance with the terms of the Agreement, from excess insurance or condemnation proceeds transferred from the Construction Fund to the Debt Service Fund for such purpose.

IF LESS THAN ALL of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be redeemed by the Trustee in accordance with the written direction of the Company; provided, however, that portions of Bonds shall be redeemed in Authorized Denominations and that no redemption shall result in a Bond being held in less than an Authorized Denomination.

IN CASE PART, but not all, of this Bond shall be selected for redemption, the owner hereof or his attorney or legal representative shall present and surrender this Bond to the Trustee for payment of the redemption price, and the Issuer shall cause to be executed, authenticated and delivered to or upon the order of such owner or his attorney or legal representative, without charge therefor, in exchange for the unredeemed portion of the principal amount of this Bond so surrendered, a Bond of the same maturity and bearing interest at the same rate.

AT LEAST thirty (30) days prior to the date fixed for any redemption of the Bonds but not more than sixty (60) days prior to any redemption date, the Trustee shall cause a written notice of such redemption to be mailed by first class mail, postage prepaid, to each Holder of the Bonds to be redeemed, at the address appearing on the Bond Register on the date such notice is mailed by the Trustee. Any notice mailed as provided herein shall be conclusively presumed to have been given, irrespective of whether or not received. By the date fixed for any such redemption, due provision shall be made with the Trustee and the Paying Agent for the payment of the principal amount of the Bonds being redeemed, premium, if any, and interest accrued hereon. If such written notice of redemption is made, due provision for payment of the redemption price is made and all conditions to the redemption have been fulfilled, all as provided above and in the Indenture, the Bonds that are to be redeemed shall become due and payable at the redemption price and from and after such date shall cease to bear interest. If any Bond shall not be paid upon the surrender thereof for redemption, the principal shall, until paid, bear interest at the rate borne by this Bond.

IF THE DATE for any such payment on this Bond shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than a moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

IT IS HEREBY CERTIFIED AND COVENANTED that this Bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, exist and been done in accordance with law; that this Bond is a special limited revenue obligation of the Issuer, and that the principal of, premium, if any, and interest on this Bond are payable from and secured by a lien on and pledge of the payments designated as Loan Payments (the "Loan Payments") to be paid, or caused to be paid, to the Trustee, pursuant to the Master Indenture, the Supplemental Master Trust Indenture and the Agreement, as evidenced by the Note, and by an assignment by the Issuer to the Trustee of the Note to evidence the Company's obligations to make Loan Payments under the Master Indenture, the Supplemental

Master Trust Indenture and the Agreement to the Trustee. The Company is unconditionally obligated (subject only to the provisions of the Agreement relating to merger, consolidation and transfer of assets) to the Issuer and the Trustee to pay, or cause to be paid, without set off, recoupment or counterclaim, to the Trustee each Loan Payment for deposit into the Debt Service Fund created for the benefit of the owners of the Bonds by the Indenture, in aggregate amounts sufficient to pay and redeem, and provide for the payment and redemption of, the principal of, premium, if any, and interest on the Bonds, when due, and to make certain other deposits as required by the Indenture, subject to and as required by the provisions of the Agreement, the Note and the Indenture.

THE BONDS are secured by the Indenture whereunder the Trustee is custodian of the Debt Service Fund and is obligated to enforce the rights of the owners of the Bonds and to perform other duties in the manner and under the conditions stated in the Indenture. In case an "Event of Default," as defined in the Indenture, shall occur, the principal of the Bonds then Outstanding may be declared to be due and payable immediately upon the conditions and in the manner provided in the Indenture. The Trustee shall, upon written request of the owners of a majority in principal amount of the Bonds then Outstanding, waive, as permitted by the Indenture, any Event of Default and its consequences except a default in the payment of the principal of (or premium, if any) or interest on any Bond or a default in respect of a covenant or provision of the Indenture that under the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected. The Holder of this Bond shall have no right to institute any action, suit or proceeding at law or in equity to enforce the Indenture except as provided in the Indenture; provided that nothing in the Indenture shall affect or impair the rights of the owner hereof to enforce the payment of the principal of, premium, if any, and interest on this Bond from the source and in the manner herein expressed. Reference is hereby made to the Indenture for additional provisions with respect to the nature and extent of the security for the Bonds; the rights, duties and obligations of the Company, the Issuer, the Trustee and the Holders of the Bonds; the terms upon which the Bonds are issued and secured; and the modification of any of the foregoing.

THE ISSUER has reserved the right to amend the Indenture, as provided therein; and, under some (but not all) circumstances, amendments thereto must be approved by the owners of a majority in aggregate principal amount of the Outstanding Bonds.

[To appear on Initial Series 2022B Bond only]

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture until the certificate of registration hereon shall have been manually executed by the Comptroller of Public Accounts of the State of Texas (or his duly authorized deputy), as provided by the Indenture.

[To appear on each exchange or replacement Bond]

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture until the certificate of authentication hereon shall have been executed by the Trustee.

this Bond to be executed with the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above. ARLINGTON HIGHER EDUCATION

IN WITNESS WHEREOF, Arlington Higher Education Finance Corporation has caused

FINANCE CORPORATION

	By:	
	President, Board of Directors	
ATTEST:		
By: Secretary, Board of Directors		

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2. Form of Trustee's Certificate of Authentication.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of the within mentioned Indenture, which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

UMB BANK, N.A., as Trustee

	By: Authorized Signature	
Date of authentication:		

3. Form of Assignment.

ASSIGNMENT

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company that is a medallion guarantor. The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatsoever.

4. <u>Initial Series 2022B Bond.</u>

The Initial Bond shall be in the form set forth in "Form of Series 2022B Bonds" above except for the following alterations:

- (a) the Initial Bond shall be numbered IB-1 and shall be payable to the initial purchaser of the Series 2022B Bonds instead of to Cede & Co.; and
- (b) immediately under the name of the Bond, the word "CUSIP" shall be deleted.
 - 5. Form of Comptroller's Registration Certificate to appear on the Initial Series 2022B Bond only.

A-2-7

A-2-8

REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF COMPTROLLER	§ REGISTER NO.
STATE OF TEXAS	§ REGISTER NO
	has been examined, certified as to validity, and of Texas, and that this Bond has been registered by e of Texas.
WITTEDS my signature and sear this _	
	Comptroller of Public Accounts of the State of Texas
(COMPTROLLER'S SEAL)	

EXHIBIT B

FORM OF REQUISITION CERTIFICATE

Company Request No.: _____

UMB Bank, N.A., as Trustee 5910 N. Central Expressway, Suite 1900 Dallas, Texas 75206

Attention: Madelyn Wallace

Re: Disbursement from [Construction] [Proceeds] Fund

Ladies and Gentlemen:

This Requisition is provided to you pursuant to Section [4.05] [4.02] of the Trust Indenture and Security Agreement, dated as of May 1, 2022 (the "Indenture"), between the Arlington Higher Education Finance Corporation (the "Issuer") and you, as Trustee. The capitalized terms used in this Requisition have the same meanings given such terms in the Indenture or the Loan Agreement, dated as of May 1, 2022 (the "Loan Agreement"), between the Issuer and TGP Public Schools d/b/a The Gathering Place (the "Company").

On behalf of the Company, the undersigned hereby certifies as follows:

- (i) There has been expended, or is being expended concurrently with the delivery of this certificate, on account of [Project Costs, as defined in the Loan Agreement] [Cost of Issuances as defined in the Loan Agreement] [casualty or condemnation costs permitted under Section 3.06 of the Loan Agreement] an amount at least equal to the amount requisitioned below for disbursement;
- (ii) No Event of Default under the Indenture or the Loan Agreement has occurred and is continuing;
- (iii) No other Requisition in respect of the expenditures set forth in clause (i) above is being or has previously been delivered to the Trustee;
- (iv) The portion of the amount of the proceeds of the Series 2022A Bonds requested that will be used to pay Costs of Issuance plus all previous amounts requested for Costs of Issuance does not exceed two percent (2%) of the proceeds of the Bonds deposited into the Proceeds Fund;]

A-2-9

[(v) The portion of the amount representing Proceeds of the Series 2022A Bonds requested to pay Project Costs that are Qualifying Costs (as such term is defined in Section 5.03 of the Loan Agreement) plus all previous amounts requested for Project Costs that are Qualifying Costs is not less than ninety-five percent (95%) of the Net Proceeds of the Bonds deposited into the Construction Fund requested to date;]
[(vi) [The Project Costs subject to this Requisition are described in Section 4.05(c) of the Indenture][The Company has provided the Trustee the Officer's Certificate described in the second paragraph of Section 3.02(a) of the Loan Agreement, and as such the limitations of Section 4.05(cd) of the Indenture no longer apply].]
[You are hereby directed to pay the amount of \$ from the Reimbursemer Account of the Construction Fund to the Company in the amounts and to the parties as set forth it the attached schedule.]
[You are hereby directed to pay the amount of \$ from the Project Account of the Construction Fund in the amount as set forth in the attached schedule.*]
[You are hereby directed to pay the amount of \$ from the Costs of Issuance Account of the Construction Fund in the amounts and to the parties as set forth in the attache schedule. Such amount, in addition to amounts previously paid from the Costs of Issuance Account of the Construction Fund pursuant to the terms of this Indenture does not excee \$]
[You are hereby directed to pay the amount of \$ from the Insurance Proceed Account of the Proceeds Fund in the amounts and to the parties as set forth in the attache schedule.*]
With respect to this Requisition Certificate, the Company (i) certifies it has reviewed an wire instructions set forth herein to confirm such wire instructions are accurate, (ii) agrees t indemnify and hold harmless the Trustee from and against any and all claims, demands, losses liability, or expenses sustained in connection therewith, including but not limited to attorney fee and expenses resulting directly or indirectly as a result of making any disbursement requeste hereunder, and (iii) agrees it will not seek recourse from the Trustee as a result of losses incurre by it for making any disbursement in accordance with the Company's instructions herein.
TGP Public Schools d/b/a The Gathering Place
By:Authorized Representative

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APPENDIX H

SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT



LOAN AGREEMENT

between

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

and

TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE

Relating to

\$

ARLINGTON HIGHER EDÜCATION FINANCE CORPORATION EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022A

and

\$

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION TAXABLE EDUCATION REVENUE BONDS (TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE) SERIES 2022B

Dated as of

May 1, 2022

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Exhibit A - Description of Project

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this "<u>Agreement</u>"), dated as of May 1, 2022, is between the Arlington Higher Education Finance Corporation, a nonprofit corporation created and existing under the Act (the "<u>Issuer</u>"), and TGP Public Schools d/b/a The Gathering Place, a Texas nonprofit corporation (the "Company").

WITNESSETH:

WHEREAS, the City of Arlington, Texas (the "Sponsoring Entity"), a political subdivision of the State, has, pursuant to Chapters 53 and 53A, Texas Education Code, as amended (the "Act"), and particularly Section 53.35(b) and Section 53A.35(b) thereof, approved and created the Issuer as a nonstock, nonprofit corporation;

WHEREAS, the Issuer is a duly constituted authority and instrumentality (within the meaning of those terms in the Regulations of the Department of the Treasury and the rulings of the Internal Revenue Service (the "IRS") prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended);

WHEREAS, the Issuer, on behalf of the Sponsoring Entity, is empowered to issue its revenue bonds in order to acquire by purchase, purchase contract or lease, or to construct, enlarge, extend, repair, renovate or otherwise improve, educational facilities, and to refinance any educational facility acquired, constructed or improved, and for the purpose of aiding authorized charter schools in providing educational facilities and facilities incidental, subordinate or related thereto or appropriate in connection therewith;

WHEREAS, in furtherance of the purposes of the Act, the Issuer proposes to issue its \$______ Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022A (the "Series 2022A Bonds") and its \$_____ Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Bonds"), the proceeds of which will be loaned to the Company pursuant to this Agreement to be used to: (i) finance, refinance, purchase, construct, renovate, improve and equip educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238 (the "Project"), (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds;

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the Issuer has entered into the Trust Indenture and Security Agreement (the "<u>Indenture</u>"), dated as of May 1, 2022, between the Issuer and UMB Bank, N.A. as trustee (in such capacity, the "<u>Trustee</u>"), for the purposes of effecting the issuance of the Bonds, furthering the public purposes of the Act and securing to the Holders of the Bonds the payment of the Bonds;

WHEREAS, the Company is a party to that certain Master Trust Indenture and Security Agreement (the "<u>Master Indenture</u>"), dated as of May 1, 2022, between the Company, on behalf of itself, and UMB Bank, N.A., as Master Trustee (the "<u>Master Trustee</u>"), as supplemented by the Supplemental Master Trust Indenture No. 1 (the "<u>Supplemental Master Trust Indenture</u>"), dated as of May 1, 2022, between the Company and the Master Trustee, which secures payment of certain Debt (as defined in the Master Indenture) of the Company, including the Series 2022A Note and the Series 2022B Note (as hereinafter defined), which evidences the Loan made hereby (the "<u>Loan</u>");

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WHEREAS, the Issuer shall issue the Bonds in order to loan the proceeds thereof pursuant to this Agreement to the Company and the Company agrees to repay the Loan on the terms set forth herein:

WHEREAS, pursuant to the provisions of this Agreement, the Company is executing and delivering to the Issuer the Series 2022A Note and the Series 2022B Note to evidence the loan of the proceeds of the Series 2022A Bonds and the Series 2022B Bonds, respectively, to the Company and the obligation of the Company under this Agreement to repay the same, and each such note is a "Master Note" under the Master Indenture; and

WHEREAS, pursuant to the provisions of this Agreement, the Issuer is collaterally assigning to the Trustee all of the Issuer's right, title and interest in the Series 2022A Note, the Series 2022B Note and the Loan Payments (as hereinafter defined) to be made by the Company pursuant to this Agreement;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits, covenants and agreements set forth below, the parties agree as follows:

ARTICLE I.

