



Item 2

**Travis County Commissioners Court Agenda Request
Travis County Cultural Education Facilities Finance Corporation**

Meeting Date: September 25, 2012

Prepared By/Phone Number: Andrea Shields, Manager/854-9116

Elected/Appointed Official/Dept. Head: Leslie Browder, County Executive, Planning and Budget/854-9106

Commissioners Court Sponsor: Samuel T. Biscoe, President

AGENDA LANGUAGE:

Consider and take appropriate action to (a) approve Resolution approving an Agreement to Issue Bonds and other matters in connection therewith related to Wayside Schools to finance or refinance the Eden Park Academy and Real Learning Academy campuses of the school and (b) set date and time for public hearing to receive public comment on issuance of bonds to finance Wayside School facilities.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS: See attached backup.

STAFF RECOMMENDATIONS: Staff recommends approval.

ISSUES AND OPPORTUNITIES: None.

FISCAL IMPACT AND SOURCE OF FUNDING: None.

REQUIRED AUTHORIZATIONS: Andrea Shields, Manager/854-9116;
Leroy Nellis, Budget Manager/854-9066

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Cheryl Aker in the County Judge's office, Cheryl.Aker@co.travis.tx.us by Tuesdays at 5:00 p.m. for the next week's meeting.



**NAMAN HOWELL
SMITH & LEE^{PLLC}**
ATTORNEYS AT LAW

MEMORANDUM
from
William C. Blount

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TO: Board of Directors of
Travis County Cultural Education Facilities Finance Corporation

DATE: September 18, 2012

RE: Proposed Financing for Wayside Schools for refinance and additional construction of Eden Park campus and purchase and construction of middle school campus at I-35 and William Cannon Drive

Agenda Date: September 25, 2012

Wayside Schools (“Applicant”) has applied for financing with the Corporation to finance facilities as described above. The amount of bond financing requested is approximately \$21,500,000.

Enclosed with this memo are the application along with attachments, a preliminary resolution and a draft agreement to issue bonds which are in the Corporation’s standard format. Approval of this resolution does not obligate the Corporation to ultimately issue the bonds until the Board is satisfied with the transaction and the project. This resolution authorizes publishing the filing an application with the bond review board for the required volume cap. The Agreement to Issue Bonds contains our standard broad indemnification of the Corporation for considering and participating in the transaction. Additionally, the Corporation will need to hold a public hearing “TEFRA” hearing, prior to the closing of the issuance of the bonds.

Under the proposed structure, the Corporation will not have any liability on the bonds, as the transaction will be structured as a revenue bond issuance. Likewise, there will be no liability to the County on the bonds, if issued. If the full \$21,500,000 of bonds is issued, the Corporation will receive an issuer fee of \$21,500 (0.50%).

The transaction will require the approval of the Attorney General’s office.

Please give me a call if you have any questions or require any additional information regarding this matter before Tuesday.

{02034668.DOC / }

cc: Leroy Nellis
Andrea Shields
Ladd Pattillo

RESOLUTION OF BOARD OF DIRECTORS PRESCRIBING THE FORM AND SUBSTANCE OF AN AGREEMENT TO ISSUE BONDS; AUTHORIZING THE EXECUTION OF SUCH AGREEMENT; AND CONTAINING OTHER PROVISIONS RELATING TO EDUCATION REVENUE BONDS AND TAXABLE EDUCATION REVENUE BONDS (WAYSIDE SCHOOLS)

WHEREAS, Travis County Cultural Education Facilities Finance Corporation (the "Corporation") is authorized by the Cultural Education Facilities Finance Corporation Act, Article 1528m, Vernon's Texas Civil Statutes, as amended (the "Act"), to issue revenue bonds for the purpose of paying all or part of the cost of cultural facilities, health facilities and education facilities, all as defined in the Act, Section 221 of the Texas Health and Safety Code or in Chapter 53 of the Texas Education Code and to sell or lease such facilities to others or loan the proceeds of the bonds to others to finance all or part of the cost of such facilities; and

WHEREAS, the Corporation now desires to authorize, issue and sell its education revenue bonds, to the extent authorized by law, to provide funds to defray all or part of the cost of acquiring, rehabilitating and/or constructing certain education facilities of Wayside School (the "User"); and

WHEREAS, the User and the Corporation desire that the Corporation adopt a resolution with respect to the bonds or take some other similar official action toward the issuance of such bonds prior to the commencement of construction or acquisition of such Residential Development; and

WHEREAS, Travis County, Texas (the "Unit"), has authorized and approved creation of the Corporation to act on its behalf to further certain public purposes of the Unit;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TRAVIS COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION, THAT:

Section 1: The Corporation hereby authorizes and agrees that it will issue and sell its education revenue bonds (the "Bonds") from time to time in one or more series pursuant to the provisions of Texas law to pay all or part of the cost of acquiring and constructing the project described in Exhibit "A" to the Agreement to Issue Bonds attached hereto (the "Project"), together with all costs of authorization, sale and issuance of the Bonds. The Bonds will be issued and sold as more fully provided in the Agreement to Issue Bonds, and subject to the terms thereof, in a maximum aggregate principal amount expected to be issued for the Project in an amount not to exceed \$22,000,000.

Section 2: The proceeds of the Bonds will be used to finance the acquisition, rehabilitation and/or construction of the Project.

Section 3: The Corporation will enter into a financing agreement with the User providing for financing of all or part of the cost of the Project, as more fully described in the Agreement to Issue Bonds.

Section 4: The Board of Directors of the Corporation (the “Board of Directors”) hereby finds, determines and declares that (i) the User has the business experience, financial resources and responsibility to provide reasonable assurance that the Bonds and the interest thereon to be paid from, or by reason of, payments made by the User under the financing agreement will be paid as the same become due, and (ii) the Project is in furtherance of the public purposes set forth in the Act.

Section 5: The Agreement to Issue Bonds by and between the Corporation and the User in substance and in form substantially as shown in the attachment hereto is hereby approved and the President or Vice President and Secretary or Assistant Secretary of the Corporation are hereby authorized to execute and attest such Agreement to Issue Bonds for and on behalf of the Corporation.

Section 6: That neither the User nor any other party is entitled to rely on this Resolution as a commitment to loan funds, and the Corporation reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Corporation shall not be subject to any liability or damages of any nature. Neither the User nor any one claiming by, through or under the User, nor any investment banking firm or potential purchaser of the Bonds shall have any claim against the Corporation whatsoever as a result of any decision by the Corporation not to issue the Bonds.

Section 7: This Resolution, together with the Agreement to Issue Bonds attached hereto, shall be deemed and construed as a resolution authorizing the issuance of the aforesaid Bonds or some other similar official action toward the issuance of the Bonds.

PASSED AND APPROVED this 25h day of September, 2012.

Samuel T. Biscoe, President

CERTIFICATION

The above resolution, adopted by the Board of Directors of the Travis County Cultural Education Facilities Finance Corporation at a meeting held on the 25th day of September, 2012, is hereby certified to be a true and correct copy of an official copy thereof on file among the official records of such Corporation.

WITNESS my hand and seal of office this 25th day of September, 2012.

Margaret Gomez, Secretary

AGREEMENT TO ISSUE BONDS

THIS AGREEMENT TO ISSUE BONDS, entered into as of the 25th day of September, 2012, by and between Travis County Cultural Education Facilities Finance Corporation (the "Corporation"), created pursuant to the authority of the Texas Cultural Education Facilities Finance Corporation Act, Article 1528m, Vernon's Texas Civil Statutes (the "Act"), and Wayside School (the "User"), for the purpose of carrying out the public purpose set forth in the Act;

WITNESSETH

WHEREAS, Travis County, Texas (the "Unit") has authorized and approved the creation of the Corporation to act on behalf of the Unit; and

WHEREAS, the Corporation is authorized by the Act to issue revenue bonds for the purpose of paying all or part of the cost of cultural facilities, health facilities and education facilities, all as defined in the Act, Section 221 of the Texas Health and Safety Code or in Chapter 53 of the Texas Education Code and to sell or lease such facilities to others or loan the proceeds of the bonds to others to finance all or part of the cost of such facilities; and

WHEREAS, the User desires to acquire and construct educational facilities, more particularly described in Exhibit "A" attached hereto, within the Unit (the "Project"); and

WHEREAS, pursuant to the Act, the Corporation is authorized to issue the bonds hereinafter described, which bonds shall never constitute an indebtedness or pledge of the faith and credit of the State of Texas (the "State"), of the Unit, or of any other political corporation, subdivision or agency of the State within the meaning of any State constitutional or statutory provision, shall never be paid in whole or in part out of any funds raised or to be raised by taxation or any other funds of the Unit, and shall never be paid in whole or in part out of any funds of the Corporation except those derived from or in connection with the sale or lease of the Project or the loan of funds to finance the Project; and

WHEREAS, to accomplish the public purposes set forth in the Act, the Corporation agrees to issue at the request of the User, one or more series of the Corporation's education revenue bonds (the "Bonds") for the purpose of paying all or part of the costs of constructing and acquiring the Project, or for the purpose of loaning the proceeds to the User in order to provide temporary or permanent financing of all or part of the cost of acquiring, constructing and/or rehabilitating the Project, and the Corporation and the User deem it desirable and proper that this Agreement to Issue Bonds constitutes a formal record of such agreement and understanding in order that the User may proceed with or provide for the acquisition and construction of the Project; and

WHEREAS, the User has evidenced a desire to cooperate with the Corporation in the acquisition and construction of the Project and for the Corporation to authorize and issue the Bonds in the aggregate principal amount now estimated not to exceed \$22,000,000.00 to provide the funds to defray all or part of the cost of the acquisition and construction of the Project; and

WHEREAS, the Corporation and the User contemplate that the proceeds of the Bonds will be loaned to the User in order to provide temporary or permanent financing of all or part of the costs of the Project and that the installment purchase, rental or loan payments therefor will be sufficient to pay the principal of and any premium and interest on the Bonds; and

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration and of the mutual benefits, covenants and agreements herein expressed, the Corporation and the User agree as follows:

1. The User shall commence with the acquisition, rehabilitation and/or construction of the Project, which Project will be in furtherance of the public purpose of the Corporation and the Unit as aforesaid, and the User will provide, or cause to be provided, at its expense, the necessary interim financing to expedite the commencement of the acquisition and construction of the Project. On or prior to the issuance of the Bonds, the User will enter into a loan agreement on an installment payment basis (herein called the "Agreement") with the Corporation under which the Corporation will make a loan to the User for the purpose of providing temporary or permanent financing of all or part of the costs of the Project, and the User will make installment payments sufficient to pay the principal of and any premium and interest on such series of Bonds. The Bonds shall never constitute an indebtedness or pledge of the faith and credit of the State, of the Unit, or of any other political corporation, subdivision or agency of the State within the meaning of any State constitutional or statutory provision, and the Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or any other funds of the Unit, and shall be payable from the funds of the Corporation derived from or in connection with the loan of the proceeds of the Bonds.

2. On receipt of a ruling from the Internal Revenue Service (or the opinion of bond counsel) that interest paid on the Bonds is exempt from federal income taxation and subject to the requirements of the Corporation's Policy Guidelines and the Act, and upon receipt of favorable reports from the Corporation's legal and financial advisors concerning the issuance of the Bonds; the Corporation hereby agrees to issue, pursuant to the terms of the Act, the Bonds, or from time to time, the portion thereof as may be the subject of such a ruling or opinion as aforesaid, in an appropriate principal amount not exceeding that which is the subject of a ruling or opinion as aforesaid, maturing in such amount and times, bearing interest at the rate, payable on the dates and having such optional and mandatory redemption features and prices as are approved in writing by the User. The Corporation will deliver the Bonds to the purchaser designated by the User and will cooperate to the fullest extent in facilitating delivery of the Bonds.

3. The Corporation and the User agree that the Bonds may be issued either at one time or in several series from time to time as the User shall request in writing; provided, however, that the parties agree that the Bonds will be issued in an aggregate principal amount as will not exceed the amount that is the subject of a ruling or rulings or opinion or opinions as aforesaid. A request in writing for issuance of one or more series of Bonds shall not affect the obligation hereunder of the

Corporation to issue the remaining Bonds as written requests therefor are received. It is further agreed that the proceeds of the Bonds or portions thereof, whether or not issued in a series, shall not be invested so as to constitute the Bonds or a portion thereof as arbitrage bonds under the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated pursuant thereto.

4. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the sale or lease of the Project or from moneys realized from the loan of the proceeds of the Bonds to finance all or part of the costs of the Project.

5. The costs of the Project (the "Project Costs") may include any cost of acquiring, constructing, rehabilitating, remodeling, repairing, renovating and improving the Project. Without limiting the generality of the foregoing, the Project Costs shall specifically include the cost of: (i) acquiring any land, rights-of-way, options to purchase land, easements, leasehold estates in land and interests of all kinds in land related to such Project; (ii) acquiring, constructing, repairing, renovating, remodeling or improving all buildings and structures to be used as or in connection with the Project; (iii) site preparation, including the cost of demolishing or removing any buildings or structures the removal of which is necessary or incident to providing the Project; (iv) machinery, equipment, furnishings and facilities necessary or incident to the equipping of the Project so that it may be placed in operation; (v) financing charges, start-up costs and interest prior to and during construction and for two years after completion of construction, whether or not capitalized; and (vi) architectural, engineering, legal and related services (including fees for legal counsel and the financial advisor to the Issuer), plans, specifications, surveys, studies, estimates of cost and of revenue, other expenses necessary or incident to planning, providing or determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Project, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, remodeling, repair, renovation or improvement of the Project, the placing of the Project in operation and all incidental expenses, costs and charges relating to the Project not enumerated above. The parties agree, upon request, to provide or cause to be provided to each other any data or information that may be reasonably required to verify any of the Project Costs enumerated in this paragraph. The User agrees that it will be responsible for and pay any Project Costs incurred whether before or after the date of this Agreement prior to issuance of the Bonds and will pay all Project Costs that are not or cannot be paid or reimbursed from the proceeds of the Bonds.