DEFINITIONS AND INTERPRETATIONS

1.01 Construction of Terms: Definitions.

- (a) For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:
 - (i) "Agreement" means this instrument as originally executed or as it may from time to time be supplemented or amended by one (1) or more agreements supplemental hereto entered into pursuant to the applicable provisions hereof.
 - (ii) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.
 - (iii) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular. The terms used herein but defined in the Indenture and the Master Indenture and not defined herein have the meanings assigned to them in the Indenture and the Master Indenture. Reference to any Bond Document means that Bond Document as amended or supplemented from time to time. Reference to any party to a Bond Document means that party and its permitted successors and assigns.

- (iv) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.
- (b) The following terms have the meanings assigned to them below whenever they are used in this Agreement:

"Additions" means any and all real or personal property or any interest therein wherever located or used (i) that is desirable in the business of the Company; (ii) the cost of construction, acquisition or development of which is properly chargeable to the property accounts of the Company, in accordance with generally accepted accounting principles; and (iii) that is deemed for federal income tax purposes to be owned by the Company.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Bond Counsel" means Schulman, Lopez, Hoffer & Adelstein, LLP, or such other attorney or firm of attorneys nationally recognized in the practice of tax-exempt municipal finance law as approved by the Company.

"Bond Documents" means the Indenture, this Agreement, the Bonds, the Master Indenture, the Supplemental Master Trust Indenture, the Master Notes, the Deed of Trust, the Bond Purchase Agreement, the Deposit Account Control Agreement and all other agreements, documents and instruments ever delivered pursuant to any of the foregoing and any and all future renewals and extensions or restatements of any of the foregoing.

"Bond Year" has the meaning set forth in Section 5.03 herein.

"Capital Expenditures" means, as of the date of determination thereof, the aggregate of the costs paid (otherwise than by incurring or acquiring Property subject to purchase money obligations) prior to such date by the Company in connection with the construction, acquisition or development of the Project or Additions, as the case may be, and properly chargeable to the property accounts of the owner thereof in accordance with generally accepted accounting principles and so charged, including, without limitation, payments made for labor, salaries, overhead, materials, interest, taxes, engineering, accounting, legal expenses, superintendence, insurance, casualty liabilities, rentals, start-up expenses, financing charges and expenses and all other items (other than operating or maintenance expenses) in connection with such construction, acquisition or development and so properly chargeable and, in the case of Capital Expenditures for Additions consisting of an acquired facility, including the cost of any franchises, rights or property, other than Additions, acquired as a part of such going business for which no separate or distinct consideration shall have been paid or apportioned.

"Claims" means all claims, investigations, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action or impleader) or otherwise involving any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action or other legal action or proceeding is alleged or determined, directly or indirectly, to arise out of, to result from, to relate to or to be based upon, in whole or in part: (a) the issuance of the Bonds, (b) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the issuance of the Bonds, the obligations of the various parties arising under the Bond Documents or the administration of any of the Bond Documents or (c) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Project or any part thereof.

"Closing Date" means the date of closing of the issuance of the Bonds.

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

"Computation Date" has the meaning set forth in Section 5.03 herein.

"Construction Consultant" means a construction Consultant, designated by the Company, for any Participating Campus.

"Consultant" means a firm (and not an individual) which (a) is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of the Company or any Affiliate thereof, and (b) is a firm having the skill and experience necessary to render the particular report required by the provision of this Agreement in which such requirement appears.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of April , 2022 between the Company and the Dissemination Agent.

"Days Cash on Hand" means, as of any date of determination, the product obtained by multiplying three hundred and sixty-five (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 Company (less cash restricted for debt service on Debt of the Company) as reported in the Company's most recent audited financial statements, by (b) the total Expenses of the Company plus interest expense on Debt, in each case for the prior Fiscal Year.

"Debt" has the meaning assigned to such term in the Master Indenture.

"<u>Debt Service Coverage Ratio</u>" has the meaning assigned to such term in in the Master Indenture.

"<u>Debt Service Reserve Fund</u>" means the special trust fund created pursuant to Section 5.01 of the Supplemental Master Trust Indenture.

"Dissemination Agent" means Digital Assurance Corporation, LLC.

"EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

"Extraordinary Optional Redemption" means an Extraordinary Optional Redemption, as described in Exhibit A-1 and Exhibit A-2 of the Indenture.

"Favorable Opinion of Bond Counsel" means, with respect to any action the taking of which requires such opinion, an unqualified opinion of Bond Counsel, delivered to and in form and substance satisfactory to the Issuer and addressed to the Issuer and the Trustee on behalf of the Bondholders to the effect that such action is permitted under the laws of the State (including the Act), the Code and the Indenture and will not adversely affect the exclusion of interest on the Series 2022A Bonds from gross income for purposes of federal income taxation.

"Fiscal Year" means any twelve-month period beginning on July 1 of any calendar year and ending on June 30 of the following year or such other twelve-month period selected by the Company as the fiscal year for the Company; provided that the Company shall give written notice of any such change to the Issuer and the Trustee.

"<u>Highest Lawful Rate</u>" means the maximum rate of nonusurious interest (determined as provided in this Agreement) applicable to each loan made to the Company under this Agreement allowed from time to time by applicable law as is now in effect or, to the extent allowed by applicable law, such higher rate as may hereafter be in effect.

"Indenture" means the Trust Indenture and Security Agreement, dated as of the date of this Agreement, between the Issuer and UMB Bank, N.A., as Trustee, securing the Bonds.

"<u>Indemnified Party</u>" shall mean one (1) or more of the Issuer, the Governing Body of the Issuer or the Sponsoring Entity, and any of their successors, officers, directors or commissioners.

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

"Loan Payments" means the amounts described in Sections 4.01(a) and (b) of this Agreement.

"Losses" means losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, reasonable attorney's, accountant's and other professional's fees, litigation and court costs and expenses, amounts paid in settlement and amounts paid to discharge judgments and amounts payable by an Indemnified Party or the Indemnitees (as defined in Section 5.01(h) hereof) to any other Person under any arrangement providing for indemnification of that Person) directly or indirectly resulting from, arising out of or relating to one (1) or more Claims.

"MSRB" means the Municipal Securities Rulemaking Board.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided) be counsel to any party to a Bond Document, and addressed to the Issuer and the Trustee.

"Organizational Documents" of any corporation means the articles of incorporation, certificate of incorporation, corporate charter or other document pursuant to which such corporation was organized and its bylaws, each as amended from time to time, and as to any other Person, means the instruments pursuant to which it was created and which govern its powers and the authority of its representatives to act on its behalf.

"<u>Participating Campuses</u>" means, collectively, the charter school campuses and facilities of the Company so designated under the Master Trust Indenture, as supplemented.

"<u>Permitted Recommendations</u>" shall mean all recommendations of an Independent Consultant other than any recommendations which violate Charter, State or local law or the Company's charter contract as evidenced by an opinion of counsel or otherwise not approved by the Texas Education Agency.

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

"<u>Plans and Specifications</u>" means the plans and specifications for the Project, as the same may be prepared or amended from time to time as provided in Section 3.01 hereof, on file at the principal business office of the Company and available at all times for inspection by the Issuer and the Trustee.

"PP&E" means property, plant and equipment, as such terms are commonly defined using generally accepted accounting principles, consistently applied.

"Project" means the Project described in Exhibit A hereto.

"<u>Project Costs</u>" means costs permitted to be paid out of proceeds of the Bonds by the Act and by the Code, including costs related to the Project (excluding the Costs of Issuance).

"Regulated Chemical" means any substance, the presence of which requires investigation, permitting, control or remediation under any federal, state or local statute, regulation, ordinance or order, including, without limitation:

- any substance defined as "hazardous waste" under the Resource Conservation and Recovery Act, as amended (42 U.S.C. §6901 et seq.);
- (b) any substance defined as a "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. §9601 et seq.);

- (c) any substance defined as a "hazardous material" under the Hazardous Materials Transportation Act (49 U.S.C. §1800 et seg.):
- any substance defined under any Texas statute analogous to (a), (b) or (c), to the extent that said statute defines any term more expansively;
- (e) asbestos;
- (f) urea formaldehyde;
- (g) polychlorinated biphenyls;
- (h) petroleum, or any distillate or fraction thereof;
- (i) any hazardous or toxic substance designated pursuant to the laws of the State; and
- any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

"Rule" means Securities and Exchange Commission Rule 15c2-12, as amended.

"Series 2022 Notes" means, collectively, the Series 2022A Note and the Series 2022B Note.

"Series 2022A Note" means the tax-exempt master indenture note in the form attached to the Supplemental Master Trust Indenture as Exhibit A, which is secured by the Master Indenture, executed by the Company and dated the Closing Date in the principal amount of the Series 2022A Bonds.

"Series 2022B Note" means the taxable master indenture note in the form attached to the Supplemental Master Trust Indenture as Exhibit B, which is secured by the Master Indenture, executed by the Company and dated the Closing Date in the principal amount of the Series 2022B Bonds.

"Sponsoring Entity" means the City of Arlington, Texas.

"Supplemental Master Trust Indenture" shall mean the Supplemental Master Trust Indenture No. 1, dated as of May 1, 2022, between the Company and the Master Trustee.

"Underwriter" means Herbert J. Sims, Inc.

"Value" means the value of any investments, determined at the end of each calendar month, which shall be calculated as follows:

1. As to Eligible Securities (other than as provided in (2) and (3) below), the market value thereof determined by the Master Trustee at the end of each month using and relying conclusively and without liability upon the monthly statement generated by the Trustee:

- 2. As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest; and
- 3. As to any investment not specified above, the lower of cost or market value thereof.
- (c) Certain terms, used primarily in Sections 5.03 and 5.06, are defined in those Sections.
- 1.02 Form of Documents Delivered to Trustee. Every certificate and every Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Agreement shall include a statement that the Person making such certification or opinion has read such covenant or condition and the definitions relating thereto, has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether such covenant or condition has been complied with, and a statement whether such condition or covenant has been complied with. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one (1) document, but one such Person may certify or give an opinion with respect to some matters and one (1) or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one (1) or several documents.

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

Where any Person is required to make, give or execute two (2) or more applications, requests, consents, certificates, statements, opinions or other instruments hereunder, they may, but need not, be consolidated and form one (1) instrument.

- 1.03 **Communications**. All notices, demands, certificates, requests, consents, submissions or other communications hereunder shall be given as provided in the Indenture.
- 1.04 **Term of Agreement**. This Agreement shall remain in full force and effect from the date of execution and delivery hereof until the Indenture has been discharged in accordance with the provisions thereof; provided, however, that (a) the provisions of this Section and of Sections 4.07, 5.01, 5.06 and 5.07 of this Agreement shall survive any expiration or termination of this Agreement and (b) in addition, if the Indenture is discharged prior to the final Maturity of the Bonds, the provisions of Sections 3.03, 3.05, 4.01(b) and 5.03 of this Agreement shall continue until the final Maturity of the Bonds.

- 1.05 **Company's Approval of Bond Documents.** The Bond Documents have been submitted to the Company for examination, and the Company acknowledges that, by execution of this Agreement, it has approved the Bond Documents and will perform the obligations imposed upon it under the Bond Documents.
- 1.06 **Effect of Headings and Table of Contents**. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.
- 1.07 **Successors and Assigns**. All covenants and agreements in this Agreement by the Issuer and the Company shall bind their respective successors and assigns, whether so expressed or not. No assignment by the Issuer or the Company of this Agreement shall relieve them of their obligations hereunder.
- 1.08 **Severability Clause**. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
- 1.09 **Benefits of Agreement.** Subject to Section 7.09 hereof, nothing in this Agreement or in the Bonds, express or implied, shall give to any Person, other than the parties to the Bond Documents and their successors and assigns hereunder, the Indemnified Parties and the Holders of the Bonds, any benefit or any legal or equitable right, remedy or claim under this Agreement.
- 1.10 **Governing Law**. This Agreement shall be construed in accordance with and governed by the laws of the State.
 - 1.11 Amendments. This Agreement may be amended only as provided in the Indenture.

ARTICLE II.

REPRESENTATIONS, WARRANTIES AND COVENANTS

- 2.01 **Representations, Warranties and Covenants of the Issuer**. The Issuer represents, warrants and covenants that:
 - (a) <u>Corporate Existence; Good Standing.</u> The Issuer is a public, nonprofit corporation created by the Sponsoring Entity and exists as an instrumentality of the Sponsoring Entity pursuant to the Act.
 - (b) <u>Power</u>. The Issuer has full corporate power and authority under the Constitution, the laws of the State and its Organizational Documents to adopt the resolution authorizing the issuance of the Bonds, to issue the Bonds, to execute and deliver the Bond Documents to be executed and delivered by it and to perform its obligations under such Bond Documents.
 - (c) <u>Due Authorization</u>. The Issuer has duly adopted the resolution authorizing the issuance of the Bonds and has duly authorized the execution and delivery of the Bond Documents to be executed and delivered by it.