6. The User agrees that it will at all times indemnify and hold harmless the Corporation, the directors of the Corporation, the Unit, the Commissioners' Court of the Unit (both individually and as a group) and any officers, directors, employees, agents, consultants, servants and any other party acting for or on behalf of the Corporation or the Unit (such parties being hereinafter referred to as the "Indemnified Parties") against all losses, costs, damages, expenses and liabilities (collectively referred to hereinafter as "Losses") of whatsoever nature (including, but not limited to, attorney's fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of or relating to one or more Claims, as hereinafter defined, even if such Losses or Claims, or both, directly or indirectly result

from, arise out of or relate to, or are asserted to have resulted from, arisen out of or related to, in whole or in part, one or more negligent acts or omissions of any one or more of the Indemnified Parties in connection with the issuance of the Bonds or that in any way pertain to the duties or activities or lack thereof, whether real or alleged, of any such Indemnified Party incidental to the issuance of the Bonds. The term "Claims" as used herein shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature, including, but not limited to, claims, lawsuits, causes of action and other legal actions and proceedings involving bodily or personal injury or death of any person or damage to any property (including, but not limited to, persons employed by the Corporation, the Unit, the User or any other person and all property owned or claimed by the Corporation, the Unit, the User, any affiliate of the User or any other person) or involving damages relating to the issuance, offering, sale or delivery of the Bonds brought against the Corporation or the Unit or to which the Corporation or the Unit is party, even if groundless, false or fraudulent, that directly or indirectly result from, arise out of or relate to the issuance, offering, sale or delivery of the Bonds or the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Project or any part thereof. The obligations of the User shall apply to all Losses or Claims, or both, that result from, arise out of or are related to any event, occurrence, condition or relationship prior to termination of this Agreement to Issue Bonds, whether such Losses or Claims, or both, are asserted prior to termination of this Agreement to Issue Bonds or thereafter. None of the Indemnified Parties shall be liable to the User for, and the User hereby releases each of them from all liability to the User for any injuries, damages or destruction to all or any part or parts of any property owned or claimed by the User that directly or indirectly result from, arise out of or relate to the issuance, offering, sale or delivery of the Bonds or the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Project or any part thereof, **EVEN IF SUCH INJURIES, DAMAGES OR DESTRUCTION DIRECTLY OR INDIRECTLY RESULT FROM, ARISE OUT OF OR RELATE TO, IN WHOLE OR IN PART, ONE OR MORE NEGLIGENT ACTS OR OMISSIONS OF ANY ONE OR MORE OF THE INDEMNIFIED PARTIES IN CONNECTION WITH THE ISSUANCE OF THE BONDS OR IN CONNECTION WITH THE PROJECT.** Each Indemnified Party, as appropriate, shall reimburse the User for payments made by the User to the extent of any proceeds, net of all expenses of collection, actually received by them from any insurance with respect to the Loss sustained. At the request and expense of the User, each of the Indemnified Parties, as appropriate, shall have the duty to claim any such insurance proceeds and such Indemnified Party, as appropriate, shall assign their respective rights to such proceeds, to the extent of such required reimbursement, to the User. In case any action shall be brought against any one or more of the Indemnified Parties, such Indemnified Party shall promptly notify the User in writing and the User shall have the right to assume the investigation and defense thereof, including the employment of counsel and the payment of all expenses. The 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 the Indemnified Party unless the employment of such counsel has been authorized by the User. The User shall not be liable for any settlement of any such action without its consent, but, if any such action is settled with the consent of the User or if there be final judgment for the plaintiff of any such action, the User agrees to indemnify and hold

harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment.

7. If within three (3) years from the date hereof (or such later date as shall be mutually satisfactory to the Corporation and the User) the Corporation and the User shall not have agreed to mutually acceptable terms for the Bonds and for the sale and delivery thereof and mutually acceptable terms and conditions of the Agreement, the User agrees that it will pay the Corporation for all unpaid Project Costs which the Corporation shall have incurred and this Agreement to Issue Bonds (other than the obligations of the parties under paragraph 6 hereof) shall thereupon terminate. In the event that the User elects, prior to any such termination, not to proceed with the issuance of the Bonds for any reason, it shall so notify the Corporation in writing and shall promptly pay to the Corporation all Project Costs incurred by the Corporation prior to such notification, and if payment is so made, the User's obligations under paragraph 5 above shall terminate from and after the date of such notification.

8. The User may, without the consent of the Corporation, transfer or assign this Agreement to Issue Bonds or transfer or assign any or all of its rights and delegate any or all of its duties hereunder to any of its subsidiaries or affiliates currently existing or hereafter created, but no such transfer, assignment or delegation shall, without the written consent and approval of the Corporation, relieve the User of its liability for payment of Project Costs under paragraphs 5 and 7 hereof or indemnification under paragraph 6 hereof.

9. The provisions of paragraphs 5 and 6 of this agreement shall survive the expiration or termination of this Agreement to Issue Bonds and the closing of the transactions contemplated by the Agreement.

IN WITNESS WHEREOF, the Travis County Cultural Education Facilities Finance Corporation, acting pursuant to a resolution of its Board of Directors, and User have caused this Agreement to Issue Bonds to be executed by their duly authorized officers as of the year and date first above written.

TRAVIS COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION

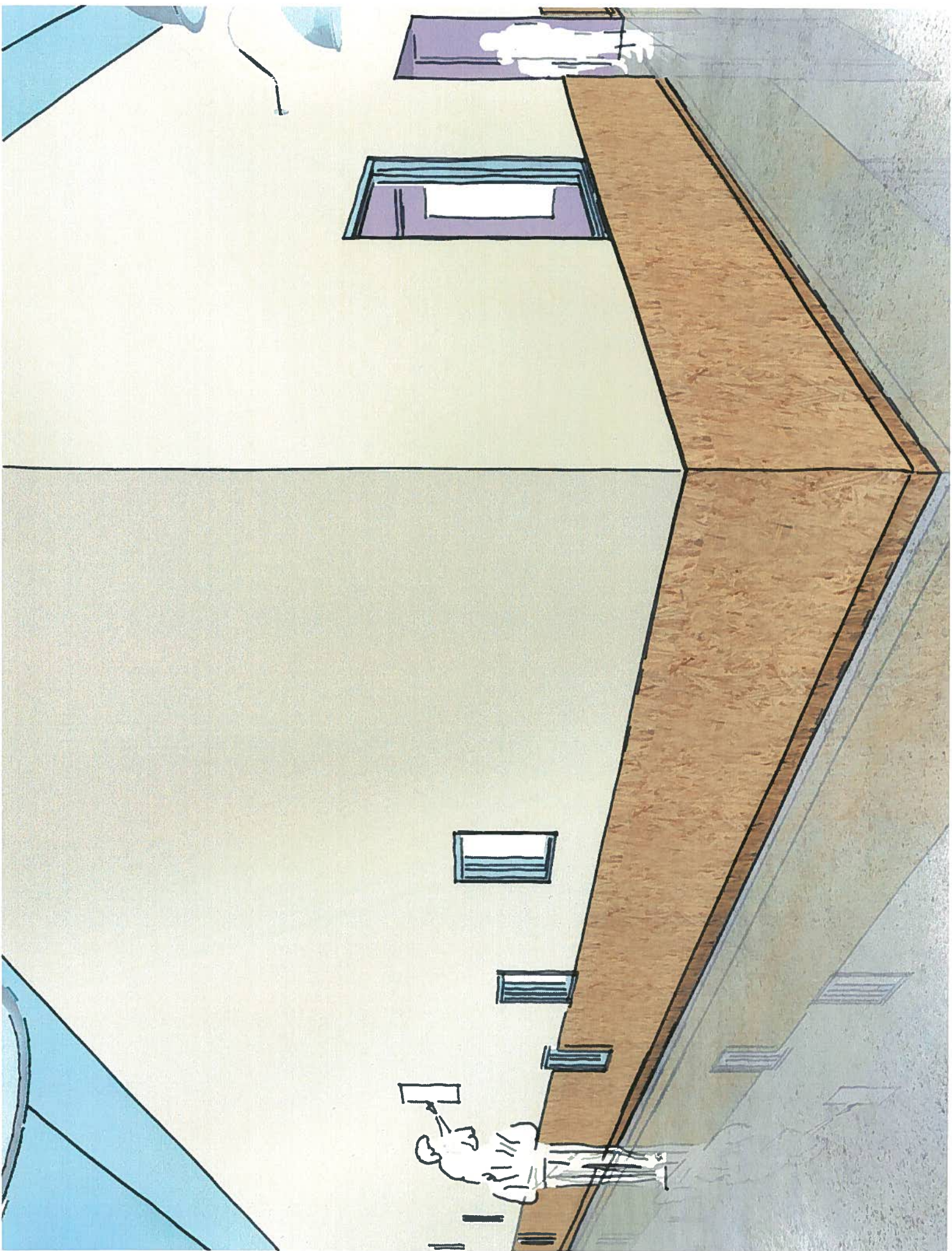
By: _____
Samuel T. Biscoe, President

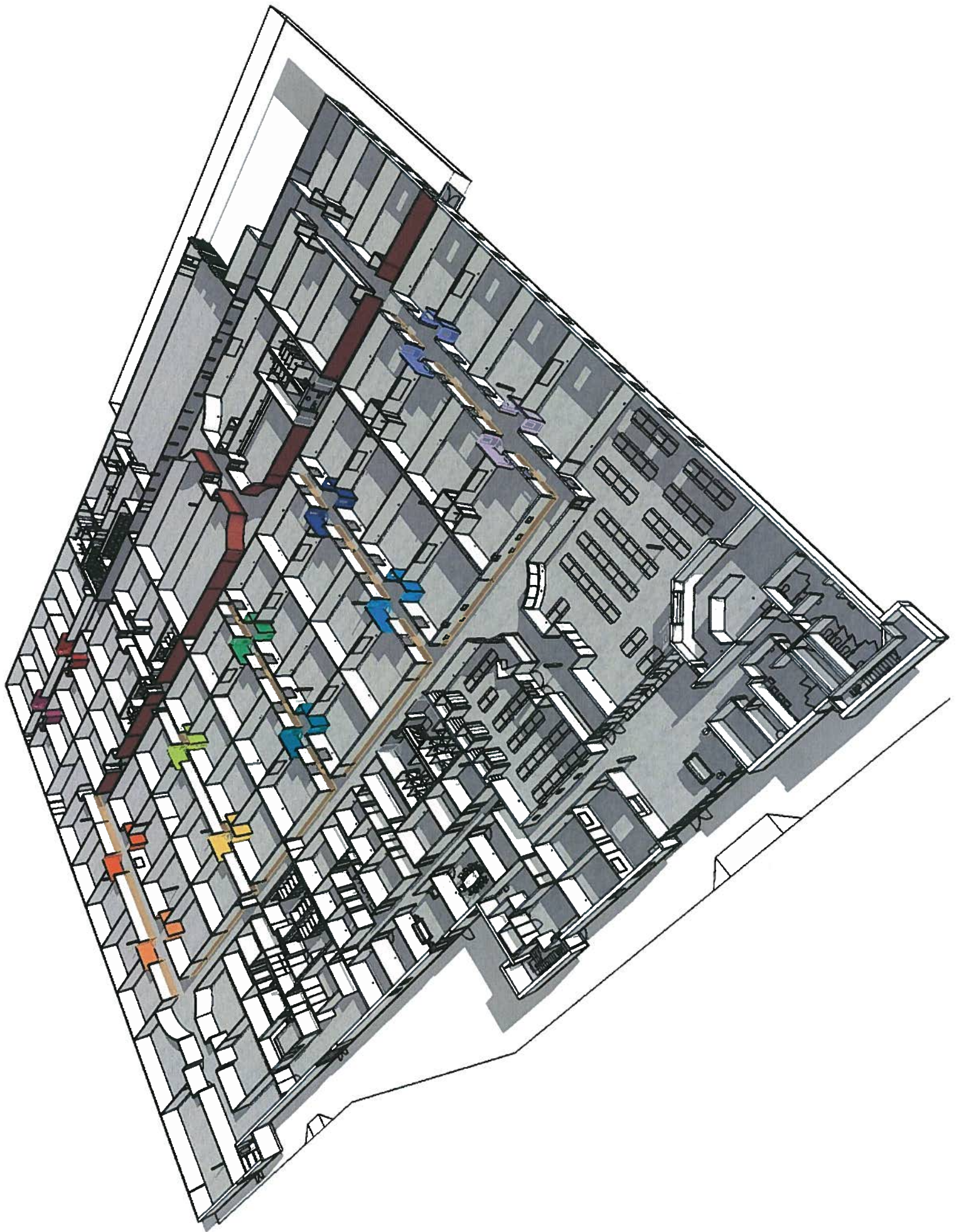
WAYSIDE SCHOOL

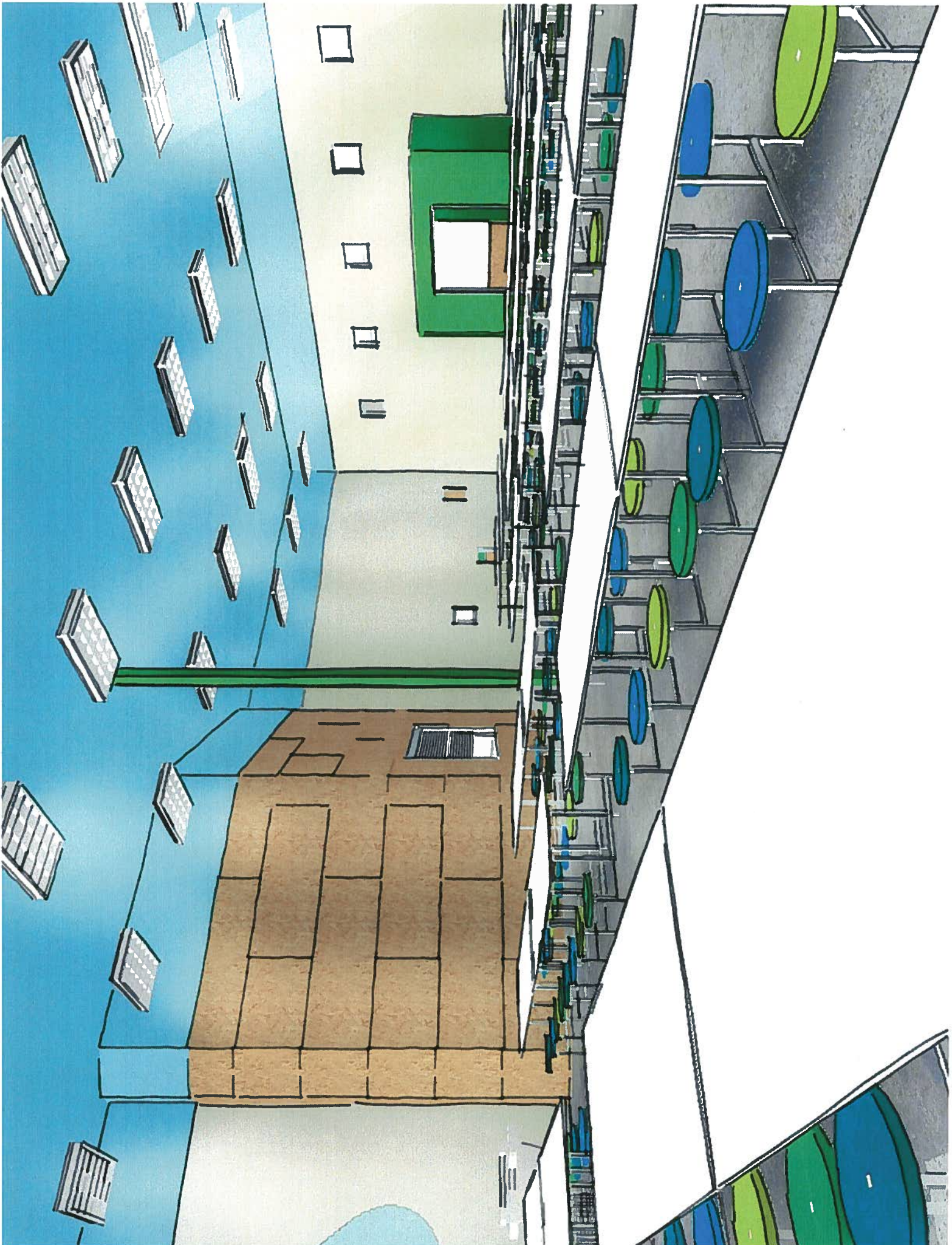
By: _____
Its: _____

EXHIBIT A
DESCRIPTION OF PROJECT

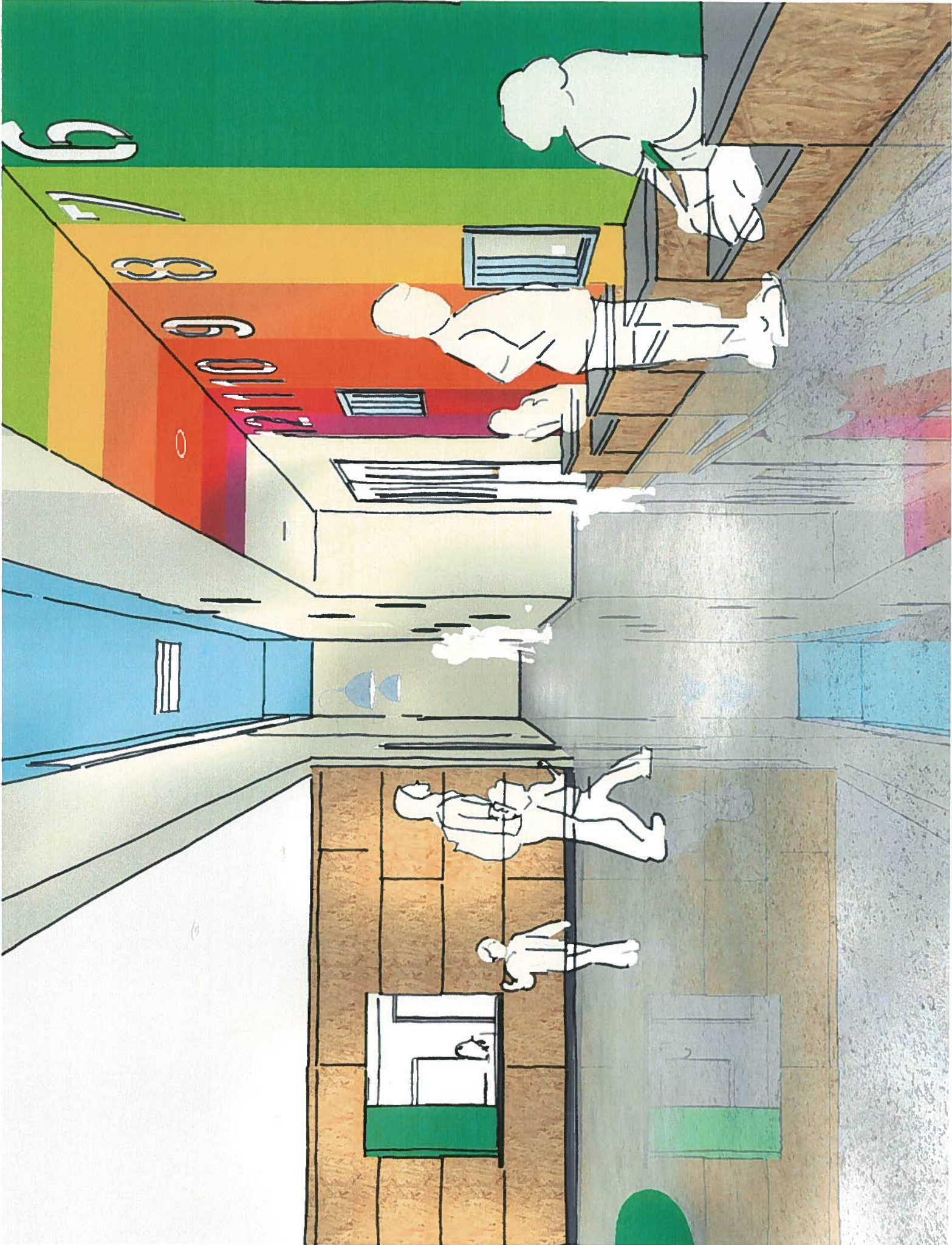
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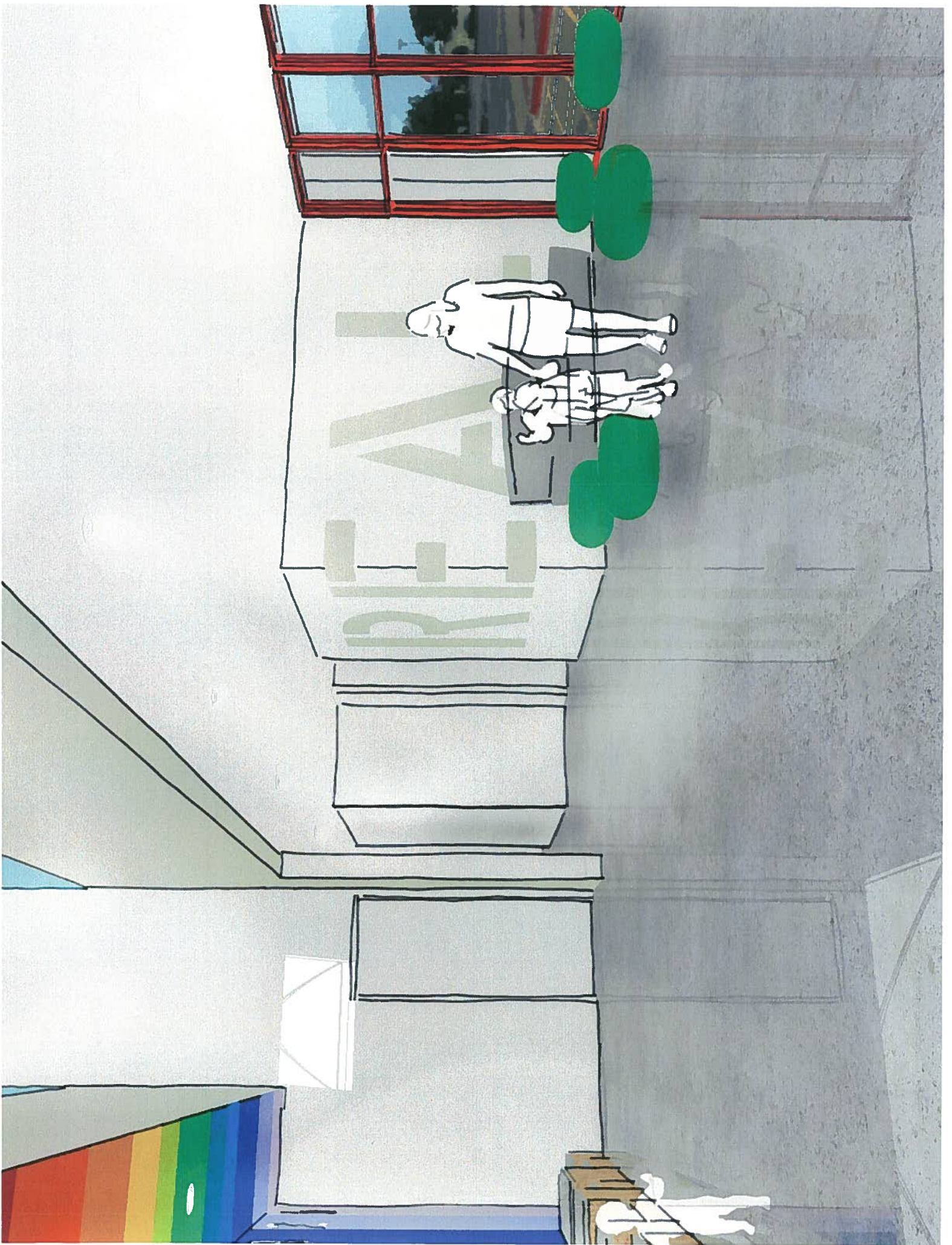
















NON-F

400.020. ADMISSIONS & ENROLLMENT

[CHARTER BOARD POLICY]

The governing body (“Board”) of Wayside Schools adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Admissions

Section 1.1. Non-Discrimination Policy. Wayside Schools admissions and enrollment shall be free from discrimination based on sex, national origin, ethnicity, religion, disability, academic, artistic, athletic ability, or the district the child would otherwise attend under state law.

Section 1.2. Admission Application Deadline. Wayside Schools admission application deadline for the following school year is March 15th.

Section 1.3 Lottery. Wayside Schools will conduct the lottery for each of its campuses on April 1st of each year. All applications will be drawn randomly and placed in a class, space permitting. If no opening in the applicant’s grade level exists, the applications will be placed in the order they were drawn. Applications received after March 15th will be placed after the lottery applicants in the order they were received.

Section 1.4. Exclusion from Admission. Wayside Schools reserves the right to exclude from admission a student who has a documented history a criminal offense, a juvenile court adjudication, or discipline problems under the Education Code, Chapter 37, Subchapter A.

Section 2. Enrollment

Section 2.1. Eligibility. The Chief Executive Officer, or designee, shall ensure that appropriate measures are taken to verify, on enrollment, that a student is entitled to enroll in Wayside Schools. Areas to be verified include, but are not limited to, a student’s residency and grade level.

Section 2.2. Enrollment Documentation. Upon a student’s enrollment, the Chief Executive Officer, or designee, shall ensure that a bona fide effort is made to secure all records and required documentation pertaining to the student.

Section 2.3. Establishing Identification. Any of the following documents are acceptable for proof of identification and age: birth certificate; driver’s license; passport; school ID card, records, or report card; military ID; hospital birth record; adoption records; church baptismal record; or any other legal document that establishes identity.

600.020 EQUAL OPPORTUNITY

[CHARTER BOARD POLICY]

The governing body ("Board") of Wayside Schools adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Anti-Discrimination Policy

Wayside Schools' employees shall not engage in discrimination or harassment motivated by race, color, religion, sex, disability, military service, or age directed toward other Wayside Schools' employees or students. A substantiated charge of discrimination and/or harassment shall result in disciplinary action. Retaliation against employees or students who report discrimination and/or harassment is strictly prohibited. Acts of retaliation may result in disciplinary action up to and including termination.

WAYSIDE SCHOOLS (EDEN PARK ACADEMY)

Distribution List

Series 2012

BORROWER

Wayside Schools (Eden Park Academy)
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ISSUER/CONDUIT

TBD

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TRUSTEE'S COUNSEL

TBD

UNDERWRITERS - MANAGER

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UNDERWRITERS - CO-MANAGERS

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 26, 2012

THE DELIVERY OF THE SERIES 2012A BONDS IS SUBJECT TO THE OPINION OF ANDREWS KURTH LLP, BOND COUNSEL, TO THE EFFECT THAT INTEREST ON THE SERIES 2012A BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS FOR SERIES 2012A BONDS" HEREIN, AND IS NOT INCLUDED IN ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE "TAX MATTERS FOR SERIES 2012A BONDS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION, AND OTHER FEDERAL TAX CONSEQUENCES, INCLUDING THE ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. INTEREST ON THE SERIES 2012B BONDS AND THE SERIES 2012Q BONDS IS NOT EXCLUDABLE FROM GROSS INCOME.

NEW ISSUES - Book-Entry-Only

RATING: S&P: " " See "RATING" herein.

ISSUER

\$13,365,000* Education Revenue Bonds (Wayside Schools) Series 2012A
\$715,000* Taxable Education Revenue Bonds (Wayside Schools) Series 2012B
\$7,060,000* Taxable Education Revenue Bonds (Wayside Schools) Series 2012Q
(Qualified Zone Academy Bonds - Direct Pay)



Interest Accrues From Date of Delivery

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

Interest on the \$13,365,000* ISSUER Education Revenue Bonds (Wayside Schools) Series 2012A (the "Series 2012A Bonds"), the \$715,000* ISSUER Taxable Education Revenue Bonds (Wayside Schools) Series 2012B (the "Series 2012B Bonds"), and the \$7,060,000 ISSUER Taxable Education Revenue Bonds (Wayside Schools) Series 2012Q (Qualified Zone Academy Bonds - Direct Pay) (the "Series 2012Q Bonds, and together with the Series 2012A Bonds and the Series 2012B Bonds, the "Bonds") accrues from their date of delivery (the "Delivery Date") to the Underwriters identified below (the "Underwriters"), and is payable February 15, 2013, and each February 15 and August 15 thereafter until the earlier of maturity or redemption. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 and 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 Wilmington Trust, National Association (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 Series 2012A Bonds are subject to optional and mandatory redemption prior to maturity, as described herein. The Series 2012B Bonds are subject to mandatory but not optional redemption prior to maturity, as described herein. The Series 2012Q Bonds are subject to optional, special mandatory and extraordinary redemption in certain circumstances. See "THE BONDS - Redemption Provisions" herein.

The Bonds are being issued by, and are special and limited obligations of, the ISSUER (the "Issuer"), and the proceeds thereof will be loaned to Eden Park Academy (the "Borrower"), which operates two open enrollment charter schools under the laws of the State of Texas (the "State"). The proceeds of the Bonds are being loaned to the Borrower for the purposes of (i) financing or refinancing the cost of the acquisition, improvement, construction, renovation and equipping of certain educational facilities for open enrollment charter schools located in the City of Austin, Texas, (the "City") (ii) refinancing outstanding debt of the Borrower, (iii) funding a debt service reserve fund, and (iv) paying the costs of issuing the Bonds (collectively, the "Project"). See "THE PROJECT" herein.

The Bonds are limited obligations of the Issuer, payable solely from revenues received by the Issuer pursuant to two Loan Agreements, each dated as of November 1, 2012 (the "Loan Agreements"), between the Issuer and the Borrower and taxable and tax-exempt promissory notes (together, the "Issuer Master Notes") to be issued under the Master Trust Indenture and Security Agreement, dated as of November 1, 2012, as supplemented by Supplemental Master Trust Indentures No. 1, and No. 2, each dated as of November 1, 2012 (as supplemented, the "Master Trust Indenture"), and all between the Borrower and Wilmington Trust, National Association, as master trustee (the "Master Trustee"), and delivered to the Issuer pursuant to the Loan Agreements, and, in certain circumstances, out of amounts secured by the exercise of remedies provided in the Issuer Master Notes, the Loan Agreements and two Trust Indenture and Security Agreements, each dated as of November 1, 2012, and all between the Issuer and Wilmington Trust, National Association, (the "Bond Trustee"). The Series 2012A Bonds and the Series 2012B Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of November 1, 2012 (the "Series 2012A/Series 2012B Indenture"), between the Issuer and the Bond Trustee, and the proceeds thereof are being loaned to the Borrower by the Issuer pursuant to a Loan Agreement dated as of November 1, 2012, (the "Series 2012A/2012B Loan Agreement") between the Issuer and the Borrower. The Series 2012Q Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of November 1, 2012 (the "Series 2012Q Indenture"), between the Issuer and the Bond Trustee, and the proceeds thereof are being loaned to the Borrower by the Issuer pursuant to a Loan Agreement dated as of November 1, 2012 (the "Series 2012Q Loan Agreement"), between the Issuer and the Borrower. The Series 2012A/2012B Indenture and the Series 2012Q Indenture are herein together referred to as the "Bond Indentures", and the Series 2012A/2012B Loan Agreement and the Series 2012Q Loan Agreement are herein together referred to as the "Loan Agreements". The Borrower will execute a Deed of Trust and Security Agreement (With Assignment of Rents and Leases), encumbering its campuses in favor of the Master Trustee for the benefit of the holders of the master notes, including the Issuer Master Notes, outstanding under the Master Trust Indenture. The Bonds shall never be payable out of any funds of the Issuer except such revenues and amounts.

THE BONDS ARE NOT OBLIGATIONS OF THE STATE, THE CITY, OR ANY ENTITY OTHER THAN THE ISSUER. NONE OF THE STATE, THE CITY, 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 ISSUER HAS NO TAXING POWER. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS. ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

The Bonds are offered by the Underwriters, subject to prior sale, when, as, and if issued by the Issuer and accepted by the Underwriters, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Andrews Kurth LLP, Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the Underwriters by Haynes and Boone, LLP, Houston, Texas. Delivery of the Bonds through the facilities of DTC is expected on or about November 15, 2012.