- (d) <u>Enforceability</u>. The Bond Documents to which the Issuer is a party and the Bonds constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms (except that (i) the enforceability of such Bond Documents may be limited by bankruptcy, reorganization, insolvency, fraudulent transfer, moratorium or other similar laws of general application relating to the enforcement of creditors' rights, (ii) certain equitable remedies, including specific performance, may be unavailable and (iii) the indemnification provisions contained therein may be limited by applicable securities laws and public policy).
- (e) <u>No Litigation</u>. There is no action, suit, proceeding or investigation at law or in equity before or by any court, either state or federal, or public board or body pending or, to the Issuer's knowledge, threatened, calling into question the creation or existence of the Issuer, the validity of the Bond Documents to be executed and delivered by it, the authority of the Issuer to execute and deliver the Bond Documents to be executed and delivered by it and to perform its obligations under the Bond Documents or the title of any Person to the office held by that Person with the Issuer.
- (f) Non-Contravention. The execution and delivery by the Issuer of the Bond Documents to be executed and delivered by it, and the performance of its obligations under such Bond Documents, will not violate in any respect any provision of law or regulation, or of any judgment, decree, writ, order or injunction, or of the Organizational Documents of the Issuer, and to the Issuer's knowledge, will not contravene the provisions of, or constitute a default under, or result in the creation of a lien, charge or encumbrance under, any agreement (other than the Indenture) to which the Issuer is a party or by which any of its properties constituting a part of the Trust Estate under the Indenture are bound.
- (g) No Default. To the Issuer's knowledge, no event has occurred, and no condition currently exists, that constitutes or may, with the passage of time or the giving of notice, or both, constitute an Event of Default on the part of the Issuer.
- (h) <u>Amendments</u>. The Issuer covenants that it will perform each of the covenants set forth in Article V of the Indenture for the benefit of the Company, and unless an Event of Default exists, will not join in any amendment of any Bond Document without the consent of the Company.

Each of the foregoing representations, warranties and covenants shall be deemed to have been made as of the date of this Agreement and again as of the Closing Date.

- 2.02 **Representations and Warranties of the Company**. In addition to any other representation and warranty of the Company herein, the Company represents and warrants as follows:
 - (a) <u>Corporate Existence; Good Standing; Power</u>. The Company is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Texas; is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct

of its business or the ownership of its properties; and has full corporate power and authority to own its properties and to conduct its business as now being conducted.

- (b) <u>Accuracy of Information; No Misstatements.</u> All of the documents, instruments and written information furnished by or on behalf of the Company to the Issuer or the Trustee in connection with the issuance of the Bonds are true and correct in all material respects and do not omit or fail to state any material facts necessary or required to be stated therein to make the information provided not misleading.
- No Defaults; Non-Contravention. No event of default or event that, with notice or lapse of time or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject, and which would have a material adverse effect on the Company or which would impair its ability to carry out its obligations under the Bond Documents has occurred and is continuing; neither the execution nor the delivery by the Company of the Bond Documents to which it is party, nor the consummation of any of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof or thereof, will contravene the Organizational Documents of the Company or will conflict with, in any way that is material to the Company, or result in a breach of, any of the terms, conditions or provisions of, or constitute a default under, any corporate or limited partnership restriction or any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject, or any law or any order, rule or regulation (applicable as of the date hereof to the Company) of any court or regulatory body, administrative agency or other governmental body having jurisdiction over the Company or its properties or operations, or will result in the creation or imposition of a prohibited lien, charge or other security interest or encumbrance of any nature upon any property or asset of the Company under the terms of any such restriction, bond, debenture, note, mortgage, indenture, agreement, instrument, law, order, rule or regulation.
- (d) No Litigation. Except as disclosed in writing in connection with the offering of the Bonds, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened, wherein an adverse decision, ruling or finding (i) would result in any material adverse change in the condition (financial or otherwise), results of operations, business or prospects of the Company or which would materially and adversely affect the properties of the Company or (ii) would materially and adversely affect the transactions contemplated by, or the validity or enforceability of, the Bond Documents to which it is a party.
- (e) <u>Corporate Authority; Authorization and Enforceability of Transaction</u>. The Company has full corporate power and authority to execute and deliver the Bond Documents to be executed and delivered by the Company and has full power and authority to perform its obligations hereunder and thereunder and engage in the transactions contemplated by the Bond Documents to be executed and delivered by it. The Bond Documents to be executed and delivered by the Company have been duly authorized,

executed and delivered by the Company and each constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms (except that (i) the enforceability of such Bond Documents may be limited by bankruptcy, reorganization, insolvency, fraudulent transfer, moratorium or other similar laws of general application relating to the enforcement of creditors' rights, (ii) certain equitable remedies, including specific performance, may be unavailable and (iii) the indemnification provisions contained therein may be limited by applicable securities laws and public policy).

- (f) All Approvals. Except as otherwise disclosed in writing in connection with the offering of the Bonds, no consents, approvals, authorizations or any other actions by any governmental or regulatory authority that have not been obtained or taken are or will be required for the issuance and sale of the Bonds, the execution and delivery of the Bond Documents by the Company, the construction, ownership and operation of the Project or the consummation of the other transactions contemplated by the Bond Documents (except for such licenses, certificates, approvals or permits necessary for the construction of the Project for which the Company either has applied or shall apply with due diligence and which the Company expects to receive).
- (g) No Conflict of Interest. No elected or appointed public official, employee, agent or representative of the Sponsoring Entity or any of its official boards, commissions or committees or any member of the Governing Body of the Issuer has any direct or indirect interest of any kind, or any right, agreement or arrangement to acquire such an interest in the Project, as owner, contractor, subcontractor, shareholder, general or limited partner, tenant or otherwise that would violate or require disclosure or other action under any law, regulation, charter or ordinance of the State or the Sponsoring Entity. All applicable state and local law requirements governing conflicts of interest and any additional conflict of interest requirements prescribed by the Secretary of the Treasury have been and will be satisfied with respect to the Bonds.
- (h) Representations Regarding the Project. The Company intends to construct and operate the Project during the term of this Agreement and to expend a portion of the proceeds of the Bonds in the Project Account of the Construction Fund to pay Project Costs. In addition, the Project will be located in its entirety within the boundaries of the State. The principal amount of the Bonds is based upon the Company's most reasonable estimate of financing or refinancing the Project Costs as of the date hereof, which estimates are based upon sound engineering and accounting principles. The ownership of the Project will at all times be under the exclusive control and held for the exclusive benefit of the Company. The Company has obtained (and thereafter will maintain, as necessary) or will obtain all licenses and permits necessary with respect to any acquisition, construction, reconstruction, improvement, expansion or operation, as the case may be, of the Project and all necessary approvals from any governmental bodies or agencies having jurisdiction in connection therewith.
- (i) $\underline{\text{Certain Federal Tax Matters}}.$ The Company makes the following representations:

- (i) The Company is an organization exempt from federal income taxation as provided in Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code;
- (ii) The purposes, character, activities and methods of operation of the Company have not been and currently are not materially different from the purposes, character, activities and methods of operation at the time of its determination by the IRS as an organization described in Section 501(c)(3) of the Code (the "Determination") or otherwise at the time of its organization as an exempt organization within the meaning of Section 501(c)(3) of the Code, or have been disclosed to the IRS, and the Company has received confirmation that such activities or methods of operation do not materially adversely affect the status of the Determination:
- (iii) The Company has not diverted a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes (a) for which it is organized or operated or (b) disclosed to the IRS in connection with the Determination:
- (iv) The Company has not operated during its five (5) most recent fiscal years or the current fiscal year, as of the date hereof, in a manner that would result in its being classified as an "action" organization within the meaning of Section 1.501(c)(3)-(1)(c)(3) of the Regulations including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities:
- (v) With the exception of the payment of compensation (and the payment or reimbursement of expenses), which is not excessive and is for personal services that are reasonable and necessary to carrying out the purposes of the Company, no individual who would be a "foundation manager" within the meaning of Section 4946(b) of the Code with respect to the Company, nor any Person controlled by any such individual or individuals or any of their Affiliates, nor any Person having a personal or private interest in the activities of the Company has acquired or received, directly or indirectly, any income or assets, regardless of form, of the Company during the current Fiscal Year and the five (5) Fiscal Years preceding the current Fiscal Year, other than as reported to the IRS by the Company;
- (vi) The Company is not a "private foundation" within the meaning of Section 509(a) of the Code;
- (vii) The Company has not received any indication or notice whatsoever to the effect that its exemption under Section 501(a) of the Code by virtue of being an organization described under Section 501(c)(3) of the Code has been revoked or modified, or that the IRS is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

- (viii) The Company has timely filed with the IRS all requests for determination, reports and returns required to be filed by it and such requests for determination, reports and returns have not omitted or misstated any material fact, and the Company has timely notified the IRS of any changes in its organization and operation since the date of the application for the Determination;
- (ix) The Company has not devoted more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code:
- (x) The Company has not taken any action, nor does it know of any action that any other Person has taken, nor does it know of the existence of any condition that would cause the Company to lose its exemption from taxation under Section 501(a) of the Code or cause interest on the Series 2022A Bonds to be includable in the income of the recipients thereof for federal income tax purposes;
- (xi) Taking into account the Issue Price (as defined in Section 5.03(q) of this Agreement) of the Stated Maturity of the Series 2022A Bonds, the average term of the Series 2022A Bonds does not exceed one hundred twenty (120) percent of the average reasonably expected economic life of the Project to be financed or refinanced by the Series 2022A Bonds, weighted in proportion to the respective cost of each item comprising the property the cost of which has been or will be financed, directly or indirectly, with the Net Proceeds (as defined in Section 5.03(q) of this Agreement) of the Series 2022A Bonds. For purposes of the preceding sentence, the reasonably expected economic life of property shall be determined as of the later of: (A) the Closing Date for the Series 2022A Bonds, or (B) the date on which such property is placed in service (or expected to be placed in service). In addition, land shall not be taken into account in determining the reasonably expected economic life of property, except that, in the event twenty-five percent (25%) or more of the collective Net Proceeds of the Series 2022A Bonds, directly or indirectly, have been expended for land, such land shall be treated as having an economic life of thirty (30) years and shall be taken into account for purposes of determining the reasonably expected economic life of such property.
- (j) <u>Indenture</u>. The Indenture has been submitted to the Company for its examination, and the Company acknowledges, by execution of this Agreement, that it has reviewed the Indenture and that it accepts each of its obligations expressed or implied thereunder.
- (k) <u>Security Interests</u>. The Company has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the collateral granted hereunder and described in Section 4.03 that ranks on a parity with or prior to the lien granted hereunder that will remain outstanding on the Closing Date. The Company has not described the collateral in a UCC financing statement that will remain effective on the Closing Date. The Company will not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the collateral that ranks prior to or on a parity

with the lien granted hereunder, or file any financing statement describing any such pledge assignment, lien or security interest, except as expressly permitted by the Bond Documents.

(l) Other Representations and Warranties. Any certificate with respect to factual or financial matters signed by an officer of the Company and delivered to the Issuer, the Trustee or the Underwriter shall be deemed a representation and warranty by the Company as to the statements made therein.

Each of the foregoing representations and warranties shall be deemed to have been made as of the date of this Agreement and again as of the Closing Date.

ARTICLE III.

THE PROJECT

3.01 Acquisition and Construction of the Project.

- (a) The Company agrees to utilize the amounts in the Project Account of the Construction Fund to pay Project Costs and to complete the acquisition, construction, reconstruction, improvement, expansion or operation, as the case may be, of the Project and to place in service and operate the Project as an educational facility, as defined in the Act, in furtherance of the public purposes of the Act.
- (b) The Plans and Specifications for the Project shall be approved prior to the commencement of construction of the Project, by a duly authorized officer of the Company. The Company may make insubstantial changes in, additions to or deletions from the Plans and Specifications and may make other changes in, additions to or deletions from the Plans and Specifications only if the Project shall continue to constitute facilities of the type that may be financed under the Code, may be financed by the Issuer under the Act, do not have a material adverse effect on the value of the Project and any required approvals of such changes, additions or deletions have been obtained from any governmental bodies or agencies having jurisdiction.

3.02 Disbursements of Bond Proceeds.

- (a) <u>Disbursements from Project Account of the Construction Fund.</u> Pursuant to the provisions of the Indenture, there shall be deposited into the Project Account of the Construction Fund a portion of the proceeds received from the sale of the Bonds. Subject to the requirements set forth below with regard to permitted disbursements, the Trustee is authorized and directed to make payments to the Company from the Project Account of the Construction Fund, as requested by the Company upon receipt of a Requisition Certificate substantially in the form attached as Exhibit B to the Indenture. The Company shall retain copies of all such Requisition Certificates until the date that is six (6) years from the first date on which no Series 2022A Bonds are Outstanding.
- (b) <u>Disbursements from the Costs of Issuance Account and the Reimbursement Account of the Construction Fund.</u> Pursuant to the provisions of the Indenture, there shall be deposited into the Costs of Issuance Account and the Reimbursement Account of the

Construction Fund a portion of the proceeds received from the sale of the Bonds. The Trustee is authorized and directed to disburse funds on or after the Closing Date for the Costs of Issuance of the Bonds and certain reimbursements to the Company upon receipt of a Requisition Certificate. The Company shall retain copies of all Requisition Certificates until the date that is six (6) years from the first date on which no Bonds are Outstanding.

- (c) The Trustee may rely fully on any Requisition Certificate delivered pursuant to this Section 3.02 and shall not be required to make any investigation in connection therewith.
- 3.03 Completion of Project if Bond Proceeds Insufficient. The Company agrees to pay all Project Costs that are not, or cannot be, paid or reimbursed from the proceeds of the Bonds. The Company agrees that if, after exhaustion of the moneys in the Construction Fund established pursuant to the Indenture, the Company should pay any portion of the Project Costs, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or from any Bondholder, nor shall it be entitled, as a consequence of such unreimbursed payment, to any abatement, postponement or diminution of the amounts payable under this Agreement.
- 3.04 **Completion.** Promptly following completion of the Project, but not later than the end of the fifth (5th) Bond Year (at which point the Project will be deemed "complete"), the Company shall deliver to the Trustee a Completion Certificate in the form of Exhibit B hereto signed by an Authorized Representative of the Company.
- 3.05 **Modification of the Project.** The Project may be altered or added to by the Company; provided, however, that the Company shall make no revision to the Project that results in the Project ceasing to (i) constitute educational facilities, as defined in the Act, or (ii) be substantially similar to the Project; provided, further, that no revision to the Project may be made unless the Company has delivered a Favorable Opinion of Bond Counsel to the Trustee.

3.06 Casualty and Condemnation.

- (a) In the event of any damage, destruction, condemnation or taking under the threat of condemnation with respect to the Project, the Company shall promptly engage the services of the Construction Consultant, which shall make a determination as to the amount of insurance or condemnation proceeds anticipated to result therefrom within fifteen (15) days of the occurrence of such damage, destruction, condemnation or taking.
- (b) If the insurance or condemnation proceeds of any damage, destruction, condemnation or taking under the threat of condemnation with respect to the Project as determined by the Construction Consultant pursuant to paragraph (a) above are equal to or less than two hundred fifty thousand dollars (\$250,000), such proceeds shall be transferred to the Trustee for deposit in the Insurance Proceeds Account of the Proceeds Fund and shall be applied to repair, restore, modify, improve or replace the Project. The Trustee is hereby directed to make payments from the Insurance Proceeds Account of the Proceeds Fund for such purposes or to reimburse the Company for costs paid by it in connection therewith upon receipt of a Requisition Certificate signed by an Authorized Representative of the

Company and approved by the Construction Consultant, in the same form as Exhibit B to the Indenture. Any balance of the insurance or condemnation proceeds remaining after the Project has been repaired, restored or replaced to a state substantially like that prior to the event of damage, destruction or taking, as determined by the Construction Consultant, shall, upon delivery to the Trustee of a certificate executed by the Construction Consultant to such effect, be deposited to the Debt Service Fund and applied to the redemption of the Bonds at the earliest practical date.

- (c) If the insurance or condemnation proceeds of any damage, destruction, condemnation or taking under the threat of condemnation with respect to the Project as determined by the Construction Consultant pursuant to paragraph (a) above are greater than two hundred fifty thousand dollars (\$250,000), such insurance or condemnation proceeds shall be transferred to the Trustee for deposit in the Insurance Proceeds Account of the Proceeds Fund for the Bonds, and:
 - The Company shall immediately request that the Construction Consultant prepare a report to determine: (A) if the repair, reconstruction, restoration or replacement of the Project or a portion thereof damaged or taken is economically feasible and will restore the Project to the physical and operating condition as existed before, and (B) if the Company will have sufficient funds from the insurance proceeds, business interruption insurance proceeds and other available funds to make the payments required hereunder when due, to pay the cost of repairing, reconstructing, restoring or replacing the portion of the Project affected by such loss, damage or condemnation (including without limitation architects' and attorneys' fees and expenses), to pay the Company's operating costs until completion of the repair, construction or replacement of such portion of the Project, which report shall be delivered to the Trustee and any Holder owning at least ten percent (10%) in aggregate principal amount of any series of Outstanding Bonds, within thirty (30) days of the occurrence of such damage, destruction, condemnation or taking. If the report includes a statement to the effect that the foregoing conditions are satisfied, then within thirty (30) days after delivery thereof, the Company shall deliver to the Trustee:
 - (A) cash in an amount equal to the funds, if any, in excess of insurance proceeds and business interruption insurance proceeds required by the report delivered under clause (i) above for deposit in a special separate account of the Proceeds Fund; and
 - (B) such other documents and information as the Holders of a majority in aggregate principal amount of the Outstanding Bonds may reasonably require; and

the Company shall promptly proceed to repair, reconstruct and replace the affected portion of the Project, including all fixtures, furniture, equipment and effects, to its original condition to the extent possible and the Company shall be entitled to disbursements from the Insurance Proceeds Accounts of the Proceeds Fund upon the submission of a

Requisition Certificate signed by an Authorized Representative of the Company to the Trustee as set forth in Section 4.02(b) of the Indenture.

- (ii) If the Construction Consultant's report includes a statement to the effect that the conditions are not satisfied or fail to meet the requirements relating to repair or reconstruction or replacement in clause (i) above, the Company shall prepay the Loan and the Bonds shall be redeemed as set forth in paragraph (e) below.
- (d) Under the circumstances set forth in subsection (c)(i) hereof, if the insurance or condemnation proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement undertaken pursuant to this Section, the Company will nonetheless complete the work and will pay any costs in excess of the amount of the insurance or condemnation proceeds held by the Trustee. The Company agrees that if by reason of any such insufficiency of the insurance or condemnation proceeds, the Company shall make any payments pursuant to the provisions of this Section, the Company shall not be entitled to any reimbursement therefor from the Trustee or any Holder, nor shall the Company be entitled to any diminution of the amount payable hereunder.
- (e) Under the circumstances set forth in subsection (c)(ii) hereof, the Loan shall be paid and the Bonds redeemed in full without premium and the insurance proceeds shall be transferred by the Trustee from the applicable account in the Construction Fund to the applicable account in the Debt Service Fund for such purpose. If the insurance or condemnation proceeds are insufficient to redeem the Bonds in full, the Company shall provide to the Trustee for deposit into the Debt Service Fund moneys which, together with the insurance or condemnation proceeds, will be sufficient to redeem all of the Bonds pursuant to the Extraordinary Optional Redemption provisions of the Bonds. In the event that the Company has completed any repair, reconstruction or replacement of the Project after the occurrence of any damage, destruction or condemnation and there are excess insurance proceeds, such excess shall be deposited in the Debt Service Fund and applied to the redemption of all or a portion of the Bonds pursuant to the Extraordinary Optional Redemption provision of the Bonds.
- 3.07 **Inspection of the Project**. The Company agrees that the Issuer and its duly authorized agents, including the Trustee, may, but have no obligation to, at reasonable times as determined by the Company, enter upon the Project site and examine and inspect the Project and, upon the occurrence of an Event of Default, the books and records of the Company that relate to the Project.
- 3.08 **Maintenance and Operation**. The Company undertakes to cause each item of its buildings and other facilities, including the Project, to be maintained and operated so long as the operation of each such item, in the sole judgment of the Company, is economical, lawful and feasible and in accordance with good operating practice. The Company agrees that during the term of this Agreement it will pay all costs of operating, maintaining and repairing its buildings and other facilities, including the Project, and that the Issuer shall have no responsibility or liability whatsoever for operating, maintaining or repairing its buildings and other facilities, including the

Project. The Company agrees that it shall not enter into a contract for the management of the Project by a third party service provider unless it receives a Favorable Opinion of Bond Counsel.

- 3.09 No Establishment and No Impairment of Religion. The Company and the Issuer intend that the Loan to the Company and all other transactions provided for in this Agreement be made in strict compliance with all applicable laws and constitutional provisions of the United States and the State. Accordingly, the Company agrees that to the full extent required from time to time by applicable laws and constitutional provisions of the United States and the State in order for the Loan to the Company and all other transactions provided for in this Agreement to be made and effected in compliance with such laws and constitutional provisions: (a) no part of the Project financed in whole or in part with proceeds of the Bonds shall be used primarily for sectarian instruction or as a place of religious worship; and (b) notwithstanding the payment in full of the Loan Payments and the Bonds, and notwithstanding the termination of this Agreement, each such part of the Project will continue to be subject to the restrictions set out in clause (a) of this Section for so long as it is owned by the Company, or any voluntary grantee of the Company; provided that the continuance of such restriction is necessary to preserve the exemption from federal income taxation of interest on the Bonds under the Code. Provided, however, that to any extent that a restriction or agreement set out in this Section shall at any time not be required in order for the Loan and all other transactions provided for in this Agreement to be made and effected in compliance with applicable constitutional provisions of the United States and the State, such restriction or agreement shall, to that extent and without necessary action by any party, be without any force or effect; and provided further, that in no event shall such restriction or agreement set out in this Section be more expansive than required by an applicable constitutional provision.
- 3.10 **Issuer Relieved from Responsibility with Respect to Project.** The Company and the Issuer hereby expressly acknowledge and agree that the Issuer is under no responsibility to insure, maintain, operate or repair the Project or to pay taxes with respect thereto, and the Company expressly relieves the Issuer from any such responsibility.
- 3.11 Force Majeure. If by reason of Force Majeure the Company shall be rendered unable wholly or in part to carry out its obligations under this Article (other than its obligations to pay money contained in this Agreement), and if the Company gives notice and full particulars of such Force Majeure in writing to the Issuer and to the Trustee within a reasonable time after failure to carry out such obligations, then the obligations of the Company under this Article, so far as they are affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, including a reasonable time for removal of the effect thereof. The requirement that any Force Majeure shall be reasonably beyond the control of the Company shall be deemed to be fulfilled even though any existing or impending strike, lockout or other industrial disturbance may not be settled but could have been settled by acceding to the demand of the opposing Person. The occurrence of any Force Majeure shall not suspend or otherwise abate, and the Company shall not be relieved from, the obligation to pay the Bonds and to pay any other payments required to be made by it under this Agreement at the times required. For purposes of this Section, "Force Majeure" means acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, acts or orders of any kind of the government of the United States of America, or of any state or locality thereof, or any civil or military authority, terrorist acts, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, floods, washouts, droughts, arrests, restraining of government and people, civil disturbances, explosions,

nuclear accidents, wars, breakage or accidents to machinery, transmission pipes or canals, partial or entire failure of utilities, shortages of labor, material, supplies or transportation or any other cause not reasonably within the control of the party claiming such inability.

- 3.12 **Insurance**. So long as the Bonds remain Outstanding, the Company shall at all times keep and maintain the insurance required by Section 4.09 of the Master Indenture.
- 3.13 **Disposition of Project.** Subject to Section 5.10 hereof, the Company covenants that the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Company of cash or other compensation, unless the Company delivers a Favorable Opinion of Bond Counsel to the Issuer and the Trustee; provided that this provision shall not apply to any portion of the Project comprising personal property and disposed of in the ordinary course of business.

ARTICLE IV.

PAYMENTS

4.01 Loan Payments

- (a) To repay the Loan of the proceeds of the Bonds evidenced by the Series 2022 Notes, the Company shall, subject to the limitations of Section 4.05 of this Agreement, make or cause to be made Loan Payments in immediately available funds, in accordance with the Indenture and this Agreement, directly to the Trustee as follows:
 - (i) on or before the earlier of the fifth (5^{th}) Business Day prior to any Interest Payment Date or the eighth (8^{th}) day of each month, in equal monthly installments, for deposit into the Debt Service Fund, amounts sufficient to provide for the payment of interest that is due on the next ensuing date for payment of such interest with respect to the Bonds or to otherwise pay such amounts as and when due in connection with payment of the Bonds;
 - (ii) on or before the earlier of the fifth (5^{th}) Business Day prior to any Interest Payment Date or the eighth (8^{th}) day of each month, in equal monthly installments, for deposit into the Debt Service Fund, amounts sufficient to provide for the payment of the principal of or sinking fund payment on the Bonds that is next due for payment of such principal or for such sinking fund redemption payment or to otherwise pay such amounts as and when due in connection with payment of the Bonds; and
 - (iii) on or before the earlier of the fifth (5^{th}) Business Day prior to any Interest Payment Date or the eighth (8^{th}) day of each month, for deposit into the Debt Service Reserve Fund, such amounts as are required by Section 4.06 of this Agreement to restore the Reserve Fund Requirement.
- (b) If, subsequent to a date on which the Company is not obligated to pay the Loan Payments (as a result of defeasance of the Bonds pursuant to Section 10.02 of the Indenture), losses (net of gains) shall be incurred in respect of any investments, or any other

event or circumstance has occurred causing the amounts in the Debt Service Fund, together with any other amounts then held by the Trustee and available for the purpose, to be less than the amount sufficient at the time of such occurrence or other event or circumstance to pay, in accordance with the provisions of the Indenture, all principal of (premium, if any) and interest on the Bonds due and payable or to become due and payable, the Trustee shall notify the Company of such fact and thereafter the Company, as and when required for purposes of such Debt Service Fund, but subject to the limitations of Section 4.05 of this Agreement, shall pay immediately to the Trustee for deposit in the Debt Service Fund the amount of any such deficiency below such sufficient amount.