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE
\$21,140,000*

ISSUER

\$13,365,000* Education Revenue Bonds (Wayside Schools) Series 2012A

<u>Maturing August 15^(a)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Priced to Yield^(c)</u>	<u>CUSIP^(b)</u>	<u>Maturing August 15^(a)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Priced to Yield^(c)</u>	<u>CUSIP^(b)</u>
2013	\$ 50,000	%	%		2027	\$ 315,000	%	%	
2014	55,000				2028	360,000			
2015	75,000				2029	390,000			
2016	80,000				2030	425,000			
2017	95,000				2031	470,000			
2018	110,000				2032	505,000			
2019	130,000				2033	905,000			
2020	155,000				2034	955,000			
2021	170,000				2035	995,000			
2022	190,000				2036	1,065,000			
2023	220,000				2037	1,125,000			
2024	235,000				2038	1,185,000			
2025	265,000				2039	1,240,000			
2026	290,000				2040	1,310,000			

(Interest to accrue from Delivery Date)

\$715,000* Taxable Education Revenue Bonds (Wayside Schools) Series 2012B

<u>Maturing August 15^(a)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Priced to Yield^(c)</u>	<u>CUSIP^(b)</u>
2013	\$ 100,000	%	%	
2014	200,000			
2015	415,000			

(Interest to accrue from Delivery Date)

**\$7,060,000 Taxable Education Revenue Bonds (Wayside Schools) Series 2012Q
(Qualified Zone Academy Bonds - Direct Pay)**

<u>Maturing August 15^(a)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Priced to Yield^(c)</u>	<u>CUSIP^(b)</u>
2034	\$ 7,060,000	%	%	

(Interest to accrue from Delivery Date)

* Preliminary, subject to change.

^(a) The Series 2012A Bonds and Series 2012Q Bonds maturing on or after August 15, 2021, are subject to optional redemption prior to scheduled maturity, in whole or in part, on August 15, 2020, and on any date thereafter at par plus accrued interest. The Series 2012A Bonds maturing in the years _____, _____ and _____ are subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Redemption Provisions" herein. The Series 2012Q Bonds are also subject to special mandatory or extraordinary redemption in certain circumstances. The Series 2012B Bonds are not subject to optional redemption but are subject to mandatory redemption prior to maturity. See "THE BONDS" – Redemption Provisions" herein.

^(b) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. None of the Issuer, the Borrower, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc.

^(c) The initial yields at which the Bonds are priced are established by and are the sole responsibility of the Underwriters and may be changed at any time at the discretion of the Underwriters.

USE OF INFORMATION IN PRELIMINARY OFFICIAL STATEMENT

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

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriters to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Issuer, Coastal Securities, Inc. (the "Financial Advisor"), or the Underwriters.

This Preliminary 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 so to do 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 documents made in this Preliminary Official Statement 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 Andrews Kurth LLP, 600 Travis, Suite 4200, Houston, Texas 77002, Attention: Tom Sage, telephone: 713-220-3833.

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, the Financial Advisor, or the Underwriters. 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 forms thereof included in the Bond Indentures and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Preliminary Official Statement.

Except for any information provided by Wilmington Trust, National Association, concerning the Master Trustee and Bond Trustee, Wilmington Trust, National Association, has no responsibility for any information in this Preliminary Official Statement. Wilmington Trust, National Association, in its capacity as Master Trustee and Bond Trustee, assumes no responsibility for the accuracy or completeness of the information concerning the Issuer or the Borrower or their respective affiliates or any other party contained in this document or the related documents or for any failure by the Issuer or the Borrower or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

Neither the Issuer, the Financial Advisor, nor the Underwriters makes any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Preliminary Official Statement.

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

SYNOPSIS

The Bonds are being issued pursuant to two Trust Indenture and Security Agreements each dated as of November 1, 2012 (the "Bond Indentures"), by and between the ISSUER (the "Issuer") and Wilmington Trust, National Association Dallas, Texas, as trustee (the "Bond Trustee"), and a resolution of the Issuer. The proceeds from the sale of the Bonds are being loaned to the Borrower for the purposes of (i) financing or refinancing the cost of the acquisition, improvement, construction, renovation and equipping of certain educational facilities for open enrollment charter schools located in the City of Austin, Texas, (ii) refinancing outstanding debt of the Borrower, (iii) funding a debt service reserve fund, and (iv) paying the costs of issuing the Bonds (collectively, the "Project"). See "THE PROJECT" herein. Once the Project is complete, the Borrower will have the capacity to accommodate 1,500 students.

The Bonds are special and limited obligations of the Issuer, payable solely out of the revenues received by the Issuer pursuant to two Loan Agreements each dated as of November 1, 2012, between the Borrower and the Issuer, and the taxable and tax-exempt promissory notes (the "Issuer Master Notes") to be issued under the Master Trust Indenture and Security Agreement each dated as of November 1, 2012, as supplemented by the Supplemental Master Trust Indentures No. 1, and No. 2, each dated as of November 1, 2012, and all between the Borrower and Wilmington Trust, National Association, Dallas, Texas, as master trustee, (the "Master Trustee") including all money and investments held for the credit of the funds and accounts established by or under the Bond Indentures (except the Rebate Fund created by the Series 2012A/2012B Bond Indenture (hereinafter defined)), and in certain events out of amounts secured through the exercise of the remedies provided in the Bond Indentures, the Loan Agreements, and the Issuer Master Notes upon occurrence of an Event of Default (as defined in the Indentures). The Series 2012A Bonds and the Series 2012B Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of November 1, 2012 (the "Series 2012A/Series 2012B Indenture"), between the Issuer and the Bond Trustee, and the proceeds thereof are being loaned to the Borrower by the Issuer pursuant to a Loan Agreement dated as of November 1, 2012, (the "Series 2012A/2012B Loan Agreement") between the Issuer and the Borrower. The Series 2012Q Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of November 1, 2012 (the "Series 2012Q Indenture"), between the Issuer and the Bond Trustee, and the proceeds thereof are being loaned to the Borrower by the Issuer pursuant to a Loan Agreement dated as of November 1, 2012 (the "Series 2012Q Loan Agreement"), between the Issuer and the Borrower. The Borrower will issue a Deed of Trust and Security Agreement (With Assignment of Rents and Leases) dated as of November 1, 2012, covering its real property comprising the Campuses in favor of the Master Trustee for the benefit of the holders of the Master Notes. The Bonds shall never be payable out of any funds of the Issuer except such revenues and amounts received pursuant to the Loan Agreements, the Issuer Master Notes and the Bond Indentures.

The Borrower is a Texas nonprofit corporation created under the Texas Nonprofit Corporation Act and operates two open-enrollment charter schools under Chapter 12, Texas Education Code, as amended. The Borrower presently provides education to Kindergarten through eighth grade students as authorized under Chapter 12, as amended. See APPENDIX A hereto for detailed information about the Borrower. The Issuer is a nonprofit higher education finance corporation organized and operating under Chapters 53 and 53A, Texas Education Code, as amended. The Issuer will issue the Bonds and loan the proceeds thereof to the Borrower for purposes stated above.

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

	<u>Series 2012A Bonds</u>	<u>Series 2012B Bonds</u>	<u>Series 2012Q Bonds</u>
Par Amount of Bonds			
Less: Original Issue Discount			
Plus: Other Sources			
TOTAL	\$ _____	\$ _____	\$ _____
USES			
Project Fund			
Debt Service Reserve Fund			
Costs of Issuance			
Underwriters' Discount			
Debt Service Fund (Additional Proceeds)			
TOTAL	\$ _____	\$ _____	\$ _____

* Preliminary, subject to change.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM REVENUES RECEIVED PURSUANT TO THE LOAN AGREEMENTS, THE MASTER NOTES, AND, IN CERTAIN CIRCUMSTANCES, OUT OF AMOUNTS SECURED THROUGH THE EXERCISE OF REMEDIES PROVIDED IN THE BOND INDENTURES, THE LOAN AGREEMENTS, AND THE MASTER NOTES. THE BONDS ARE NOT OBLIGATIONS OF THE STATE, THE CITY OF AUSTIN, TEXAS ("THE CITY"), OR ANY ENTITY OTHER THAN THE ISSUER. NONE OF THE STATE, THE CITY, 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, NOR 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.

ANY INFORMATION AND EXPRESSIONS OF OPINION HEREIN CONTAINED ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS PRELIMINARY OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE BORROWER, OR OTHER MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF. THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTION IN WHICH THE BONDS HAVE BEEN QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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PRELIMINARY OFFICIAL STATEMENT

ISSUER

\$13,365,000* Education Revenue Bonds (Wayside Schools) Series 2012A
\$715,000* Taxable Education Revenue Bonds (Wayside Schools) Series 2012B
\$7,060,000 Taxable Education Revenue Bonds (Wayside Schools) Series 2012Q
(Qualified Zone Academy Bonds - Direct Pay)

This Preliminary Official Statement provides certain information in connection with the issuance by the ISSUER (the "Issuer") of its \$13,365,000* Eden Park Academy Education Revenue Bonds (Wayside Schools), Series 2012A (the "Series 2012A Bonds"), its \$715,000* Taxable Education Revenue Bonds (Wayside Schools), Series 2012B (the "Series 2012B Bonds") and its \$7,060,000 Taxable Education (Wayside Schools), Series 2012Q (the "Series 2012Q Bonds" and, together with the Series 2012A Bonds and the Series 2012B Bonds, the "Bonds" and, together with any Additional Indebtedness as defined in the Master Trust Indenture hereinafter described, the "Debt").

The Bonds are being issued pursuant to two Trust Indenture and Security Agreements, each dated as of November 1, 2012 (the "Bond Indentures"), each by and between the Issuer and Wilmington Trust, National Association, as bond trustee (the "Bond Trustee"), and a resolution of the Issuer (the "Resolution"). The proceeds from the sale thereof will be loaned by the Issuer to Eden Park Academy (the "Borrower"), for the purposes of (i) financing and refinancing the cost of the acquisition, improvement, construction, renovation and equipping of certain educational facilities for open enrollment charter schools located in the City of Austin, Texas (the "City"), (ii) refinancing the outstanding debt of the Borrower, (iii) funding a debt service reserve fund, and (iv) paying the costs of issuing the Bonds (collectively, the "Project"). See "THE PROJECT" herein.

The Bonds are limited obligations of the Issuer, payable solely from revenues received by the Issuer pursuant to two Loan Agreements, each dated as of November 1, 2012, between the Issuer and the Borrower, as amended from time to time, and taxable and tax-exempt promissory notes (together, the "Issuer Master Notes"), to be issued under the Master Trust Indenture and Security Agreement, dated as of November 1, 2012, as supplemented to date, including by Supplemental Master Trust Indentures No. 1, and No. 2, each dated as of November 1, 2012 (as supplemented, the "Master Trust Indenture"), and all between the Borrower and Wilmington Trust, National Association, as master trustee (the "Master Trustee"), and delivered to the Issuer pursuant to the Loan Agreements, and, in certain circumstances, out of amounts secured by the exercise of remedies provided in the Issuer Master Notes, the Loan Agreements and the Bond Indentures. The Series 2012A Bonds and the Series 2012B Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of November 1, 2012 (the "Series 2012A/Series 2012B Indenture"), between the Issuer and the Bond Trustee, and the proceeds thereof are being loaned to the Borrower by the Issuer pursuant to a Loan Agreement dated as of November 1, 2012, (the "Series 2012A/2012B Loan Agreement") between the Issuer and the Borrower. The Series 2012Q Bonds are being issued pursuant to a Trust Indenture and Security Agreement dated as of November 1, 2012 (the "Series 2012Q Indenture"), between the Issuer and the Bond Trustee, and the proceeds thereof are being loaned to the Borrower by the Issuer pursuant to a Loan Agreement dated as of November 1, 2012 (the "Series 2012Q Loan Agreement"), between the Issuer and the Borrower. The Series 2012A/2012B Indenture and the Series 2012Q Indenture are herein together referred to as the "Bond Indentures", and the Series 2012A/2012B Loan Agreement and the Series 2012Q Loan Agreement are herein together referred to as the "Loan Agreements". The Borrower will execute a Deed of Trust and Security Agreement (With Assignment of Rents and Leases) encumbering its campuses in favor of the Master Trustee for the benefit of the holders of the master notes, including the Issuer Master Notes, outstanding under the Master Trust Indenture. The Bonds shall never be payable out of any funds of the Issuer except such revenues and amounts.

THE BONDS ARE NOT OBLIGATIONS OF THE STATE, THE CITY, OR ANY ENTITY OTHER THAN THE ISSUER. NONE OF THE STATE, THE CITY, 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 ISSUER HAS NO TAXING POWER.

This Preliminary Official Statement includes descriptions of, among other items, the Resolution, the Master Trust Indenture, the Issuer Master Notes, the Deed of Trust, the Bond Indentures, the Loan Agreements, the Bonds, the Issuer, the Borrower, and the system of charter schools under Texas law. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of the final versions of the Resolution, the Master Trust Indenture, the Issuer Master Notes, the Deed of Trust, the Bond Indentures and the Loan Agreements, as executed, are available from Andrews Kurth LLP, 600 Travis, Suite 4200 Houston, Texas 77002, Attention: Tom Sage, telephone: 713-220-3833.

Any capitalized term used herein and not otherwise defined will have the meaning set forth for such term in the Master Trust Indenture, the Bond Indentures or the Loan Agreements, as appropriate.

* Preliminary, subject to change.

THE PROJECT

Purpose

The Borrower operates two open enrollment charter schools under Chapter 12, Texas Education Code, as amended. The Issuer is a nonprofit higher education finance corporation organized and operating under Chapters 53, 53A, and 53B, Texas Education Code, as amended. The Issuer will issue the Bonds and loan the proceeds thereof to the Borrower for the purposes of (i) financing or refinancing the acquisition, improvement, construction, renovation and equipping of certain educational facilities for open enrollment charter schools, (ii) refinancing certain outstanding debt of the Borrower, (iii) funding a debt service reserve fund, and (iv) paying the costs of issuing the Bonds (collectively, the "Project").

The Facilities

The Borrower currently operates three schools at the following locations, collectively, the "Campuses":

Eden Park Academy (Pre K – 8)
6215 Manchaca Road
Austin, Texas 78745

Sci Tech Preparatory (9th)
6215 Manchaca Road
Austin, Texas 78745

Real Learning Academy (Pre K – 3)
6405 South IH -35
Austin, Texas 78744

The following is a brief description of the facilities to be financed as part of the Project.

The Borrower plans to use the proceeds from the sale of the Bonds i) to refinance an existing loan, the proceeds of which were used to purchase an existing building Eden Park Academy; ii) to purchase a new building to be used as the middle school located at _____; iii) to renovate the new middle school building and the existing campus and, iv) purchase equipment and furniture for both campuses. A summary of the costs associated with the facilities is summarized in the following table.

	Estimated Costs
Property Acquisition - Site Costs	\$10,250,000
Refinance Eden Park Academy	2,365,000
Renovate New Campus	4,056,246
Renovate Current Campus	2,000,000
Equipment	1,000,000

ESTIMATED SOURCES AND USES OF FUNDS*

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

	<u>Series 2012A Bonds</u>	<u>Series 2012B Bonds</u>	<u>Series 2012Q Bonds</u>
Par Amount of Bonds			
Less: Original Issue Discount			
Plus: Other Sources			
TOTAL	\$ _____	\$ _____	\$ _____
	USES		
Project Fund			
Debt Service Reserve Fund			
Costs of Issuance			
Underwriters' Discount			
Debt Service Fund (Additional Proceeds)			
TOTAL	\$ _____	\$ _____	\$ _____

* Preliminary, subject to change.