- (c) If the Texas Education Agency, the Texas Attorney General, the Texas Comptroller of Public Accounts or any other agency with authority over the expenditures or safekeeping of State Revenues notifies the Company that the Bonds do not provide benefits to all Participating Campuses sufficient to satisfy the requirements under Section 12.107, Texas Education Code, as amended, then the Company shall only provide Loan Payments from any Participating Campuses in excess of its Pro-Rata share through a loan to any other Participating Campuses that cannot pay its Pro-Rata share. Such loan shall not constitute Debt under the terms of the Master Indenture, the Indenture or any Supplement to either document, the Company shall have no duty to notify the Trustee of any such notification or loan, and the Trustee shall have no duty or responsibility to enforce this Section; provided, that nothing herein shall diminish or otherwise excuse performance of the payment obligations of the Company pursuant to this Section or limit the application of Section 4.04 hereof. For purposes of this paragraph, "Pro-Rata" means in proportion to the percentage of Bond proceeds spent on improvements to schools operated under a specific charter, such that the amount of Loan Payments made from State Revenues with respect to schools operated under a particular charter is proportional to the percentage of Bond proceeds spent on improvements to the schools operated under such charter in accordance with Section 12.107, Texas Education Code, as amended.
- 4.02 **Prepayment of Loan; Redemption of Bonds**. The Company may at any time deliver money or Defeasance Obligations to the Trustee with instructions to the Trustee to hold such money or Defeasance Obligations pursuant to the Indenture in connection with a deemed payment or redemption of Bonds. The Issuer agrees that, at the request at any time of the Company, it will notify the Trustee, exercise its rights and otherwise cooperate with the Company to cause the Bonds or any portion thereof to be redeemed to the extent required or permitted by the Indenture. Except to the extent of any such deemed payment or any redemption of the Bonds in whole or in part, neither the Loan made hereunder, nor the Series 2022 Notes shall be prepayable. Any excess or unclaimed money held by the Trustee under the Indenture shall be paid by the Trustee to the Company in accordance with Article V or Article X of the Indenture, as applicable.
- 4.03 **Security Interests.** (a) As security for repayment of the Series 2022 Notes and performance of the Company's obligations under this Agreement, the Company hereby pledges, sets over, assigns and grants a security interest to the Issuer in all of the Company's right, title and interest in and to all amounts at any time deposited in the Funds established pursuant to the Indenture (except the Rebate Fund), including all investments and reinvestments made with such amounts and the proceeds thereof, and in all of its rights to and interests in such amounts,

investments, reinvestments and proceeds. The Company hereby authorizes and directs the Trustee to invest and disburse such amounts and proceeds in accordance with the Indenture and this Agreement. The Company represents that, under the laws of the State, (i) this Agreement creates a valid and binding lien in favor of the Issuer as security for the payment of the Series 2022 Notes, enforceable in accordance with the terms hereof; and (ii) the lien on the collateral granted hereunder is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Company on a simple contract.

- The Company hereby authorizes the Issuer and the Trustee to file any financing statements or continuation statements necessary to maintain the perfection of the security interests granted hereby or by the other Bond Documents. The Company will: (i) upon the execution and delivery of the Bond Documents and thereafter, from time to time cause any Bond Document and each amendment and supplement thereto (or financing statements or a memorandum with respect thereto or to such amendment or supplement) to be filed, registered and recorded and to be refiled, reregistered and rerecorded in such manner and in such places as may be required in order to publish notice of and fully to protect the liens or to perfect or continue the perfection of the security interests created thereby, and (ii) perform or cause to be performed from time to time any other act as required by law, and execute or cause to be executed any and all instruments of further assurance that may be necessary for such publication, perfection, continuation and protection, including without limitation the delivery of legal opinions as to the perfection of any such security interests. The Company will not change or relocate its place of business (or its chief executive office if it has more than one (1) place of business) unless it has taken all actions and made all filings necessary to continue the effectiveness and perfection of all security interests created by the Bond Documents to which it is a party.
- Under the Indenture, the Issuer is, as security for the Bonds, pledging, assigning, transferring and granting a security interest in certain of its rights, title and interest under this Agreement to the Trustee. The Company agrees that this Agreement, and all of the rights, interests, powers, privileges and benefits accruing to or vested in the Issuer, shall be protected and enforced in conformity with the Indenture and (except for the Issuer's Unassigned Rights) are being assigned by the Issuer to the Trustee as security for the Bonds and may be exercised, protected and enforced solely by the Trustee for or on behalf of the Bondholders in conformity with this Agreement and the Indenture. The Trustee is hereby given the exclusive right to enforce, as assignee of the Issuer, the performance of the obligations of the Company, and the Company hereby consents to the same and agrees that the Trustee may enforce such rights as provided in this Agreement and in the Indenture. The Issuer and the Company recognize that the Trustee is a third party creditor-beneficiary of this Agreement. The Issuer hereby directs the Company to make all payments (other than payments relating to any money or rights not granted to the Trustee as part of the Trust Estate pursuant to the granting clauses in the Indenture) to the Trustee instead of to the Issuer and the Company hereby agrees to do so. All such payments shall be made in lawful money of the United States of America directly to the Trustee, as assigned by the Issuer, at the location specified by the Trustee, and shall be applied as provided in Section 4.01 of this Agreement. The Company and the Issuer further acknowledge that, except for the obligation of the Trustee to credit amounts paid or recovered from this Agreement or the collateral therefor to the Issuer's debt evidenced by the Bonds, and except for certain rights not granted to the Trustee as part of the Trust Estate, the Issuer has no further interest in this Agreement and the Trustee shall have the exclusive right (subject to the provisions of the Indenture) to grant consents, extensions,

forgiveness and waivers, make amendments, release collateral and otherwise deal with the Company as the sole owner of this Agreement and the Trustee exclusively may start and prosecute suit hereon or otherwise take action to recover amounts owing under this Agreement without first obtaining the consent of the Issuer or without joining the Issuer as a plaintiff.

4.04 Nature of Obligations of the Company. The Company agrees that its obligations to make payments hereunder shall be absolute and unconditional, irrespective of any rights of setoff, diminution, abatement, recoupment or counterclaim the Company might otherwise have against any Person, and except in connection with a discharge of the Indenture, the Company will perform and observe all its payment obligations and covenants, representations and warranties hereunder without suspension and will not terminate the Bond Documents to which it is a party for any cause. The Company covenants not to seek and hereby waives, to the extent permitted by applicable law, the benefits of any rights that it may have at any time to any stay or extension of time for performance or to terminate, cancel or limit its liability under the Bond Documents to which it is a party except through payment or deemed payment of the Bonds as provided in such Bond Documents. The Holders of the Bonds shall be entitled to rely upon the agreements and covenants in this Section regardless of the validity or enforceability of the remainder of this Agreement or any other Bond Document or agreement.

The preceding paragraph shall not be construed to release the Issuer from the performance of any of its agreements contained in this Agreement, or except to the extent provided in this Section and Section 5.01, prevent or restrict the Company from asserting any rights that it may have against the Issuer, the Trustee or any other Person under this Agreement or any of the other Bond Documents to which it is a party or under any provision of law or prevent or restrict the Company, at its own cost and expense, from prosecuting or defending any action or proceeding against or by third parties or taking any other action to secure or protect its rights in connection with the acquisition, construction, improvement, possession and use of the Project and its rights under such Bond Documents.

4.05 Limitation on Interest. Notwithstanding any provision of the Bond Documents to the contrary, it is hereby agreed that in no event shall the amount of interest (as defined and calculated in accordance with applicable law) contracted for, charged, reserved, received or taken in connection with any loan made hereunder exceed the amount of interest that could have been contracted for, charged, reserved, received or taken at the Highest Lawful Rate. If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Bond Documents or otherwise contracted for, charged, reserved, received or taken in connection with any loan made hereunder, or if the Trustee's exercise of the right to accelerate the Maturity of any loan made hereunder or if any prepayment of any such loan by the Company results in there having been paid or received any interest in excess of that permitted by applicable law, then notwithstanding anything to the contrary contained in the Bond Documents, all excess amounts theretofore paid or received shall be credited on the principal balance of such loan (or, if such loan has been or would thereby be paid in full, refunded), and the provisions of this Agreement and the related Note shall immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for thereunder. All sums paid or agreed to be paid for the use, forbearance or detention of the indebtedness evidenced by any such loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the usury ceiling from time to time in effect and applicable to such indebtedness for so long as such indebtedness is outstanding (it being understood that the foregoing provisions permit the rate of interest on such loan to exceed the Highest Lawful Rate for any day as long as the total amount of interest paid on such loan from the date of initial delivery of the Bonds to the date of calculation does not exceed the amount of interest that would have been paid on such loan to the date of calculation if such loan had borne interest for such period at the Highest Lawful Rate). For purposes of this Section, "Highest Lawful Rate" means the maximum rate of nonusurious interest (determined as provided in this Agreement) applicable to each loan made to the Company under this Agreement allowed from time to time by applicable law as is now in effect or, to the extent allowed by applicable law, such higher rate as may hereafter be in effect.

4.06 **Debt Service Reserve Fund.** In the event of any withdrawal from the Debt Service Reserve Fund pursuant to Section 4.03(d) of the Indenture and Section 5.01(b) of the Supplemental Master Trust Indenture, in order to cure any deficiency in the Debt Service Fund or in the event that the Master Trustee notifies the Company that the amount on deposit in the Debt Service Reserve Fund is less than the Reserve Fund Requirement, the Company shall pay, or cause to be paid, to the Master Trustee, (i) if the amount in the Debt Service Reserve Fund is less than the Reserve Fund Requirement because of any withdrawal from the Debt Service Reserve Fund pursuant to Section 4.03(d) of the Indenture and Section 5.01(b) of the Supplemental Master Trust Indenture in order to cure any deficiency in the Debt Service Fund, the amount needed to restore the amount in the Debt Service Reserve Fund to the Reserve Fund Requirement (A) in full within thirty (30) days from the date of deposit in the Debt Service Fund or (B) in no more than twelve (12) equal, consecutive monthly installments, each payable on the date that a Loan Payment is due, commencing in the month immediately succeeding the month of the withdrawal; or (ii) in the event that the Master Trustee notifies the Company that the amount on deposit in the Debt Service Reserve Fund is less than the Reserve Fund Requirement, the amount of such decline in Value for deposit into the Debt Service Reserve Fund in no more than four (4) consecutive equal monthly installments, each payable on the date that a Loan Payment is due, commencing in the month immediately succeeding the month in which the calculation of the Reserve Fund Requirement showed a deficiency in the Debt Service Reserve Fund; provided that if an additional decline occurs prior to the restoration of any decline, such additional decline shall be restored in equal monthly installments over the remainder of the restoration period for the initial decline.

4.07 Fees and Expenses.

(a) <u>Issuer</u>. The Company agrees to pay promptly upon demand therefor all fees and costs paid, incurred or charged by the Issuer in connection with the Bonds including, without limitation, (i) all out-of-pocket expenses and Costs of Issuance (including reasonable fees and expenses of attorneys employed by the Issuer) reasonably incurred by the Issuer in connection with the issuance of the Bonds and the administration of the Bond Documents, (ii) all payments required to be paid by the Issuer with respect to the Bonds, and (iii) out-of-pocket expenses (including reasonable fees and expenses of attorneys employed by the Issuer) reasonably incurred by the Issuer in connection with the enforcement of any of its rights or remedies or the performance of its duties under the Bond Documents to which it is a party.

(b) Trustee and Paying Agent. The Company agrees to pay all costs paid, incurred or charged by the Trustee and the Paying Agent including, without limitation, (i) all fees and out-of-pocket expenses incurred with respect to services rendered under any of the Bond Documents, (ii) all amounts payable to the Trustee and the Paying Agent pursuant to Section 8.07 of the Indenture, and (iii) all out-of-pocket expenses (including reasonable fees and expenses of attorneys employed by the Paying Agent and the Trustee) incurred in connection with the enforcement of any rights or remedies or the performance of duties under the Bond Documents.

ARTICLE V.

COVENANTS OF THE COMPANY

5.01 Indemnification.

- (a) The Company agrees that it will at all times indemnify and hold harmless each of the Indemnified Parties against any and all Losses other than Losses resulting from fraud, willful misconduct or theft on the part of the Indemnified Party claiming indemnification. IT IS THE EXPRESS INTENTION AND AGREEMENT OF THE COMPANY THAT IT WILL INDEMNIFY THE INDEMNIFIED PARTIES AGAINST LOSSES THAT ARISE FROM THE NEGLIGENCE OF ANY INDEMNIFIED PARTY.
- (b) Release. None of the Indemnified Parties shall be liable to the Company for, and the Company hereby releases each of them from, all liability to the Company for, all injuries, damages or destruction to all or any part of any property owned or claimed by the Company that directly or indirectly result from, arise out of or relate to the design, construction, operation, use, occupancy, maintenance or ownership of the Project or any part thereof, even if such injuries, damages or destruction directly or indirectly result from, arise out of or relate to, in whole or in part, one (1) or more acts or omissions of the Indemnified Parties (other than fraud, willful misconduct or theft on the part of the Indemnified Party claiming release) in connection with the issuance of the Bonds or in connection with the Project.
- (c) <u>Subrogation</u>. Each Indemnified Party, as appropriate, shall reimburse the Company for payments made by the Company pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any other source (but not from the proceeds of any claim against any other Indemnified Party) with respect to any Loss to the extent necessary to prevent a multiple recovery by such Indemnified Party with respect to such Loss. At the request and expense of the Company, each Indemnified Party shall claim or prosecute any such rights of recovery from other sources (other than any claim against another Indemnified Party) and such Indemnified Party shall assign its rights to such rights of recovery from other sources (other than any claim against another Indemnified Party), to the extent of such required reimbursement, to the Company.
- (d) <u>Notice</u>. In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity

may be sought against the Company, such Indemnified Party promptly shall notify the Company in writing; provided, however, that any failure so to notify shall not relieve the Company of its obligations under this Section.

- Defense. The Company shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the Company in writing, (ii) the Company has failed, after receipt of notice of such Claim, to assume the defense and to employ counsel, or (iii) the Indemnified Party shall have been advised by counsel that there may be one (1) or more legal defenses available to it that are different from or additional to those available to the Company (in which case, if such Indemnified Party notifies the Company in writing that it elects to employ separate counsel at the Company's expense, the Company shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the Company shall not, in connection with any one (1) action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one (1) separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by the Indemnified Parties).
- (f) <u>Cooperation; Settlement</u>. Each Indemnified Party shall cooperate with the Company in the defense of any action or Claim. The Company shall not be liable for any settlement of any action or Claim without the Company's consent but, if any such action or Claim is settled with the consent of the Company or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the Company shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment, to the extent provided in subsection (a).
- (g) Survival; Right to Enforce. The provisions of this Section shall survive the termination of this Agreement, and the obligations of the Company hereunder shall apply to Losses or Claims under subsection (a), whether asserted prior to or after the termination of this Agreement. In the event of failure by the Company to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Section. The obligations of the Company under this Section shall not be affected by any assignment or other transfer by the Issuer of its rights, titles or interests under this Agreement to the Trustee pursuant to the Indenture and will continue to inure to the benefit of the Indemnified Parties after any such transfer. The provisions of this Section shall be cumulative with and in addition to any other agreement by the Company to indemnify any Indemnified Party.
- (h) <u>Trustee</u>. The Company also agrees to indemnify the Trustee, and any of its officers, directors, employees, agents, affiliates (including without limitation, the Trustee as Paying Agent under the Indenture) or successors (collectively, the "Indemnitees"), for,

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

- 5.02 **Removal of Liens**. If any lien, encumbrance or charge of any kind based on any claim of any kind (including, without limitation, any claim for income, franchise or other taxes, whether federal, state or otherwise) shall be asserted or filed against the Trust Estate, or any Loan Payment paid or payable by the Company under or pursuant to this Agreement, or any order (whether or not valid) of any court shall be entered with respect to the Trust Estate, or any such Loan Payment by virtue of any claim of any kind, in any case so as to:
 - (a) interfere with the due payment of such amount to the Trustee or the due application of such amount by the Trustee or any Paying Agent pursuant to the applicable provisions of the Indenture,

- (b) subject the Bondholders to any obligation to refund any money applied to payment of principal (premium, if any) and interest on any Bond, or
- (c) result in the refusal of the Trustee or any Paying Agent to make such due application because of its reasonable determination that liability might be incurred if such due application were to be made,

then the Company will promptly take such action (including, but not limited to, the payment of money) as may be necessary to prevent, or to nullify the cause or result of, such interference, obligation or refusal, as the case may be.

- 5.03 **Tax Covenants.** The Company will not, through any act or omission, adversely affect the exclusion from gross income of interest paid or payable on the Series 2022A Bonds for federal income tax purposes, and, in the event of such action or omission, it will use all reasonable efforts to cure the effect of such action or omission. Certain terms used in this Section are defined in Section 5.03(q). With the intent not to limit the generality of the foregoing, the Company covenants and agrees that, prior to the final Maturity of the Series 2022A Bonds, unless it has received and filed with the Issuer and the Trustee a Favorable Opinion of Bond Counsel:
 - (a) <u>Maintenance of Exempt Status</u>. The Company will: (i) conduct its operations in a manner that will result in its continued qualification as an organization described in Section 501(c)(3) of the Code, as represented in Section 2.02(i)(i) through 2.02(i)(l) of this Agreement, and (ii) timely file or cause to be filed all materials, returns, reports and other documents that are required to be filed with the IRS.
 - (b) <u>Diversion of Funds for Unrelated Purposes</u>. The Company will not divert any substantial part of its corpus or income for a purpose or purposes other than those for which it is organized and operated as represented in Section 2.02(i)(i) through 2.02(i)(xi) of this Agreement.
 - (c) <u>Ownership of Project</u>. All of the property financed or refinanced with the Net Proceeds of the Series 2022A Bonds will, at all times prior to final Maturity of the Series 2022A Bonds or prior to the expiration of the useful life of such property, be owned for federal income tax purposes by the Company or by another Exempt Person.
 - (d) <u>Limit on Costs of Issuance</u>. The Net Proceeds of the Series 2022A Bonds will be expended for the purposes set forth in this Agreement and in the Indenture. Not more than two percent (2%) of the Sale Proceeds of the Series 2022A Bonds, within the meaning of Section 147(g) of the Code, will be expended to pay Costs of Issuance with respect to the Series 2022A Bonds.
 - (e) <u>Use of Net Proceeds</u>. The Company will not use or permit to be used, directly or indirectly, in any trade or business carried on by any Person who is not an Exempt Person, more than the lesser of (i) five percent (5%) of the Net Proceeds of the Series 2022A Bonds or (ii) fifteen million dollars (\$15,000,000). For purposes of the preceding sentence, (w) use of Net Proceeds by an organization described in Section 501(c)(3) of the Code with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute a use by an Exempt Person; (x) use of

any property financed with the Net Proceeds of the Series 2022A Bonds constitutes use of such proceeds to the extent of the cost of such property financed with such Net Proceeds; (y) any use of the Net Proceeds of the Series 2022A Bonds in any manner contrary to the guidelines set forth in Revenue Procedure 97-13, 1997-1 C.B. 632 (as modified by Revenue Procedure 2001-39, 2001-2 C.B. 38), shall constitute the use of such proceeds in the trade or business of a Person who is not an Exempt Person; and (z) any use of the Net Proceeds to pay Costs of Issuance shall constitute the use of such proceeds in the trade or business of a Person who is not an Exempt Person.

- (f) <u>Loans of Proceeds</u>. The Company will not use or permit the use of any portion of the Net Proceeds of the Series 2022A Bonds, directly or indirectly, to make or finance loans to persons who are not Exempt Persons. For purposes of the preceding sentence, (i) a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute a loan to an Exempt Person, and (ii) any transaction that constructively transfers ownership of property financed with Sale Proceeds of the Series 2022A Bonds for federal income tax purposes constitutes a loan of such Sale Proceeds.
- (g) Rebate. The Company agrees to take all steps necessary to compute and pay any Rebate Amount in accordance with Section 148(f) of the Code, including:
 - (i) <u>Delivery of Documents and Money on Computation Dates</u>. The Company will deliver to the Trustee, within forty-five (45) days after each Computation Date for the Series 2022A Bonds,
 - $\begin{tabular}{ll} (A) & a statement, signed by an officer of the Company, stating the Rebate Amount as of such Computation Date; and \\ \end{tabular}$
 - (B) (1) if such Computation Date is an Installment Computation Date, an amount which, together with any amount then held for the credit of the Rebate Fund, is equal to at least ninety percent (90%) of the Rebate Amount in respect of the Series 2022A Bonds as of such Installment Computation Date, less any prior payments made to the United States for rebatable arbitrage in respect of the Series 2022A Bonds, (2) if such Computation Date is the Final Computation Date, an amount which, together with any amount then held for the credit of the Rebate Fund in respect of the Series 2022A Bonds, is equal to the Rebate Amount as of such Final Computation Date, less any prior payments made to the United States for rebatable arbitrage in respect of the Series 2022A Bonds, or (3) if such Computation Date is an Expenditure Date, an amount which, together with any amount then held for the credit of the Rebate Fund in respect of the Series 2022A Bonds, is equal to the Rebate Amount in respect of the Series 2022A Bonds, is equal to the Rebate Amount in respect of the Series 2022A Bonds as of such Expenditure Date; and
 - $\mbox{(C)}\mbox{ }\mbox{ an IRS Form 8038-T completed as of such Computation Date.}$

- (ii) Correction of Underpayment. If the Company discovers or is notified as of any date that any payment paid to the United States Treasury pursuant to the Indenture of an amount described in Section 5.03(g) above will have failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such failure will be due to any default by the Company, the Issuer or the Trustee), the Company will (1) pay to the Trustee (for deposit to the Rebate Fund) and cause the Trustee to pay to the United States Treasury from the Rebate Fund the Rebate Amount, together with any penalty and/or interest due, as specified in Section 1.148-3(h) of the Regulations, within one hundred seventy-five (175) days after any discovery or notice and (2) deliver to the Trustee an IRS Form 8038-T completed as of such date. If such Rebate Amount, together with any penalty and/or interest due, is not paid to the United States Treasury in the amount and manner and by the time specified in the Regulations, the Company will take such steps as are necessary to prevent the Series 2022A Bonds from becoming arbitrage bonds, within the meaning of Section 148 of the Code. Additionally, the Company agrees that if at any point the Rebate Fund incurs losses from investment, the Company will repay amounts equaling such losses into the Rebate Fund.
- (iii) <u>Records</u>. The Company will retain all of its accounting records relating to the accounts and subaccounts within the Debt Service Fund, the Construction Fund, the Debt Service Reserve Fund and the Rebate Fund and the investment and expenditure of the Proceeds of the Series 2022A Bonds and all calculations made in preparing the statements described in this Section 5.03(g) for at least three (3) years after the later of the final Maturity of the Series 2022A Bonds or the first date on which no Series 2022A Bonds are Outstanding.
- (iv) Fees and Expenses. The Company agrees to pay all of the fees and expenses of Bond Counsel, a certified public accountant and any other necessary consultant employed by the Company, the Trustee or the Issuer in connection with computing the Rebate Amount.
- (v) No Diversion of Rebate Amount. The Company will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any Person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Series 2022A Bonds that is not purchased at fair market value or includes terms that the Company would not have included if the Series 2022A Bonds were not subject to Section 148(f) of the Code.
- (vi) <u>Modification of Requirements</u>. If at any time during the term of this Agreement the Issuer, the Trustee or the Company desires to take any action that would otherwise be prohibited by the terms of this Section, such Person will be permitted to take such action if it will first obtain and provide to the other Persons named herein a Favorable Opinion of Bond Counsel. The Company will hire a Rebate Analyst to perform the calculations required in this Section 5.03(g); provided, however, this shall not absolve the Company of any of the covenants of this Section 5.03(g).

- (h) <u>"Federally Guaranteed" Obligations</u>. The Company will not cause the Series 2022A Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code.
- (i) <u>Prohibited Facilities</u>. None of the Proceeds of the Series 2022A Bonds will be used to provide any airplane, sky box or other private luxury box, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.
- (j) <u>Information Reporting Requirements</u>. The Company will cause the Issuer to comply with the information reporting requirements of Section 149(e)(2) of the Code requiring certain information regarding the Series 2022A Bonds to be filed with the IRS within prescribed time limits.
- (k) <u>Yield on Investment of Gross Proceeds</u>. The Company will restrict the cumulative blended Yield on the investment of the Gross Proceeds of the Series 2022A Bonds to the Yield of such issue, other than amounts (i) not subject to yield restriction due to any applicable temporary period under Section 148(c) of the Code, or as a result of being on deposit in a Reasonably Required Reserve or Replacement Fund, the Rebate Fund, a bona fide debt service fund (including the Debt Service Fund) or as a minor portion, or (ii) invested at a restricted yield by virtue of being invested in obligations described in Section 103(a) of the Code that are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code to the extent required by the Code or the Regulations.
- (I) <u>Notification of the Internal Revenue Service</u>. The Company will timely notify the IRS of any changes in its organizational documents or method of operations to the extent that the IRS does not already have knowledge of any such changes.
- (m) No Arbitrage. The Company will not use or invest the Proceeds of the Series 2022A Bonds such that the Series 2022A Bonds become "arbitrage bonds" within the meaning of Section 148 of the Code, and as evidence of this intent, a representative of the Company has reviewed the No-Arbitrage Certificate prepared in connection with the Series 2022A Bonds and the Company understands and will take (or request the Trustee or the Issuer to take) the actions described therein.
- (n) <u>Bonds are Not Hedge Bonds</u>. The Company covenants and agrees that not more than fifty percent (50%) of the Proceeds of the Series 2022A Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four (4) years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Company reasonably expects that at least eighty-five percent (85%) of the spendable proceeds of the Series 2022A Bonds will be used to carry out the governmental purposes of the Series 2022A Bonds within the three-year period beginning on the Closing Date.
- (o) <u>Limit on Nonhospital Bonds</u>. The Company will expend at least ninety-five percent (95%) of the Net Sale Proceeds of the Series 2022A Bonds for Capital Expenditures incurred after August 5, 1997. Accordingly, the Series 2022A Bonds are not

subject to the one hundred fifty million dollars (\$150,000,000) limit on nonhospital bonds imposed by section 145(b) of the Code.

- (p) Public Approval. The Company covenants and agrees that the Proceeds of the Series 2022A Bonds will not be used in a manner that deviates other than in an insubstantial degree from the Project described in the written notices of public hearing regarding the Series 2022A Bonds published by the Issuer (i) on March 9, 2022 and continuously thereafter until 11:00 a.m. on March 18, 2022 on the Issuer's website, in the area of the website where notices of the Issuer's public meetings are posted, and (ii) on March 9, 2022 in the San Antonio Express-News.
- (q) <u>Definitions</u>. The following terms have the meanings assigned to them below whenever they are used in this Agreement:

"Available Construction Proceeds" has the meaning set forth in Section 148(f)(4)(C)(vi) of the Code.

"Bond Year" means, with respect to the Series 2022A Bonds, each one-year period (or shorter period from the Closing Date) that ends at the close of business on the day selected by the Company. The first and last Bond Years may be short periods. If no day is selected by the Company before the earlier of the final Maturity of such issue of Bonds or the date that is five (5) years after the Closing Date, Bond Years end on each anniversary of the Closing Date and on the date of final Maturity. Unless notified in writing to the contrary, the Trustee may conclusively presume that Bond Years end on each anniversary of the Closing Date and the date of final maturity.

"Computation Date" means each Installment Computation Date and the Final Computation Date and in addition, with respect to any portion of the Series 2022A Bonds that is a Construction Bond Issue, with respect to which the penalty set forth in Section 148(f) of the Code has been elected, each Expenditure Date.