THE BONDS

Description

The Bonds will be issued in the aggregate principal amounts, will mature on the dates and in the amounts, and will bear interest at the rates per annum, set forth on the inside cover page of this Preliminary Official Statement. Interest on the Bonds will accrue from the Delivery Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable on February 15, 2013, and on each August 15 and February 15 thereafter until the earlier of maturity or redemption.

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

The principal of, premium, if any, and interest on the Bonds are payable in lawful money of the United States of America. Amounts due on the Bonds will be paid by check mailed to the owner thereof at its address as it appears on the bond registration books at the close of business on the last business day of the calendar month preceding any Interest Payment Date, regardless of whether such day is a Business Day (the "Regular Record Date"). Upon written request of a registered owner of at least \$1,000,000 in principal amount of Bonds, all payments of principal, premium, if any, and interest on Bonds will be paid by wire transfer (at the risk and expense of such registered owner) in immediately available funds to an account located in the United States designated by such registered owner. Notwithstanding the foregoing, while the Bonds are held in book-entry-only form, interest, principal, and redemption premium, if any, will be paid through The Depository Trust Company ("DTC") as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Designation of Series 2012Q Bonds as Qualified Zone Academy Bonds

The Issuer and the Borrower have designated the Series 2012Q Bonds as "Qualified Zone Academy Bonds" pursuant to Section 54E. An issuer of Qualified Tax Credit Bonds must receive an allocation of the national qualified zone academy bond limitation. The State received an allocation of \$132,788,000 in 2009 and \$128,252,000 in 2010 from the United States Department of Treasury, and the Texas Education Agency (the "TEA") is responsible for further allocation of such funds to issuers within the State. The Borrower submitted an application to the TEA and received an allocation sufficient for the issuance of the Series 2012Q Bonds.

The Issuer and the Borrower have irrevocably elected to designate the Series 2012Q Bonds as "specified tax credit bonds" within the meaning of section 6431(f)(3)(B) of the Code. Therefore, the Borrower will be eligible to receive a cash subsidy from the United States Treasury in connection with such election. Pursuant to section 6431 of the Code, the Borrower expects to receive cash subsidy payments (the "Federal Subsidy") from the United States Treasury equal to the lesser of (i) 100 percent of the interest payable on an interest payment date for the Series 2012Q Bonds, or (ii) the amount of interest which would have been payable under such Series 2012Q Bond on such interest payment date if such interest were determined at the applicable credit rate determined under section 54A(b)(3) of the Code with respect to such Series 2012Q Bond. The Federal Subsidy received by the Borrower will not be pledged to payment of the Series 2012Q Bonds and may be used for any lawful purpose of the Borrower, including but not limited to, the payment of debt service on the Series 2012Q Bonds. No holder of the Bonds will be entitled to a tax credit with respect to the Series 2012Q Bonds.

Although the Borrower expects to receive the Federal Subsidy contemporaneously with each applicable interest payment date of the Series 2012Q Bonds, the Borrower anticipates that until the subsidy program is fully implemented there may be a delay in the receipt of the payments.

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

Redemption Provisions

Optional Redemption. The Series 2012A Bonds and the 2012Q Bonds maturing on or after August 15, 2021, are subject to optional redemption prior to scheduled maturity, in whole or in part, on August 15, 2020, 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. The Series 2012B Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption. The Series 2012A Bonds maturing on August 15 in the years 20__, 20__ and 20__ are subject to mandatory sinking fund redemption and will be redeemed by the Issuer at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates, and in the principal amounts shown in the following schedule:

Series 2012A Bonds Maturing August 15, 20__

<u>Principal Amount</u>	<u>Redemption Date</u>
\$	

Series 2012A Bonds Maturing August 15, 20__

<u>Principal Amount</u>	<u>Redemption Date</u>
\$	

Series 2012A Bonds Maturing August 15, 20__

<u>Principal Amount</u>	<u>Redemption Date</u>
\$	

Mandatory Sinking Fund Redemption. The Series 2012B Bonds maturing on August 15 in the years 20__, 20__ and 20__ are subject to mandatory sinking fund redemption and will be redeemed by the Issuer at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates, and in the principal amounts shown in the following schedule:

Series 2012B Bonds Maturing August 15, 20__

<u>Principal Amount</u>	<u>Redemption Date</u>
\$	

Mandatory Redemption Upon Determination of Taxability. The Series 2012A 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.

Mandatory Redemption With Excess Proceeds. To the extent that 100% of the Available Project Proceeds are not expended for Qualified Purposes (as defined herein) by the close of the 3-year period beginning on the date of delivery of the Series 2012Q Bonds (or if an extension of such expenditure period has been received by the Borrower from the Secretary of the Treasury by the close of the extended period), the Borrower shall redeem an amount of Series 2012Q Bonds equal to such unexpended proceeds (rounded up to the next highest authorized denomination) within 90 days after the end of such period, at a redemption price equal to the principal amount thereof, plus any accrued but unpaid interest on the Series 2012Q Bonds to the date fixed for redemption, payable from such unexpended proceeds of sale of the Series 2012Q Bonds held by the Borrower.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary redemption, at the option of the Issuer upon the request of a Borrower Representative, at a redemption price of par plus interest accrued thereon to the redemption date, without premium, on any date, in the event that the Project is damaged, destroyed, or condemned or threatened to be condemned, (i) in whole, if, in accordance with the terms of the Loan Agreements, the Project is not reconstructed, repaired or replaced upon the change or destruction thereof, from insurance or condemnation proceeds transferred from the respective Construction Funds to the Series 2011 Debt Service Fund which, together with an amount required to be paid by the Borrower pursuant to the Loan Agreements, 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 Loan Agreements, from excess insurance or condemnation proceeds transferred from the Construction Fund to the Series 2011 Debt Service Fund for such purpose.

Extraordinary Redemption due to loss of Qualified School Construction Bond Status. Prior to August 15, 2021, upon a Determination of a Loss of Qualified School Construction Bond Status, the Series 2012Q Bonds are subject to extraordinary redemption prior to their maturity date, at the option of the Borrower, in whole, on any date designated by the Borrower, at a redemption price equal to the greater of:

- (1) the principal amount of the Series 2012Q Bonds to be redeemed; or
- (2) the sum of the present value of (i) the remaining scheduled payments of principal and interest prior to August 15, 2021, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2012Q Bonds are to be redeemed, discounted to the date on which the Series 2012Q Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus accrued and unpaid interest on the

Series 2012Q Bonds to be redeemed to the redemption date, and (ii) the present value of the remaining principal subject to optional call on February 15, 2020, discounted to the date on which the Series 2012Q Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points.

The term “Qualified Purpose” means the construction, rehabilitation, or repair of a public school facility or the acquisition of land on which such a facility is to be constructed with part of the proceeds of the Series 2012Q Bonds.

The term “Available Project Proceeds” means proceeds from the sale of the Series 2012Q Bonds, less costs of issuance not to exceed 2% of such proceeds, plus investment earnings on the proceeds of such Series 2012Q Bonds pending their expenditure.

The term “Date of Loss of Qualified School Construction Bond Status” means the date specified in a Determination of a Loss of Qualified School Construction Bond Status as the date from and after which the Series 2012Q Bonds lost their status, or failed to qualify, as Qualified Zone Academy Bonds as a result of an Accountable Event of Loss of Qualified School Construction Bond Status (defined below), which date could be as early as the date of issuance of the Series 2012Q Bonds.

The term “Determination of a Loss of Qualified School Construction Bond Status” means (a) a final determination by the IRS (after the Borrower has exhausted all administrative appeal remedies and has determined not to pursue any remedies in a court of competent jurisdiction) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status, or (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond status has occurred.

The term “Accountable Event of Loss of Qualified School Construction Bond Status” means (a) any act or any failure to act on the part of the Borrower, which act or failure to act is a breach of a covenant or agreement of the Borrower contained in the Series 2012Q Bond Indenture or Series 2012Q Loan Agreement and which act or failure to act causes the Series 2012Q Bonds to lose their status, or fail to qualify, as Qualified School Construction Series 2012Q Bonds, or (b) the making by the Borrower of any representation contained in the Series 2012Q Bond Indenture or Series 2012Q Loan Agreement, or the Federal Tax Certificate, of the Series 2012Q Bonds, which representation was untrue when made and the untruth of which representation at such time causes the Series 2012Q Bonds to lose their status, or fail to qualify, as Qualified Zone Academy Bonds under the Code.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2012Q Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2012Q Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. At the request of the Trustee, the make-whole optional redemption price of the Series 2012Q Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Borrower at the Borrower’s expense to calculate such redemption price. The Trustee and the Borrower may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Redemption in Part. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed will be 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 Bonds, but not more than 60 days prior to any redemption date, the Bond Trustee will cause a written notice of such redemption to be mailed by first class mail, postage prepaid, to the Registered Owners of the Bonds to be redeemed, at such Owner’s address appearing on the bond registration books on the date such notice is mailed by the 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 will be made with the Bond Trustee 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 and if due provision for payment of the redemption price is made, all as provided above and in the Bond Indentures, the Bonds which are to be redeemed thereby automatically will be deemed to have been redeemed prior to their scheduled maturity, and they will not bear interest after the date fixed for redemption, and they 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 at the maturity or redemption date thereof, such Bond will continue to be Outstanding and will continue to bear interest until paid at the interest rate borne by such Bond.

Additional Debt

Subject to certain conditions described below provided in the Master Trust Indenture, the Borrower has reserved the right to issue additional Debt (as defined in the Master Trust Indenture) which is secured under the Master Trust Indenture on parity with the Bonds.

Assuming that no Event of Default under the Master Trust Indenture has occurred or will result from the issuance of any additional Debt, and satisfaction of the applicable requirements of Section 212 of the Master Trust Indenture, such additional Debt may be issued if the following conditions are met:

- (1) 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) Such Debt shall be secured on a parity with respect to the Trust Estate and shall be payable by the issuer solely from the Adjusted Revenues and other amounts derived from the loan agreement relating to such Debt (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the additional Debt or to income from the temporary investment thereof);
- (3) Sufficient funds must be evidenced as follows:
 - (A) Historical Coverage on Outstanding Debt. Delivery of an Officer's Certificate stating that, for either the Company's most recently completed Fiscal Year or for any consecutive 12 months out of the most recent 18 months immediately preceding the issuance of the additional Debt:
 - (i) for Fiscal Years 2013 - 2017, both inclusive, the Available Revenues equal at least 1.20 times Average Annual Debt Service on all Debt then Outstanding prior to the issuance of the additional Debt; and
 - (ii) for Fiscal Years 2018 and thereafter, the Available Revenues equal at least 1.20 times Maximum Annual Debt Service on all Debt then Outstanding prior to the issuance of the additional Debt; and
 - (B) Projected Coverage for Additional Debt. An Independent Management Consultant selected by the Company provides a written report setting forth projections which indicate that the estimated Available Revenues are equal to at least 1.00 times Maximum Annual Debt Service for all Debt then Outstanding, including the proposed additional Debt, in the Fiscal Year immediately following the completion of the Project being financed. The report of the Independent consultant shall take into account (i) the audited results of operations and verified enrollment of the Project for the most recently completed Fiscal Year and (ii) the projected enrollment for the Fiscal Year immediately following the completion of the new Project, and shall assume that the proposed additional Debt shall have been outstanding for the entire year;
- (4) Alternate Coverage for Additional Debt. In lieu of the requirements described above, the Company may deliver an Officer's Certificate stating that, based on the audited results of the operations for the most recently completed Fiscal Year, the Available Revenues equal at least 1.10 times Maximum Annual Debt Service on all Debt then Outstanding as well as the additional Debt;
- (5) Bond Counsel shall render an opinion to the Master Trustee to the effect that the issuance of the proposed additional Debt will not cause the interest on the Related Bonds Outstanding issued as tax-exempt bonds to be includable in the gross income of the Owners thereof for purposes of federal income taxation;
- (6) The Company shall obtain and provide to the Master Trustee an Opinion of Counsel to the effect that the security interest in fixtures and equipment and personal property granted under the Deed of Trust has been created and perfected under the Uniform Commercial Code as currently in effect in the State of Texas, including but not limited to Article 9, as amended; and
- (7) So long as the Trust Estate contains the lien of the Deed of Trust upon any real property of the Company, the Company shall obtain and provide to the Master Trustee an endorsement of the title insurance policy issued in connection with the Debt increasing the coverage thereunder by an amount equal to the aggregate principal amount of the additional Debt.

If additional Debt is being issued for the purpose of refunding any Outstanding Debt, the reports required by clauses (3) and (4) above to be delivered shall not apply so long as both the total and Maximum Annual Debt Service Requirements on all Outstanding Debt after issuance of the additional Debt will not exceed both the total and the Maximum Annual Debt Service Requirements on all Outstanding Debt prior to the issuance of such additional Debt.

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 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.

For additional information, see "RISK FACTORS – Risk of Additional Debt" herein and "APPENDIX E – SUBSTANTIALLY FINAL FORM OF MASTER TRUST INDENTURE" attached hereto.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Preliminary Official Statement. The Issuer, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (herein, the "Securities"). The Securities will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices

to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Bond Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Bond Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Bond Trustee. 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 Securities at any time by giving reasonable notice to the Issuer or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Securities certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

SECURITY AND SOURCE OF PAYMENT

Security for the Bonds

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM REVENUES RECEIVED PURSUANT TO THE LOAN AGREEMENTS, THE ISSUER MASTER NOTES, AND, IN CERTAIN CIRCUMSTANCES, OUT OF AMOUNTS SECURED THROUGH THE EXERCISE OF REMEDIES PROVIDED IN THE BOND INDENTURES, THE LOAN AGREEMENTS, AND THE ISSUER MASTER NOTES. THE BONDS ARE NOT OBLIGATIONS OF THE STATE, THE CITY, OR ANY ENTITY OTHER THAN THE ISSUER. NONE OF THE STATE, THE CITY, 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 ISSUER HAS NO TAXING POWER.

The Loan Agreements

The Bonds are payable from and secured by (i) a pledge and assignment to the Bond Trustee of the Issuer's rights under the Loan Agreements and rights of the Issuer to receive loan payments thereunder (excluding certain fees and expenses and certain indemnity payments payable to the Issuer), and (ii) amounts payable by the Borrower under the Issuer Master Notes. Pursuant to the Loan Agreements, the Borrower agrees to make loan payments to the Issuer sufficient to provide funds to make required payments of principal, premium, if any, and interest on the Bonds in full, which loans shall be evidenced by the Issuer Master Notes. All such loan payments are required to be made to the Bond Trustee by the Borrower (see "APPENDIX G – SUBSTANTIALLY FINAL FORMS OF LOAN AGREEMENTS" attached hereto).

The Issuer Master Notes

Pursuant to the Loan Agreements, the Borrower will execute and deliver to the Bond Trustee, as the designee of the Issuer, the Issuer Master Notes in the principal amounts equal to the respective principal amounts of the Bonds. Payments under the Issuer 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 the Borrower under the Loan Agreements (see "APPENDIX G – SUBSTANTIALLY FINAL FORMS OF LOAN AGREEMENTS" attached hereto).

The Master Trust Indenture

The Issuer Master Notes issued by the Borrower to the Bond Trustee evidencing the obligation of the Borrower to make the payments required under the Loan Agreements are duly authorized promissory notes of the Borrower issued pursuant to and secured by the Master Trust Indenture. Under the Master Trust Indenture, the Borrower unconditionally and irrevocably covenants that it will promptly pay the principal of, premium, if any, and interest and any other amount due on every Note issued under the Master Trust Indenture, subject to certain limitations relating to fraudulent conveyance, insolvency, and other considerations, and has granted a security interest in its Revenues to the Master Trustee, which Revenues are pledged to the payment of the Notes issued under the Master Trust Indenture, including the Issuer Master Notes. The Borrower has also granted a lien on certain real and personal property for the benefit of the Master Trustee (see "APPENDIX E – SUBSTANTIALLY FINAL FORM OF MASTER TRUST INDENTURE" – attached hereto).

Revenue Fund

As security for the repayment of the Notes, including the Issuer Master Notes, and the performance by the Borrower of its other obligations under the Master Trust Indenture, the Borrower has covenanted and agreed in the Master Trust Indenture that, if an Event of Default under the Master Trust Indenture shall occur, it will deliver or cause to be delivered to the Master Trustee within five Business Days from the day of receipt all of the Adjusted Revenues for deposit into the Revenue Fund held by the Master Trustee.

The Master Trustee is required to immediately transfer funds on deposit in the Revenue Fund in accordance with the Master Trust Indenture. To the extent funds in the Revenue Fund are transferred by the Master Trustee in accordance with the requirements of the Master Trust Indenture and are sufficient for such purposes, the transfer and application of such funds for the purposes described in the Master Trust Indenture shall be considered to satisfy the related Loan Payment obligations of the Borrower. To the extent funds in the Revenue Fund are ever insufficient to satisfy the transfer requirements of the Master Trust Indenture, the Borrower may make the related Loan Payments from funds other than the Adjusted Revenues, if any.

The Master Trust 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 due and payable;
- (2) equally and ratably to the Holder of each instrument evidencing a Master Note on which there has been a default an amount equal to all defaulted principal of (or premium, if any) and interest on such Master Note;
- (3) a transfer to the Interest Account of an amount necessary to accumulate in equal monthly installments the interest on the Notes due and payable on the next Interest Payment Date; provided, however, that to the extent available, each transfer made on the fifth Business Day before the end of 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 Master Note the amount of interest on each Master Note as such interest becomes due;
- (4) a transfer to the Principal Account of the amount necessary to accumulate in equal monthly installments the principal of the Notes maturing or subject to mandatory sinking fund redemption on the next Interest Payment Date taking into account with respect to each such payment (i) any other money actually available in the Principal Account for such purpose and (ii) any credit against amounts due on each Interest Payment Date granted pursuant to other provisions of the Master Trust Indenture; provided, however, that to the extent available, the transfer made on the fifth Business Day before the end of each month immediately preceding such Interest Payment Date shall be in an amount to provide, together with amounts then on deposit in the Principal Account, the balance of the principal maturing or subject to mandatory sinking fund redemption on such Interest Payment Date. There shall be paid from the Principal Account equally and ratably to the Holder of each instrument evidencing a 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 12 equal monthly installments; and
- (6) to the Borrower, the amount specified in a Request as the amount of ordinary and necessary expenses of the Borrower for its operations for the following month.

Any balance remaining in the Revenue Fund on the later of the last day of any fiscal year or the day following the end of the month in which all Events of Default under the Master Trust Indenture have been cured will be paid to the Borrower at its depository bank upon request to be used for any lawful purpose.

The Bond Indentures

Under the Bond Indentures, the Issuer will grant to the Bond Trustee for the equal and ratable benefit of the holders of the respective series of Bonds, all of the Issuer's right, title, and interest in and to, among other things, the following: (i) the Loan Agreements, including all amounts payable thereunder, including but not limited to the Loan Payments, the Issuer 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 Agreements or for the enforcement thereof and to do any and all things which the Issuer is or may become entitled to do thereunder, but excluding the amounts agreed to be paid by the Borrower noted in such Loan Agreements, (ii) all money and investments held for the credit of the funds and accounts established by or under the Bond Indentures (except the Rebate Fund established under the Series 2012A/Series 2012B Bond Indenture) as described in the Bond Indentures, and (iii) any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest thereof by the Issuer or by anyone on its behalf, which subjection to the lien and security interest thereof 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 F – SUBSTANTIALLY FINAL FORMS OF TRUST INDENTURE AND SECURITY AGREEMENTS" attached hereto).

Debt Service Fund

The Bond Indentures each establish a Debt Service Fund. The money deposited into each Debt Service Fund, together with all investments thereof and investment income therefrom, will be held in trust and applied solely as provided in the respective Bond Indenture. Thereafter, the Bond Trustee will deposit to the credit of the Debt Service Fund immediately upon receipt: (i) amounts due and payable by the Borrower pursuant to the terms of the Loan Agreements and the Issuer Master Notes, (ii) any other amounts required by the Bond Indentures, and (iii) any other amounts delivered to the Bond Trustee for deposit thereto. On each Interest Payment Date, the Bond Trustee will withdraw money from the Debt Service Fund to pay the principal and interest due on the Bonds.

Debt Service Reserve Fund

The Series 2012A/Series 2012B Bond Indenture establishes a Debt Service Reserve Fund for the Series 2012A and 2012B Bonds. There will initially be deposited in the Debt Service Reserve Fund from the proceeds of the Series 2012A and Series 2012B Bonds an amount equal to the least of (i) the Maximum Annual Debt Service on the Bonds, (ii) one hundred twenty-five percent (125%) of the average annual Debt Service on the Series 2012A and Series 2012B Bonds, or (iii) ten percent (10%) of the initial principal amount of the Series 2012A and Series 2012B Bonds (or sale proceeds in the event that the amount of original issue discount exceeds two percent multiplied by the stated redemption price at maturity of the Series 2012A and Series 2012B Bonds) (the "Reserve Fund Requirement").

Except as otherwise provided in the Series 2012A/Series 2012B Bond Indentures, the Debt Service Reserve Fund at all times will be maintained at an amount equal to the Reserve Fund Requirement. If there are insufficient funds in the Debt Service Fund to pay the Debt Service on the Series 2012A and Series 2012B Bonds by 12:00 noon (Central Time) two Business Days prior to the day on which payment of the Debt Service on the Series 2012A and Series 2012B Bonds is due, the Bond Trustee will transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund on the day on which payment of the Debt Service on the Series 2012A and Series 2012B Bonds is due. If the amount in the Debt Service Reserve Fund is less than the Reserve Fund Requirement because the Bond Trustee has applied funds in the Debt Service Reserve Fund to pay Debt Service on the Series 2012A and Series 2012B Bonds, the Bond Trustee will promptly notify the Borrower in writing that a deficiency in the Debt Service Reserve Fund exists, and the Borrower will (1) within 30 days of receipt of such notice, pay to the Bond Trustee the full amount needed to restore the Debt Service 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 receipt of such notice, pay such deficiency to the Bond 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. 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 Series 2012A and Series 2012B Bonds without violating the foregoing requirement to maintain the Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement.

Upon any redemption or defeasance of all Outstanding Series 2012A and Series 2012B Bonds, the moneys on deposit in the Debt Service Reserve Fund will be transferred to the Debt Service Fund to be used for the purposes of such redemption or to an escrow fund for the purpose of defeasance, as the case may be. If the balance of the Debt Service Reserve Fund is equal to or in excess of the aggregate requirements on the then outstanding Series 2012A and Series 2011 B Bonds, the Bond Trustee will transfer the balance on deposit in the Debt Service Reserve Fund to the Debt Service Fund.

So long as any Series 2012A and Series 2012B Bonds are outstanding, the Borrower will have no right, title, or interest in or to the funds in the Debt Service Reserve Fund.

The Issuer 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. Under the terms of the Series 2012A/Series 2012B Bond Indenture, a Reserve Fund Surety Policy shall be (i) an insurance policy, surety bond or other instrument issued pursuant to a credit agreement (as such term is defined by Section 1371.001, Government Code, as amended) in a principal amount equal to the portion of the Reserve Fund Requirement to be satisfied and issued by a financial institution or insurance company with a rating at the time of the issuance of the Reserve Fund Surety Policy for its long term unsecured debt or claims paying ability in the highest letter category by two Rating Agencies or (ii) a Guaranty Agreement issued by the Texas Public Finance Authority Charter School Finance Corporation pursuant to Section 53.351(e) of the Texas Education Code, as amended, in a principal amount equal to the portion of Reserve Fund Requirement to be satisfied. In the event the Issuer 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 Series 2012A and Series 2012B Bond proceeds thereby released, including investment earnings on Series 2012A and Series 2012B Bond proceeds, to any purposes for which the Series 2012A and Series 2012B 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 one or more Reserve Fund Surety Policies, the Issuer shall not draw on a Reserve Fund Surety Policy unless no other cash or investments are otherwise available in the Debt Service Reserve Fund. Whenever amounts have been drawn on one or more Reserve Fund Surety Policies, 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 Policies 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 Series 2012A and Series 2012B Bonds and the required deposits to the Debt Service Fund, 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.

Deed of Trust

In connection with the issuance of the Bonds, the Borrower will execute a Deed of Trust and Security Agreement (With Assignment of Rents and Leases) covering portions of its real property in favor of the Master Trustee for the benefit of the Holders of the Issuer Master Notes. The Deed of Trust will cover all schools that have benefited from the issuance of Issuer Master Notes under the Master Trust Indenture (collectively referred to herein as the "Participating Schools"). See "APPENDIX A – INFORMATION REGARDING THE BORROWER" attached hereto for a description of the Participating Schools.

RISK FACTORS

Limited Obligations

The Bonds are special and limited obligations of the Issuer. They are secured by and payable solely from funds payable by the Borrower under the terms and conditions of the Loan Agreements and as otherwise described herein. The obligations of the Issuer under the Bond Indentures 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 AND SOURCE OF PAYMENT" herein.

Dependence on the Operations of the Borrower

Dependence on Per Student Revenues. The Borrower derived approximately 82.45% during 2007-2008, 74.54% during 2008-2009, 73.22% in 2009-2010, 81.80% in 2010-2011, 82.14 % in 2011-2012 and anticipates 88.72% in 2012-2013 of its operating revenues (exclusive of fundraising), from payments made by the State of Texas to the Borrower for each student in average daily attendance, based on a combination of the statewide average daily attendance and the average daily attendance of the school district that a student would otherwise attend. The timely payment of principal of and interest on the Bonds therefore depends on operations of the Borrower attracting and retaining the number of students that are needed to provide sufficient revenues to make timely payment of Loan Payments securing payment of the Debt Service on the Bonds. See "APPENDIX A – INFORMATION REGARDING THE BORROWER" and "APPENDIX B – PROFORMA FINANCIAL PLAN" attached hereto.

Growth of Student Enrollment. The Borrower received approximately \$7,584 in state funds per student in average daily attendance for 2011-2012. Such amount may vary from year to year and any increases in student enrollment may require approval of a charter amendment, which may be requested annually. Student enrollment totals can be found in Appendix A. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS – State Funding" and "– Local Funding" herein and "APPENDIX A – INFORMATION REGARDING THE BORROWER" attached hereto.

The Borrower expects to be able to fulfill its enrollment projections based on past trends in enrollment. However, failure to attract and retain students in amounts projected by the Borrower may adversely affect the Borrower's ability to provide sufficient revenues to make timely payment of Loan Payments securing payment of the Debt Service on the Bonds. See "APPENDIX A – INFORMATION REGARDING THE BORROWER" and "APPENDIX B – PROFORMA FINANCIAL PLAN" attached hereto.

Key Management. The creation of, and the philosophy of teaching in, charter schools initially may reflect the vision and commitment of a few key persons on the board of directors and/or the upper management of the charter school (“Key Directors/Managers”). Loss of such Key Directors/Managers could adversely affect the Borrower’s operations or financial results. However, the Borrower has an executive team with significant project management, finance and education experience. This team should help to ensure the continuity of operations of the Borrower if Key Directors/Managers were to leave. See “THE BORROWER – Biographies of Certain Administrators and Leadership.”

Reliance on Projections of Growth. The Borrower has projected certain increases in its enrollment to pay projected operation costs and Debt Service on the Bonds, as well as debt service on future debt. The bases for such projections are the applications for admissions for the Borrower’s grades currently in operation (Kindergarten through 9) and a strategy to grow the student population vertically rather than horizontally. As of September 1, 2012, there were _____ applications on the waiting list for admissions. See “APPENDIX A – INFORMATION REGARDING THE BORROWER” attached hereto. These projections may involve known and unknown risks, uncertainties, and other factors, which may cause the actual results, performance, and achievements to be different from the future results, performance, or achievements expressed or implied by such forward-looking statements. Potential investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. **The projections are provided by the Borrower; and neither the Issuer, the Financial Advisor, nor the Underwriters have commissioned an independent feasibility analysis of any of the projected student attendance figures upon which the Borrower’s projections are based. No independent confirmation of the Borrower’s projections has been made, and while the Borrower believes its projections of growth of average daily attendance are reasonable, such growth may or may not occur and may be affected by a variety of factors, including completion of the Project in a timely manner, continued provision for funding of the Borrower by the State at adequate levels, operations and maintenance of the Borrower, and competition from other public or private schools in the areas where the Borrower operates its schools.** See “APPENDIX A – INFORMATION REGARDING THE BORROWER - FINANCIAL AND OPERATIONS INFORMATION - Projections by the Borrower; Required Increases in Attendance for Payment of Future Debt Service” and “APPENDIX B – PROFORMA FINANCIAL PLAN” attached hereto.

Risks of Construction Contract/Non-Completion. The Borrower plans to negotiate a guaranteed maximum price contract for the renovation of the middle school building. The Borrower does not anticipate such contract to be finalized prior to delivery of the Bonds. A fixed price contract does not guarantee completion of the Project for a fixed price under all circumstances. In addition, completion of the Project may be at risk in the event of failures of contractors or of any underlying bonding companies. Restrictions on issuance of Additional Debt by the Borrower contained in the Master Trust Indenture could limit the ability of the Borrower to borrow additional funds necessary for Project completion, which could adversely affect payment of the Bonds.

Risks Associated with Charter School Operations. The likelihood of success of the Borrower must be viewed in light of the special problems, expenses, difficulties, delays, and complications often encountered in the operation of charter schools. The Borrower’s revenues per student should equal the revenues per student of traditional public schools available for operations and maintenance, but do not include the revenues available for capital outlays, and are significantly less than revenues received by many private schools in the general area of the Borrower. A potential investor should anticipate that significant operational difficulties will exist for the Borrower which may not exist for traditional public schools or for established private schools.

In addition, potential purchasers should be aware that the system under which the Borrower operates could be significantly affected by unforeseen problems arising from the statutory provisions governing charter schools in Texas or future changes thereto. See “–Dependence on the State - Changes in the School Finance System” and “THE SYSTEM OF CHARTER SCHOOLS IN TEXAS” herein.

Competition. Unlike school districts, the Borrower must attract students from other schools, both public and private, within the general area of the schools. No students are required to attend the Borrower’s charter schools, and students at the Borrower’s charter schools may subsequently transfer to other public or private schools or charter schools at will. There are numerous public and private schools and charter schools in the immediate areas where the Borrower’s schools are located, many of which may be closer to the homes of present or prospective students of the Borrower’s charter schools. Failure by the Borrower to provide quality facilities or academics at a level acceptable to students and their parents would presumably cause the Borrower to fail to attract or maintain students, and would negatively affect the ability of the Borrower to make Loan Payments in an amount sufficient to pay Debt Service on the Bonds.