"Construction Bond Issue" means the Series 2022A Bonds (or any portions thereof elected by the Issuer in accordance with Section 148(f)(4)(C)(v) of the Code) at least seventy-five percent (75%) of the Available Construction Proceeds, which are to be used for construction expenditures (including expenditures for reconstruction and rehabilitation) with respect to property that is or will be owned by an Exempt Person.

"Costs of Issuance" means issuance costs with respect to the Series 2022A Bonds within the meaning of Section 147(g) of the Code.

"Exempt Person" means a state or local governmental unit or an organization exempt from federal income taxation under Section 501(a) of the Code by reason of being described in Section 501(c)(3) of the Code.

"Expenditure Date" means, with respect to any portion of the Series 2022A Bonds that is a Construction Bond Issue, each six-month anniversary of the Closing Date.

"Expenditure Delay Penalty" means, with respect to any portion of the Series 2022A Bonds that is a Construction Bond Issue, an amount equal to (i) the amount calculated under Section 1.148-3 of the Regulations (i.e., the Rebate Amount calculated as if no part of the Series 2022A Bonds is a Construction Bond Issue) or (ii) with respect to a Construction Bond Issue for which an election has been made to pay the penalty in lieu of rebate, one and one half percent (1.5%) of the Unexpended Required Amount on each Expenditure Date, all in accordance with Section 148(f)(4)(C)(vii) of the Code.

"Final Computation Date" means the final Maturity of the Series 2022A Bonds.

"Gross Proceeds" means any Proceeds and Replacement Proceeds of the Series 2022A Bonds.

"Installment Computation Date" means the last day of the fifth (5^{th}) and each succeeding fifth (5^{th}) Bond Year.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds.

"Investment Property" means (i) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code), (ii) any obligation other than an obligation the interest of which is excludable from gross income under Section 103(a) of the Code and is not a preference item under section 57(a)(5) of the Code, (iii) any annuity contract, (iv) any investment-type property, or (v) in the case of a bond other than a private activity bond, any residential rental property for family units that is not located within the jurisdiction of the issuer and that is not acquired to implement a court ordered or approved housing desegregation plan.

"Issue Price" means, with respect to the Series 2022A Bonds, "issue price" as defined in Sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the aggregate initial offering price to the public (excluding bond houses, brokers and other intermediaries acting in the capacity of wholesalers or underwriters) at which at least ten percent (10%) of each Maturity of the Series 2022A Bonds is sold.

"<u>Net Proceeds</u>" means any Net Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Series 2022A Bonds.

"Net Sale Proceeds" means the Sale Proceeds less any Sale Proceeds deposited into a Reasonably Required Reserve or Replacement Fund.

"Nonpurpose Investments" means Investment Property acquired with the Gross Proceeds of the Series 2022A Bonds, other than the Series 2022A Note and the Series 2022B Note.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Series 2022A Bonds.

"Qualifying Costs" means the Project Costs (excluding the costs for funding a debt service reserve fund) that will be used, directly or indirectly, in any trade or business carried on by any

Person who is an Exempt Person. For purposes of the preceding sentence, (i) use by an organization described in Section 501(c)(3) of the Code with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute use by an Exempt Person, and (ii) any use in any manner contrary to the guidelines set forth in Revenue Procedures 97-13, 1997-1 C.B. 632 (as modified by Revenue Procedure 2001-39, 2001-2 C.B. 38), or the Regulations promulgated under Section 141 of the Code, shall constitute use by a Person who is not an Exempt Person.

"Reasonably Required Reserve or Replacement Fund" means any fund described in Section 148(d) of the Code provided that the amount thereof allocable to the Series 2022A Bonds invested at a Yield materially higher than the Yield on the Series 2022A Bonds does not exceed the lesser of (i) ten percent (10%) of the stated principal amount of the Series 2022A Bonds; (ii) the maximum annual debt service on the Series 2022A Bonds; or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Series 2022A Bonds, within the meaning of Section 1.148-2(f)(2)(ii) of the Regulations; provided that, if the Series 2022A Bonds are sold with more than a de minimus amount of original issue discount or premium, the issue price will be used to measure the ten percent (10%) limit.

"Rebate Amount" has the meaning ascribed in Section 1.148-3 of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments, all as determined in accordance with Section 1.148-3 of the Regulations. In the case of any Temporary Period Issue, the "Rebate Amount" as of any Computation Date shall be limited to the "Rebate Amount" attributable to any Reasonably Required Reserve or Replacement Fund. For any Construction Bond Issue, the "Rebate Amount" as of any Computation Date shall be the Expenditure Delay Penalty plus (in the case of a Computation Date other than an Expenditure Date) the "Rebate Amount" attributable to any Reasonably Required Reserve or Replacement Fund.

"Rebate Analyst" means an independent certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution, experienced in making the arbitrage and rebate calculations required pursuant to Section 148(f) of the Code, selected, retained and compensated by the Company pursuant to this Section 5.03(g) to make the computations and give the directions required under Section 4.05 of the Indenture.

" $\underline{\text{Replacement Proceeds}}$ " has the meaning set forth in Section 1.148-1(c) of the Regulations.

"Required Amount" means, with respect to the Series 2022A Bonds (or portion thereof) that is a Construction Bond Issue, (i) ten percent (10%) of the Available Construction Proceeds on the Expenditure Date that falls on the six-month anniversary of the Closing Date, (ii) forty-five percent (45%) of the Available Construction Proceeds on the Expenditure Date that falls on the one-year anniversary of the Closing Date, (iii) seventy-five percent (75%) of the Available Construction Proceeds on the Expenditure Date that falls on the 18-month anniversary of the Closing Date, and (iv) one hundred percent (100%) of the Available Construction Proceeds on any Expenditure Date that falls on or after the two-year anniversary of the Closing Date.

"Sale Proceeds" means any amounts actually or constructively received from the sale (or other disposition) of any Series 2022A Bond, including amounts used to pay underwriters' discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include, but are not limited to, certain amounts derived from the sale of a right that is associated with any Series 2022A Bond, as described in Section 1.148-4(b)(4) of the Regulations, and certain amounts received upon termination of certain hedges, as described in Section 1.148-4(h)(5) of the Regulations.

"<u>Temporary Period Issue</u>" means the Series 2022A Bonds that meet either the 6-month exception or the 18-month exception set forth in Section 1.148-7 of the Regulations.

"<u>Transferred Proceeds</u>" means transferred proceeds as defined in section 1.148-9 of the Regulations.

"Unexpended Required Amount" means, for any Construction Bond Issue, the Required Amount on any Expenditure Date less the percentage of Available Construction Proceeds actually expended on and prior to such Expenditure Date; provided, however, that in the case of any Expenditure Date that falls on or after the two-year anniversary of the Closing Date, Available Construction Proceeds actually expended shall include a reasonable retainage (not in excess of five percent (5%) of Available Construction Proceeds if such retainage is expended prior to the three-year anniversary of the Closing Date.

"Yield" means yield, as determined in accordance with Section 148(h) of the Code and the Regulations, and generally is the yield which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the Issue Price of such obligation.

To the extent that published rulings of the IRS or amendments to the Code or the Regulations modify the covenants of the Company that are set forth in this Section 5.03 or that are necessary to preserve the excludability from gross income of interest on the Series 2022A Bonds for federal income tax purposes, the Company and the Issuer will comply with such modifications.

5.04 Financial Reports; No Default Certificates; Notice of Default. The Company shall cause an annual audit of its books and accounts to be made by Independent certified public accountants and delivered to it within six (6) months after the end of each Fiscal Year of the Company. At the same time said audit report is delivered to the Company, the Company shall deliver to the Trustee a copy thereof, a copy of the management letter of such accountants and a certificate signed by the Superintendent or President of the Governing Body of the Company stating that such person has reviewed the obligations of the Company under this Agreement, the Deed of Trust, the Series 2022 Notes, the Master Indenture and the Indenture and the performance of the Company hereunder and thereunder, and has consulted with such officers and employees of the Company as he or she deemed appropriate and necessary for the purpose of delivering such certificate, and based on such review and consultation, no Event of Default and no event that, with the giving of notice or the passage of time or both, would constitute an Event of Default has occurred and is continuing under the aforementioned documents. Such certificate shall also set forth the Debt Service Coverage Ratio as described in Section 5.09 and the Liquidity Requirement set forth in Section 5.12 herein. The Trustee shall have no duty to examine or independently verify

any such audit reports or the matters described in any such certificate other than to confirm that the aforementioned certificate is on its face in the form prescribed herein, and shall have no duty to furnish such audits to any third party. The Company shall also, promptly upon receiving notice thereof, notify the Issuer and the Trustee in writing upon the occurrence of an Event of Default or any event that, with the giving of notice or the passage of time or both, would constitute an Event of Default hereunder or under the Series 2022 Notes, the Master Indenture or the Indenture.

5.05 **Further Assurances and Corrective Instruments; Recordation.** The Issuer and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of this Agreement, the Master Indenture and the Indenture.

The Company covenants that it will act and cooperate so that this Agreement, the Master Indenture, the Indenture, any financing statements, and all supplements thereto, and any other instruments as may be required from time to time to be kept, will be recorded and filed in such manner and in such places as may from time to time be required by law in order fully to preserve and protect the security of the Holders and the rights of the Trustee under the Indenture.

- 5.06 Environmental Indemnity. The Company hereby agrees to indemnify and hold harmless the Master Trustee, the Trustee, the Issuer and their successors, assigns, officers, affiliates and employees (collectively referred to in this Section 5.06 as the "Indemnified Parties") for, from and against any and all losses, costs, damages, exemplary damages, natural resources damages, liens and expenses (including, but not limited to, attorneys' fees and any and all other costs incurred in the investigation, defense and settlement of claims) that Indemnified Parties may incur as a result of or in connection with the assertion against Indemnified Parties, of any claim, civil, criminal or administrative, which:
 - (a) arises out of the actual, alleged or threatened discharge, dispersal, release, storage, treatment, generation, disposal or escape of any Regulated Chemical, including, but not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, medical waste and waste (including materials to be recycled, reconditioned or reclaimed); or
 - (b) actually or allegedly arises out of the use of any Regulated Chemical, the existence or failure to detect the existence or proportion of any Regulated Chemical in the soil, air, surface water or groundwater, or the performance or failure to perform the abatement or removal of any Regulated Chemical or of any soil, water, surface water or groundwater containing any Regulated Chemical; or
 - (c) arises out of the actual or alleged existence of any Regulated Chemical on, in, under or affecting all or a portion of the Project or violation or noncompliance with any federal, state or local environmental law, rule or regulation in connection therewith; or
 - (d) arises out of any misrepresentations of the Company concerning any matter involving Regulated Chemicals; or

(e) arises out of the Company's failure to provide all information, make all submissions and filings, and take all steps required by appropriate government authority under any applicable environmental law, regulation, statute or program, whether federal, state or local, whether currently existing or hereinafter enacted.

The obligations under this Section 5.06 shall not be affected by any investigation by or on behalf of Indemnified Parties, or by any information that Indemnified Parties may have or obtain with respect thereto.

Notwithstanding anything to the contrary contained in this Section 5.06, no indemnification shall be required for any damages under this Section incurred solely as the result of the gross negligence or willful misconduct of the party seeking indemnification. The indemnification of the Indemnified Parties as provided in this Section 5.06 shall remain in full force and effect even if any such Losses directly or indirectly result from, arise out of or are asserted to have resulted from, arisen out of, or are related to, the sole or contributory negligence of any of the Indemnified Parties.

- 5.07 Existence of the Company. While any of the Bonds remain Outstanding, the Company shall maintain its corporate existence and qualification to do business in the State, and, if different, the state of the Company's incorporation, and shall not merge or consolidate with any other Person or sell or dispose of all or substantially all of its assets, unless (and subject to the provisions of Sections 3.13 and 5.03 hereof) (a) either the Company shall be the surviving Person in the case of a merger, or the surviving, resulting or transferee corporation, as the case may be, shall expressly and unconditionally assume, in a written instrument delivered to the Issuer and the Trustee, the punctual performance and observance of all of the covenants and conditions of this Agreement to be performed by the Company; (b) the Company or such surviving, resulting or transferee Person, as the case may be, shall not, immediately after such merger or consolidation, or sale or disposition, be in default in the performance of any covenant or condition hereunder; (c) the surviving, resulting or transferee Person, as the case may be, shall be duly authorized to transact business in the State; (d) the Company or such surviving, resulting or transferee Person, as the case may be, shall have a net worth at least equal to the net worth of the Company immediately preceding such merger or consolidation, or sale or disposition, with net worth being determined in accordance with generally accepted accounting principles; and (e) the Holders of a majority in principal amount of the Outstanding Bonds shall have received, to their reasonable satisfaction, such other information, documents, certificates and opinions as the Holders of a majority in principal amount of the Outstanding Bonds may reasonably require. Prior to the consummation of any such merger, sale, conveyance or transfer, (y) the Company shall deliver to the Issuer and the Trustee a Favorable Opinion of Bond Counsel, and (z) the surviving, resulting or transferee Person's certification to the Issuer and the Trustee to the effect that each of the conditions stated in clauses (a) through (e) of the preceding sentence is and will remain satisfied as of the date of such consummation and that such consummation will not cause any such condition to not be satisfied. Furthermore, the Company or any surviving, resulting or transferee Person shall, at all times during the term of this Agreement, qualify as an "accredited primary or secondary school" or "authorized charter school" as such terms are defined in Section 53A.02, Texas Education Code.
- 5.08 **Debt Service Coverage Ratio**. The Company shall maintain a Debt Service Coverage Ratio for each Fiscal Year equal to at least 1.1 to 1.0 as of the Fiscal Year ending June

30, 2023 and annually thereafter until the Bonds have been paid in full. The Company's failure to achieve a Debt Service Coverage Ratio of 1.1 to 1.0 does not constitute an Event of Default if the Company timely engages (within thirty (30) days of submittal of the certificate set forth in Section 5.04 describing such circumstance or, if such certificate is not timely submitted, within thirty (30) days of the date such certificate was required to be submitted) an Independent Management Consultant, such consultant timely prepares (within forty-five (45) days of engagement) a report (to be delivered to the Company and the Trustee) with recommendations for meeting the required Debt Service Coverage Ratio and the Company, to the extent legally permissible, will consider any recommendations and, to the fullest extent practicable, adopt and carry out such recommendations, within thirty (30) days of receipt of such recommendations. The Company shall provide notice of its choice of Independent Management Consultant to the Holders of the Outstanding Notes, in accordance with Section 1.05 of the Master Indenture and by posting the notice on EMMA. Holders of not less than fifty percent (50%) of the Notes Outstanding shall have ten (10) business days following posting of the notice on EMMA to reject the Company's choice of Independent Management Consultant, after which time the Company's choice of Independent Management Consultant shall be deemed accepted. Notwithstanding the foregoing, if the Debt Service Coverage Ratio falls below 1.0 to 1.0, it shall constitute an Event of Default hereunder.

5.09 Maintenance of Charter. The Company covenants to maintain and renew its Charter in accordance with applicable State law. In the event the Company's Charter expires, is revoked or terminated, the Company will provide to the Master Trustee within thirty (30) days of the notification of such expiration, termination or revocation by the Commissioner of Education a detailed written report of all action taken or to be taken to address and correct such expiration, revocation or termination. In the event the Company fails to meet applicable Texas Education Agency standards for the second consecutive time, the Company agrees that it shall (i) engage an Independent consultant with expertise in the operation and management of the academic and financial affairs of charter schools and (ii) within thirty (30) days of such engagement provide to the Master Trustee a detailed written report of such Independent consultant of all action taken or to be taken to address and correct such failure, expiration, termination or revocation. If (i) the Charter remains expired, revoked or terminated, (ii) the Company has exhausted its administrative remedies for reinstatement or renewal of the Charter and (iii) the Company is unable to qualify as an "accredited primary or secondary school," as such term is defined in Section 53A.02, Texas Education Code, and continue operations in the State, then such expiration, revocation or termination and failure to continue operations shall constitute an Event of Default.

5.10 **Disposition of Property, Plant and Equipment.** No PP&E of the Company may be sold or otherwise disposed of unless: (i) the PP&E is obsolete or worn out, or (ii) fair market value is received in return, or (iii) the market value of all PP&E disposed of in any Fiscal Year does not exceed five percent (5%) of the total market value of all PP&E of the Company.

5.11 Liquidity.

(a) The Company covenants to maintain, commencing with the Fiscal Year ending June 30, 2023 and for each Fiscal Year thereafter, an amount equal to 45 Days Cash on Hand (the "Days Cash on Hand Requirement"). The Company's Days Cash on Hand shall be tested on and as of June 30 of each year, commencing June 30, 2023, and the Company shall provide a certificate to the Master Trustee within thirty (30) days of

completion of the audit of the Company's financial statements for the applicable Fiscal Year evidencing that the Company's Days Cash on Hand has met the requirement described above. The foregoing is subject to the qualification that if applicable State or federal laws or regulations, or the rules and regulations of the agencies having jurisdiction, shall not permit the Company to maintain such level of Days Cash on Hand, then the Company shall, in conformity with the then prevailing laws, rules or regulations, maintain its Days Cash on Hand equal to the maximum permissible level.

- (b) If the Company's Days Cash on Hand is less than the required number of days for the prior Fiscal Year, the Company shall promptly (i.e., within forty-five (45) days) employ at its sole cost and expense an Independent Management Consultant to review and analyze the operations and administration of the Company, inspect the Company's facilities, and promptly submit to the Company and the Master Trustee written reports, and make such recommendations, as to the operation and administration of the Company as such Independent Management Consultant deems appropriate, including any recommendation as to a revision of the methods of operation and administration thereof. The Company agrees to consider any recommendations by the Independent Management Consultant and, to the fullest extent practicable, to adopt and carry out such recommendations. The Company shall provide notice of its choice of Independent Management Consultant to the Holders of the Outstanding Notes, in accordance with Section 1.05 of the Master Indenture and by posting the notice on EMMA. Holders of not less than fifty percent (50%) of the Notes Outstanding shall have ten (10) business days following such posting of the notice on EMMA to reject the Company's choice of Independent Management Consultant, after which time the Company's choice of Independent Management Consultant shall be deemed accepted.
- (c) So long as the Company is otherwise in full compliance with its obligations under the Bond Documents, including following, to the fullest extent practicable, the recommendations of the Independent Management Consultant, it shall not constitute an Event of Default if the Days Cash on Hand for any testing date is less than the required number of days for the prior Fiscal Year, as applicable.
- (d) If, after meeting the requirements set forth in Section 5.11(a) above, the Company expends any of its cash on hand, the Company agrees to restore the Days Cash on Hand to the then required levels by the end of the next Fiscal Year.
- 5.12 **Continuing Disclosure Undertaking.** The Company hereby agrees to enter into and fully perform its obligations under the Continuing Disclosure Agreement.

ARTICLE VI.

EVENTS OF DEFAULT; REMEDIES

6.01 **Events of Default Defined**. The following shall be "Events of Default" under this Agreement and the term "Events of Default" shall mean, whenever used in this Agreement, any one (1) or more of the following events:

- (a) Failure by the Company to pay the Loan Payments when due;
- (b) Any representation or warranty made or deemed made by the Company under the Bond Documents shall be false, misleading or erroneous in any material respect when made or deemed made, or a failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement or the Indenture, other than as referred to in subsection (a) of this Section, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee; provided that if such default can be cured by the Company but cannot be cured within the 30-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by the Company within such 30-day period and diligently pursued until the default is corrected; provided, however, that if such default or breach shall last longer than ninety (90) days, it shall constitute an Event of Default hereunder;
- (c) The occurrence and continuance of any "Events of Default" specified in the Bond Documents or the Master Indenture that have not been waived; or
- (d) The failure to maintain the Debt Service Coverage Ratio and Maintenance of Charter requirements set forth in Sections 5.09 and 5.10 hereof and the expiration of the applicable cure periods set forth therein without achieving compliance.

The foregoing provisions of this Section (except Subsection (a) of this Section) are subject to the following limitations: If by reason of Force Majeure the Company is unable, in whole or in part, to carry out its agreements contained herein, other than the obligations on the part of the Company to make Loan Payments, the Company shall not be deemed in default during the continuance of such inability. The Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements by reason of such Force Majeure.

- 6.02 **Remedies Upon an Event of Default.** Whenever any Event of Default shall have happened and be continuing, the Issuer, or the Trustee as assignee of the Issuer, may, subject to Article VIII of the Indenture, take any one (1) or more of the following remedial steps:
 - (a) From time to time, may take whatever action at law or in equity or under the terms of the Bond Documents, including acceleration of the Loan (but only to the extent the Notes are accelerated pursuant to the Master Indenture), is necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement or any other Bond Document; or
 - (b) From time to time, take whatever actions at law or in equity is necessary or desirable to enforce the obligations of the Company under Sections 4.07, 5.01 and 6.06 hereof.
- 6.03 **No Remedy to be Exclusive.** No remedy herein conferred upon or reserved to the Trustee or the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy

given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

- 6.04 No Additional Waiver Implied by One Waiver. In the event any provision, covenant or agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.
- 6.05 **Remedial Rights Assigned to the Trustee**. Such rights and remedies as are given the Issuer hereunder (except the Issuer's rights under Sections 4.07, 5.01 and 6.06 hereof) shall, upon execution and delivery of the Indenture, be assigned to the Trustee, and the Trustee shall have the right to exercise such rights and remedies, without the joinder or consent of the Issuer, in the same manner and under the limitations and conditions that the Trustee is entitled to exercise rights and remedies under the Indenture.
- 6.06 Agreement to Pay Attorneys' Fees and Expenses. If the Company should default under any of the provisions of this Agreement and as a consequence the Issuer and/or the Trustee should employ attorneys or incur other expenses for the collection for amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company contained in this Agreement, the Company agrees that it will on demand therefor reimburse the Issuer and/or the Trustee for the reasonable fees of such attorneys and such other reasonable expenses so incurred. When the Trustee or the Issuer incurs expenses, attorneys' fees, or renders services after an Event of Default specified in Section 6.01(c) or (d) of the Master Indenture occurs that is related to the dissolution or liquidation by the Company or the filing by the Company of a voluntary petition for relief, or the entry of an order or decree for relief in an involuntary case, or the entry of an order or decree for dissolution, liquidation or winding up of the affairs of the Company under any applicable bankruptcy, insolvency or similar law, the expenses, attorneys' fees and compensation for the services are intended to constitute post-petition expenses of administration under any bankruptcy law.

ARTICLE VII.

MISCELLANEOUS

- 7.01 Severability of Provisions of this Agreement. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.
- 7.02 **Execution of this Agreement in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

- 7.03 **Captions and Preambles**. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement. The preambles hereto are hereby incorporated herein and made a part of this Agreement for all purposes.
- 7.04 No Pecuniary Liability of the Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to any pecuniary liability on the part of the Issuer or any charge upon its general credit. In making such provisions, covenants or agreements, the Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided. It is recognized that the Issuer's only source of funds with which to carry out its commitments under this Agreement will be from the proceeds of the sale of the Bonds and payments to be made by the Company hereunder; and it is expressly agreed that the Issuer shall have no liability, obligation or responsibility with respect to this Agreement or the Project except to the extent of funds available from such Bond proceeds and payments to be made by the Company hereunder.
- 7.05 **Payment to the Issuer**. The Company agrees to pay directly to the Issuer all fees required to be paid by the Company under the Issuer's regulations as in effect as of the date hereof, Costs of Issuance reasonably incurred by the Issuer in connection with the issuance of the Bonds, and other expenses, if any, incurred from time to time by the Issuer in connection with the Project or the Bonds.
- 7.06 **Status of the Parties' Relationship.** Nothing in this Agreement shall be construed to make either party the partner or joint venturer of or with the other party.
- 7.07 **Final Agreement**. THIS WRITTEN AGREEMENT AND THE OTHER BOND DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.
- 7.08 **Third Party Beneficiary**. The parties hereto expressly recognize that the Master Trustee and the Trustee are third party beneficiaries to this Agreement and may enforce any right, remedy or claim conferred, given or granted hereunder.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be signed in their behalf by their duly authorized representatives as of the date set forth above.

ARLINGTON HIGHER EDUCATION FINANCE CORPORATION

By:	
President, Board of Directors	

TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE By:______ Chair, Board of Directors

EXHIBIT A

TO

LOAN AGREEMENT

The Project consists of the following:

- (i) Financing the purchase, construction, renovation, improvement and equipment of educational facilities located at 5818 NW Loop 410, San Antonio, Texas 78238;
 - (ii) Funding a debt service reserve fund;
 - (iii) Payment of costs associated with the issuance of the Bonds.

EXHIBIT B

FORM OF COMPLETION CERTIFICATE

[DATE]

UMB Bank, N.A., as Trustee 5910 N. Central Expressway, Suite 1900 Dallas, Texas 75206

Attention: Madelyn Wallace

Re: \$\ Arlington Higher Education Finance Corporation Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022A and \$\ Arlington Higher Education Finance Corporation Taxable Education Revenue Bonds (TGP Public Schools d/b/a The Gathering Place) Series 2022B

Ladies and Gentlemen:

The undersigned, being the owner of the Project, as defined in that certain Loan Agreement dated as of April 1, 2022 (the "Loan Agreement"), by and among the undersigned and the Issuer, hereby certifies to UMB Bank, N.A., as trustee (the "Trustee"), that "Completion" of the Project on the has been attained as of the date hereof and all conditions relating thereto as set forth below have been satisfied. Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Loan Agreement.

The undersigned hereby represents and warrants that:

- 1. as of that date, all Project Costs payable with respect to the acquisition of the Project have been paid;
- 2. the amount from the Construction Fund expended for Project Costs relating to the Project totaled \$:
- 3. the amount from the Construction Fund expended for Project Costs that are not Qualifying Costs (as defined in Section 5.03(q) of the Loan Agreement) totaled \$; and
- 4. Not less than ninety-five percent (95%) of the Net Proceeds of the Series 2022A Bonds were used for Qualifying Costs. If less than ninety-five percent (95%)of the Proceeds of the Series 2022A Bonds were used for Qualified Costs, the Company has redeposited amounts into the Construction Fund such that the amount of proceeds disbursed for Qualified Costs is equal to at least ninety-five percent (95%) of the Net Proceeds of the Series 2022A Bonds; provided, however, that such redeposit and expenditure did occur not later than eighteen (18) months after the later of: (i) the date the expenditure to which the redeposited funds are allocated was placed in service, and in no

Exhibit B - 1 Exhibit B - 2

event later than sixty (60) days after the fifth (5th) anniversary of the date of issue of the Series 2022A Bonds or the date sixty (60) days after the retirement of the issue, if earlier. Moreover, proceeds in an amount equal to not more than two percent (2%) of the Sale Proceeds of the Series 2022A Bonds were used for Costs of Issuance.

TGP PUBLIC SCHOOLS D/B/A THE GATHERING PLACE

By:	
Authorized Representative	