Risks Associated with Schools. There are a number of factors affecting schools in general that could have an adverse effect on the Borrower’s financial position and ability to make Loan Payments securing 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 the Borrower’s work force with consequent impact on wage scales and operating costs of the Borrower; the ability to attract a sufficient number of students and to maintain faculty meeting appropriate standards; and changes in existing statutes pertaining to the powers and minimum funding levels for charter schools. School operations also present significant risks and operational and management issues not encountered in other enterprises. While Texas law provides that the Borrower is immune from liability to the same extent as a school district, and that the Borrower’s employees and volunteers are immune from liability to the same extent as employees and volunteers of a school district, a potential investor should anticipate that, because the Borrower provides services to children, any failure in the Borrower’s operation and management could result in liability risks to the Borrower which would not be present for other enterprises not engaged in providing such services.

Limited Assets of the Borrower. If the Borrower does not generate sufficient revenues to pay all of the Borrower's loan obligations and operating expenses, the Borrower may have no other source of funds to make such payments. Further, while the payments of Debt Service on the Bonds occur prior to payments of the Borrower's operating expenses, a failure to make such operating payments would presumably ultimately result in the inability of the Borrower to attract students or maintain sufficient revenues for payment of its Loan Payments securing payment of Debt Service on the Bonds.

No Taxing Power. Neither the Issuer nor the Borrower has taxing power.

Pledge of Adjusted Revenues to Master Trustee. The Master Trust Indenture provides that all of the Borrower'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 Event of Default under the Master Trust 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 the Borrower's Adjusted Revenues to be applied as specified in the Master Trust Indenture. While the Holders of not less than 25% in principal amount of Master Notes Outstanding are entitled to direct the Master Trustee in the exercise of remedies following an Event of Default, such percentage may be composed wholly or partially of the holders of Master Notes other than the Issuer Master Notes.

The Borrower has covenanted and agreed in the Master Trust Indenture that if an Event of Default has occurred under the Master Trust Indenture the Borrower will, without demand by the Master Trustee, deliver or cause to be delivered to the Master Trustee within five 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 the Borrower 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 the Borrower to enforce the provisions of the Master Trust Indenture.

Dependence on the State

State Payments Subject to Biennial Appropriation. Repayment of Debt Service on the Bonds depends principally on receipt by the Borrower of payments from the State based on the school district that the student would otherwise attend for each student in average daily attendance. The State Legislature meets biennially each odd-numbered year, and failure of the State Legislature to appropriate sufficient amounts to pay its share of the per student cost to the Borrower could result in failure of the Bond Trustee as assignee of the Issuer to make timely payments of Debt Service on the Bonds. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" herein.

Changes in the School Finance System. Because Texas charter schools are ultimately funded from the same sources as Texas public school districts, changes in the system of school finance could significantly affect how charter schools, including the Borrower's charter schools, are funded. Neither the Issuer nor the Borrower can make any representation or prediction concerning how or if the State Legislature may change the current public school finance system, and how those changes may affect the funding or operations of charter schools. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" herein.

Revocation or Non-renewal of Charter. The Borrower's charter has been renewed and will expire as set forth under "THE BORROWER – Charter History" herein. However, the Borrower's charter may be revoked if the persons operating the Borrower's charter schools commit a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter, failure to satisfy generally accepted accounting standards of fiscal management, failure to protect the health, safety, and welfare of the students, or failure to comply with the provisions of Chapter 12 of the Texas Education Code, as amended, or other applicable laws or rules. The State has closed several charter schools during oversight reviews, but the Borrower believes that there is no current condition which would cause revocation of its charter. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" herein.

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

Forward Looking Statements and Projections

The Borrower has prepared a proforma financial plan (the "Projections"), a copy of which is reproduced as APPENDIX B hereto. The Projections contain information material to a decision to purchase the Bonds and should be read by potential investors in their entirety. The Projections contain (a) forecasts of Gross Revenues, Net Revenues, and cash flows of the Project, (b) projections of future demand for the use of the Project, and (c) debt service requirements. The Projections set forth a number of assumptions on which the Projections are based, including but not limited to the projected enrollment of the Borrower and the per student amounts to be paid from State and local sources. Such assumptions are based on present circumstances and information currently available, which has been furnished by the Borrower, as well as other sources. Such information may be incomplete and may not necessarily disclose all material facts that might affect the Project and the analysis contained in the Projections in light of the circumstances then prevailing. The Projections are based solely on the business plan of the Borrower. The accuracy

of the Projections is dependent on the occurrence of specified assumptions and other future events which cannot be assured, and therefore the actual results achieved during the period will vary from those forecasts and such differences may be material and adverse. See "APPENDIX B – PROFORMA FINANCIAL PLAN" attached hereto.

Neither the Issuer, the Financial Advisor, nor the Underwriters have independently verified the statistical data included herein and none of such parties makes any representations or gives any assurances that such data is complete or correct. Further, none of the Issuer, the Financial Advisor, or the Underwriters makes any representations or gives any assurances that the assumptions incorporated in the Projections are valid. The ability of the Borrower to achieve and maintain financially sustaining levels of enrollment on a continuing basis is subject to a number of factors, including, but not limited to, the physical condition of the schools, the programs provided for students, accreditation of the Borrower, and the supply of other public, private, and charter school elsewhere. In addition, the Projections are only for the 12-month periods ending August 31st for the years 2012 through and including 2016 and, consequently, do not cover the whole period during which the Bonds may be outstanding.

Tax-Exempt Status of the Series 2012A 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 Series 2012A 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"). The Borrower 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 2012A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance of the Series 2012A Bonds. See "TAX MATTERS" 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 the Borrower has sought to obtain a private letter ruling from the IRS with respect to the Series 2012A Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that any IRS examination of the Series 2012A Bonds will not adversely affect the market value of the Series 2012A Bonds. See "TAX MATTERS" herein.

Impact of Proposal in President's 2013 Budget

On February 13, 2012, President Obama released the language of his proposed budget for fiscal year 2013 (the "Budget"). One provision of the Budget would have the effect of imposing an additional amount of tax on certain "high income" taxpayers based on, among other things, the amount of interest on tax-exempt obligations, such as the Bonds, received by such taxpayers. As originally proposed, this provision will be effective for taxable years beginning on or after January 1, 2013, and will apply to interest on the Bonds and other tax-exempt obligations received by such taxpayers on or after that date. The introduction or enactment of this provision or any similar legislative proposal may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds are advised to consult their tax advisors with respect to the impact of the Budget or other legislative proposals, as to which Bond Counsel expresses no opinion.

Tax-Exempt Status of the Borrower

The tax-exempt status of the Series 2012A Bonds presently depends upon maintenance by the Borrower 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 its tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of non-profit organizations, it could do so in the future. Loss of tax-exempt status by the Borrower could result in loss of tax exemption of the Series 2012A Bonds and defaults in covenants regarding the Series 2012A Bonds and other obligations would likely be triggered. Loss of tax-exempt status by the Borrower could also result in substantial tax liabilities on its income. For these reasons, loss of tax-exempt status of the Borrower could have material adverse consequences on the financial condition of the Borrower.

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

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

Less onerous sanctions, referred to generally as “intermediate sanctions,” have been enacted 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.

The Borrower may be audited by the IRS. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest, and penalties. An IRS audit ultimately could affect the tax-exempt status of the Borrower, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2012A Bonds and any other tax-exempt debt issued for benefit of the Borrower.

Risk of Failure to Comply with Certain Covenants

Failure of the Issuer to comply with certain covenants contained in the Series 2012A/Series 2012B Indenture or of the Borrower with certain covenants in the Series 2012A/Series 2012B Loan Agreement on a continuing basis prior to the maturity of the Series 2012A Bonds could result in interest on the Series 2012A Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS” 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 the Borrower of federal tax exemption also would trigger a challenge to the State or local tax exemption of the Borrower. Depending on the circumstances, such event could be adverse and material.

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

Unrelated Business Income

The IRS and State, county, and local tax authorities may undertake audits and reviews of the operations of tax-exempt organizations with respect to the generation of unrelated business taxable income (“UBTI”). The Borrower may participate in activities that generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest, and penalties with respect to UBTI and, in some cases, ultimately could affect the tax-exempt status of the Borrower as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2012A Bonds.

Risk of Catastrophic Loss

In the event a natural or man-made disaster, such as a hurricane, fire, earthquake, tornado, or war, destroyed one or more of the Borrower’s schools (or significant outlying improvements), the revenues of the Borrower could be drastically reduced. Moreover, the market value of the property pledged under the Deed of Trust could also be drastically reduced.

While the Bonds are outstanding, the Borrower has agreed to insure or cause insurance to be carried for its buildings and contents, including the schools (during both the period of construction and the period subsequent to completion of the Project), against such losses and in such amounts as is customary for persons engaged in the same business as the Borrower and operating facilities similar to its buildings and other facilities, including the Project. The Borrower has additionally covenanted in the Loan Agreements and the Master Trust Indenture to provide builder’s all risk extended coverage insurance (during construction, reconstruction, remodeling or repair), coverage for buildings and contents, and general liability, comprehensive professional liability, workers’ compensation and business interruption insurance. In the event that insurance proceeds from damage or destruction, or condemnation awards, with respect to the Project are in an amount greater than \$100,000, the Master Trust Indenture requires transfer of such amounts to the Master Trustee to be held in trust and applied solely to the Related Trustee in accordance with the Bond Indenture to which such insurance or condemnation proceeds relate for use pursuant to such Bond Indenture and the Loan Documents for the Project. Nevertheless, there can be no assurance that a casualty loss will be covered by insurance (certain casualties are excepted), that the insurance company will fulfill its obligation to provide insurance proceeds, that insurance proceeds to rebuild the affected school will be sufficient, or that a sufficient number of students would wish to attend the school following reconstruction. Even if insurance proceeds are available and the Borrower has rebuilt the Project, there could be a lengthy period of time during which there would be little or no revenues produced by operation of the affected school.

Limited Remedies After Default

Remedies available to Registered Owners of Bonds in the event of a default by the Issuer on one or more of its obligations under the Bonds or the Bond Indentures or by the Borrower under the Loan Agreements or the Master Notes are limited to the terms of such instruments, and may prove to be expensive, time-consuming, and difficult to enforce. Further, as noted above, the Bonds are special limited obligations of the Issuer and existence of any remedy does not guarantee sufficient assets of the Borrower pledged to payment of the Bonds to secure such payment. See “-Limited Obligations” herein.

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.

The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors. See “-Risk of Bankruptcy” herein.

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 Registered Owners of the Bonds, would not be able to pursue their remedies against it without the permission of the Bankruptcy Court. The Issuer would also have the right to reorganize and adjust its debts with the approval of the Bankruptcy Court. While the relevant law on this point is not clear, it may be possible for the Issuer to be forced into involuntary bankruptcy by one or more creditors. A bankruptcy filing by or against the Issuer could adversely affect the receipt of principal of and interest on the Bonds.

Similarly, there is a risk that the Borrower may file for bankruptcy and afford itself the protection of the federal Bankruptcy Code. In that case, the Borrower would receive the benefit of the automatic stay and creditors, such as the Registered Owners of the Bonds, would not be able to pursue their remedies against it without the permission of the Bankruptcy Court. The Borrower would also have the right to reorganize and adjust its debts with the approval of the Bankruptcy Court. While the Borrower is a nonprofit corporation, the schools are part of the public school system. Consequently, it is not clear whether the Borrower would properly file as a corporate debtor or under Chapter Nine of the United States Bankruptcy Code which Chapter governs government subdivisions. If the Borrower is properly a corporate debtor, it may be possible for the Borrower to be forced into involuntary bankruptcy by one or more creditors. A bankruptcy filing by or against the Borrower could adversely affect the receipt of principal of and interest on the Bonds.

Value of Land and Improvements

Under the Deed of Trust, the Borrower will grant to the Mortgage Trustee (as defined in the Deed of Trust) a first lien on and security interest in certain Land and Improvements located in the City of Austin, Texas. (see “THE PROJECT – The Facilities and the Project” herein).

No independent appraisal on the property has been performed at the request of the Issuer or the Underwriters, and there is no guarantee that the foreclosure value of the Land and/or Improvements will be adequate in the event of any foreclosure to pay defaulted and accelerated Debt Service 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 and their limited use. Failure to complete the Project could negatively affect any sale of the Project pursuant to the Deed of Trust.

Inability to Liquidate or Delay in Liquidating the Project

An event of default gives the Mortgage Trustee the right to sell the Land and Improvements pursuant to a sale under the Deed of Trust. The Land and Improvements is intended to be used solely for educational purposes of the Borrower. Because of such use, a potential purchaser of the Bonds should not anticipate that a sale of the Land and Improvements could be accomplished rapidly or at all. Any sale of the Land and 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 is specifically constructed for use as a school facility it may not be readily adaptable to other uses. As a result, in the event of a sale of the Land and Improvements, the number of uses that could be made of the property, and the number of entities that would be interested in purchasing the Land and Improvements, could be limited, and the sale price could thus negatively be affected. The location 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. Failure to complete the Land and Improvements could negatively affect any sale of the Land and Improvements pursuant to the Deed of Trust.

Risk of Additional Debt

Subject to certain conditions provided in the Master Trust Indenture, the Borrower has reserved the right to issue Additional Debt (as defined in the Master Trust Indenture) which is secured under the Master Trust Indenture on a 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 "THE BONDS – Additional Debt" herein and "APPENDIX E – SUBSTANTIALLY FINAL FORM OF MASTER TRUST INDENTURE" attached hereto.

Limited Marketability of the Bonds

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

THE BORROWER

Charter History

Eden Park Academy Public Charter School District was created in _____ as a 501c3 organization. Chartered and accredited by the State of Texas, Wayside Schools provides a community-enriched education that prepares student for success in higher education and global citizenship.

In fall 2011, the Board of Trustees was granted permission by the Texas Education Agency to expand the current campus to multiple sites serving up to 1,500 children from grades Pre-K through 12. With the expansion of the campuses, the Borrower began operating as "Wayside Schools", reflecting the school's South Austin, eclectic culture..

Waysides Schools continues to grow and add a grade level each year until grades pre-kindergarten – 12th are served by the School, which is anticipated in the fall of 2015.

Mission

Wayside Schools' mission is to develop students who are competent, confident, productive and responsible young adults who possess the habits, skills, and attitudes to succeed.

Educational Philosophy... Wayside Schools provides a rigorous, community-enriched education guided by a commitment to excellence through personalized instruction. Students, families and educators work within an engaged learning community to build the habits and skills necessary to prepare all learners for success in higher education and global citizenship.

Wayside Schools educational model is based on:

- Purposeful Academic Rigor
- Personalized Instruction
- Character Building
- Community Partnership
- Educator Empowerment and Support

Biographical data for Board of Directors

John Wilson, Chair

Manager, EBT System Integration and Operations, Texas Health and Human Service Commission.

Mr. Wilson has more than thirty years of experience in information technology in Texas state government, including over 20 years of management experience. As the longest serving member of the Board of Trustees, he brings an incredible amount of institutional memory and has played a pivotal role in the continued success of Wayside Schools. He has been a frequent presenter to Texas legislative committees, senior executives, and other stakeholder groups. Mr. Wilson holds a Bachelor of Arts degree in Mathematics with a Minor in Electrical Engineering from the University of Texas, Austin, Texas.

Candice Roberts, Vice Chair

Owner, COO, John Roberts Enterprises, Inc.

Candice has been on the Board of Trustees since 2007, after serving three years as the PTO president. Ms. Roberts is a graduate of Southwest Texas State University in San Marcos, Texas and studied interior redesign at the Sheffield School of Design in New York City, New York. In addition to owning her Austin based business, Ms. Roberts has built or developed over 10 properties (residential, vacation, and commercial), specifically on the Texas coast.

Heather Mudd, Secretary

Chief Executive Officer at Austin Aquascapes, LLC - Professor of Botany at Austin Community College.

Ms. Mudd grew up in Austin and was elected to the Board of Trustees in the fall of 2010. A community-oriented individual, Heather enjoys being active in her church, Eden Park Academy, and Austin Community College community events. She has two daughters that attend Eden Park Academy. Ms. Mudd is the CEO of Austin Aquascapes, a City of Austin Certified Woman Owned Business. Heather is also a member of the University of Texas Natural Sciences Alumni Mentor Program and a member of the International Professional Pond Association. Ms. Mudd holds a Bachelors of Science in Marine and Freshwater Biology from the University of Texas at Austin, and a Masters in Mediation and Conflict Resolution from Abilene Christian University.

Christine Laguna, Ph.D. Service Director, Child and Adolescent Psychiatric Services
Austin State Hospital, Austin Texas

Dr. Laguna grew up in Arizona before moving to Texas over 20 years ago to attend graduate school. Christine is married with two young children, a son and a daughter. Dr. Laguna completed her education at the University of Texas at Austin, obtaining a Doctor of Philosophy in Educational Psychology and a Masters of Arts in Educational Psychology. Christine completed her Bachelors of Science in Psychology, graduating Summa Cum Laude, at the University of Arizona. Dr. Laguna was a recipient of the Graduate Opportunity Fellowship and a member of Phi Beta Kappa and Psi Chi National Honor Society. Dr. Laguna is a licensed psychologist (#30741) by the Texas State Board of Examiners of Psychologists.

Stephanie Blevins

Stephanie Blevins adds a unique and necessary perspective to the Board of Directors at Eden Park Academy. For the past ten years, Stephanie has been the primary caregiver to her grandson, who has Autism. Mrs. Blevins has immersed herself in education regarding Autism and along with caring for her 13 year old grandson; she is able to ask thought-provoking questions of the administration regarding how programs served children with special needs.

Mary Nancarrow

Professor of Education, Saint Edward's University, Austin, Texas

Ms. Nancarrow joined the Eden Park Academy Board of Directors in fall 2011. Mary has been a regular volunteer at Eden Park since 2009, helping students with phonics, reading, and preparing for TAKS. Ms. Nancarrow earned her Bachelor of Science in Theatre Arts from Nebraska Wesleyan University and her graduate degree in Theatre Education and Design from the University of Texas at Austin. She holds a Texas teaching certificate in secondary Theatre, English, Speech, and History. Mary also holds a National Board Teacher Certification. Ms. Nancarrow is a 4th generation teacher.

Doug Clark, Ph.D.

Retired Teacher, Administrator, Community Activist

Dr. Clark is the most recent member of the Wayside Schools Board of Trustees. Doug has spent his career working to reform the education system in our country. In retirement, Doug is a Teacher Fellow at Hope Street Group; a national, non-profit, nonpartisan organization of business leaders and professionals dedicated to renewing the American dream of economic opportunity and prosperity. Locally, Doug is a founder of the Bastrop Charter Initiative; a group of local residents committed to bringing school choice into the Bastrop community. Dr. Clark is widely known for this grant-writing and fundraising capacity.

Biographical Data for Key Administrators

Matt Abbott – Chief Executive Officer

As CEO of Wayside Schools, Matt works with the leadership of the Wayside Schools Board of Trustees to develop and implement strategies to ensure long-term mission aligned academic, financial, and operational excellence. He most recently served as the Director of Training Services for the Texas Charter Schools Association (TCSA). At TCSA, he worked to develop, direct, and manage training and technical services programs in the areas of charter school law, business operations, and academic programming.

Matt is highly regarded for his depth of knowledge on charter school specific legal and academic compliance issues. He has presented at multiple education related events including the Annual Texas Charter Schools and Texas Association of School Business Officers (TASBO) conferences. Prior to TCSA, Matt worked at Not Your Ordinary School (NYOS) charter school in Austin, Texas as a member of the academic team and school board. Matt holds a B.B.A. in Business Management from Saint Edward's University and a M.A. in Public Policy and Public Administration from the University of York, in the United Kingdom. He is also a member of TASBO and TCSA.

Lisa Robinson – Chief Academic Officer

Lisa Robinson is a 5th generation native Texan and spent her formative years in Round Rock, Texas. She attended Texas A&M University and graduated in the Class of '80, magna cum laude. Her teaching career spanned 9 years and included classroom assignments in elementary and middle school, along with coaching duties in middle school and high school. Her last classroom

assignment was teaching 6th grade students. Graduate school was at Cameron University, in Lawton Oklahoma, with further administrative certification from Southwest Oklahoma State University. Lisa became an elementary principal after one year as an assistant principal and spent nine years as an administrator for Lawton Public Schools in Lawton, Oklahoma. Upon moving with her family back to Texas in 2004, she became the Director of Eden Park Academy, where she continues as the Chief Academic Officer.

Lisa's professional activities include State Superintendent's Principal's Advisory Council, Executive Board of the Oklahoma Association for Supervision and Curriculum Development, Texas Charter Schools Association Board of Directors, and Austin Area Charter Schools Special Education Cooperative Chairman.

Teresa Elliott – Chief Operations Officer

Teresa Elliott founded NYOS Charter School in North Austin in 1998, where she served as the Executive Director. During her ten years at NYOS and after five legislative sessions Elliott watched the charter movement erode through increased regulation. Hoping to unite Texas charter operators, Ms. Elliott wrote the initial business plan for a statewide charter school association. The plan was presented to the Charter School Policy Institute and later became the Texas Charter Schools Association (TCSA). Teresa accepted the job of Chief Operations Officer at TCSA and helped to recover \$45 million for Texas charter schools due to a funding formula error. After three years of operations, TCSA passed the first piece of positive legislation since the creation of charter schools.

Ms. Elliott joined the Wayside Schools family in January 2012 as the Chief Operations Officer to build the infrastructure necessary for the school to grow from 250 students to 2,500. After the launch of the REAL Learning Academy in fall of 2012, Ms. Elliott will work to secure long-term, tax-exempt bond financing that will facilitate renovations to the Eden Park Academy campus, develop the high school facility, and upgrade our technology, food services, libraries, and playgrounds at Wayside. Teresa Elliott is active in the Austin non-profit community. She led the playscape renovations at Zilker Park and is a member of the West Austin Lions Club. Teresa holds a B.A. in Organizational Leadership and is pursuing a Master's degree in Human Capital from Bellevue University.

Hope Astor – Director of Curriculum

As Director of Curriculum, Ms. Astor is responsible for collaborating with administration and faculty in the design, development, and implementation of curriculum. She is responsible for researching and evaluating emerging instructional technologies and methods, as well as the continuous improvement of instruction at Wayside Schools.

Early on, Hope evaluated curriculum for her fellow students in her hometown of Cambridge, Massachusetts where she was asked to sit on the board of directors' curriculum committee while still in high school. By the time she was in college at New York University she was working with the makers of Sesame Street on the popular PBS educational science program '3-2-1 Contact'. There she developed science education through media while traveling the world. In 1994, Ms. Astor moved to Texas and began her work as a Home Parent Educator with Any Baby Can here in East Austin, further honing her skills in early childhood development and education. For the past 15 years Ms. Astor has taught multiple grades from preschool thru high school and has been a lead teacher and an instructional coach. In 1998, Ms. Astor joined the Eden Park faculty and has helped to develop and manage the highly successful Response to Intervention program, and most recently worked to bring the prestigious International Baccalaureate Program to REAL Learning Academy. Ms. Astor holds a Bachelor of Fine Arts from New York University and is a certified teacher in Theatre Arts, Special Education, and the Language Arts.

Fred Levilly - Director of Technology

Wayside's Technology Director, Fred Levilly, is from Angers, France. Mr. Levilly trained extensively at Apple's headquarters in Cork, Ireland, amassing eleven certifications in Apple hardware and software from 2003-2008. Upon his return to France, Fred began working for iTake, a premium Apple reseller. Part of his work for iTake was providing sales and on-site support for the Catholic University of the West, the sister school to Austin's Saint Edward's University. As the Director of Technology, Fred will lead the effort to integrate technology into the educational program at Wayside Schools. Fred holds a B.A. in English Literature and Civilization, specializing in Literature Translation from the University of Angers in France.

THE SYSTEM OF CHARTER SCHOOLS IN TEXAS

General

The Texas Legislature adopted the Texas charter school system in 1995 to offer publicly-funded choices to parents within the public school system. Texas law provides for three types of charters: home-rule school district charters, campus or campus program charters, and open-enrollment charters. The Borrower's charter school operates under an open-enrollment charter. Under current statutes, the charter system effectively provides the same per student public funding for education (but not necessarily for capital needs) as is available to other public schools.

The State Board of Education (the "Board of Education") may grant a charter on the application of an eligible entity for an open-enrollment charter school to operate in a facility of a commercial or nonprofit entity or a school district, including a home-rule school district. "Eligible entity" includes certain institutions of higher education, certain private or independent institutions of

higher education, an organization (such as the Borrower) that is exempt from taxation under Section 501(c)(3) of the Code, or a governmental entity.

For a discussion of potential changes in the system of charter school finance in Texas, see “RISK FACTORS – Dependence on the State” herein.

Limitation on Number of Charters Granted

The Board of Education may, at this time, grant a total of not more than 215 charters for open-enrollment charter schools. Applicants are required to meet financial, governing, and operating standards adopted by the Texas Commissioner of Education (the “Commissioner”).

Authority Under Charter

An open-enrollment charter school is to provide instruction to students at one or more elementary or secondary grade levels as provided by the charter; will be governed under the governing structure described by the charter; will retain authority to operate under the charter contingent on satisfactory student performance as provided by statute; and does not have authority to impose taxes.

An open-enrollment charter school is subject to federal and State laws and rules governing public schools, but is subject to the Texas Education Code and rules adopted thereunder only to the extent the applicability of a provision of the Texas Education Code or a rule adopted thereunder to an open-enrollment charter school is specifically provided.

An open-enrollment charter school has the powers granted to schools under Title 2, Texas Education Code, as amended (“Title 2”), which generally governs public primary and secondary education in Texas. An open-enrollment charter school is subject to any provisions of Title 2 establishing a criminal offense; prohibitions, restrictions, or requirements, as applicable, imposed by such title or a rule adopted thereunder relating to specific provisions governing the Public Education Information Management System (“PEIMS”), criminal history records; certain reading programs, assessment instruments, and accelerated instruction; high school graduation; special education programs; bilingual education; pre-kindergarten programs; extracurricular activities; discipline management practices; health and safety; and public school accountability (including testing requirements, and requirements to report an educator’s misconduct).

An open-enrollment charter school is part of the public school system of the State. The board members of the governing body of the school are considered a governmental body for purposes of Chapters 551 and 552, Texas Government Code, as amended, governing open meetings and public information. In matters relating to operation of the school, the school is immune from liability to the same extent as a school district, and its employees and volunteers are immune from liability to the same extent as school district employees and volunteers. Members of the governing body of a charter school are immune from liability to the same extent as a school district trustee. An employee of an open-enrollment charter school who qualifies for membership in the Teacher Retirement System of Texas will be covered under the system to the same extent a qualified employee of a school district is covered. For each employee of the school covered under the system, the school is responsible for making any contribution that otherwise would be the legal responsibility of the school district, and the State is responsible for making contributions to the same extent it would be legally responsible if the employee were a school district employee.

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

State Funding

Prior to August 31, 2001, an open-enrollment charter school was entitled to the distribution from the available school fund for a student attending the open-enrollment charter school to which the district in which the student resides would be entitled. A student attending an open-enrollment charter school who is eligible under Section 42.003, Texas Education Code, as amended, is entitled to the benefits of the Foundation School Program. The Commissioner will distribute from the Foundation School Fund to each charter school an amount equal to the cost of a Foundation School Program provided by the program for which the charter is granted, including the transportation allotment, for the student that the district in which the student resides would be entitled, less an amount equal to the sum of the school’s tuition receipts from the local district plus the school’s distribution from the available school fund. This prior law provides the basis for a portion of the State Funding available to charter schools and more fully described below.

Commencing August 31, 2001, a charter holder is entitled to receive for the open-enrollment charter school funding as if the school were a school district without a tier one local share for purposes of Tier One and without any local revenue for purposes of Tier Two. In determining funding for an open-enrollment charter school, adjustments under State law and the district enrichment tax rate are based on the average adjustment and average district enrichment tax rate for the State. An open-enrollment charter school is entitled to funds that are available to school districts from TEA or the Commissioner in the form of grants or other discretionary funding unless the statute authorizing the funding explicitly provides that open-enrollment charter schools are not entitled to the funding. The Commissioner may adopt rules to provide and account for state funding of open-enrollment charter schools.

Funds received from the State by a charter holder are considered to be public funds for all purposes under State law and are held in trust by the charter holder for the benefit of the students of the open-enrollment charter school.

An open-enrollment charter school receives:

for the 2011-2012 school year, 10 percent of its funding according to the law in effect on August 31, 2001, and 90 percent of its funding according to the change; and

for the 2012-2013 school year and subsequent school years, 100 percent of its funding according to the change.

The following discussion of school district funding relates to the Borrower through the charter school funding formulas described above. As the above timeline indicates the funding formula for the Borrower is in transition from being based on each student's resident district's characteristics to being based on State averages for all districts.

Generally, a student is entitled to the benefits of the Foundation School Program if the student is 5 years of age or older and under 21 years of age on September 1 of the school year and has not graduated from high school. A student is also entitled to the benefits of the Foundation School Program if the student is enrolled in certain pre-kindergarten classes. The Foundation School Program provides for (1) State guaranteed basic funding allotments per student ("Tier One") and (2) State guaranteed revenues per student per penny of local tax effort to provide operational funding for an "enriched" educational program ("Tier Two"). State funding allotments may be altered and adjusted in certain circumstances to account for shortages in State appropriations or to allocate available funds in accordance with wealth equalization goals. Tier One allotments are intended to provide a basic program of education rated academically acceptable and meeting other applicable legal standards. If needed, the State will subsidize local tax receipts to produce a basic allotment. Tier Two allotments are intended to guarantee each school district an opportunity to provide a basic program and to supplement that program at a level of its own choice. Each school district is guaranteed a specified amount per weighted student for each cent of tax effort that exceeds the compressed tax rate in State and local funds. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for Local Public Schools" herein.

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

Local Funding

Except as specifically provided, an open-enrollment charter school is entitled to receive payments (referred to as tuition) from the school district in which a student attending the charter school resides, in an amount equal to the quotient of the tax revenue collected by the school district for maintenance and operations for the school year for which tuition is being paid divided by the sum of the number of students enrolled in the district as reported in the Public Education Information Management System (PEIMS), including the number of students for whom the district is required to pay tuition. The tuition to be paid by a school district with a wealth per student that exceeds the equalized wealth level under Chapter 41, Texas Education Code, as amended, will be based on the district's tax revenue after the district has acted to achieve the equalized wealth level under Chapter 41. An open-enrollment charter school may not charge tuition to its students.

Because the amount received by the charter school from the local district is based on the local district's per student tax revenue, per student revenue for the charter school will vary depending on the taxes levied by the student's home district.

Provisions of Open-Enrollment Charters

Under State law, the Board of Education has the authority to select applicants to establish open-enrollment charter schools. The Board of Education has adopted an application form and procedures for applications to operate an open-enrollment charter school. The Board of Education has also adopted criteria to use in selecting a charter recipient.

Each charter granted must describe the educational program to be offered, which must include the required curriculum as provided by statute; specify the period for which the charter or any charter renewal is valid; provide that continuation or renewal of the charter is contingent on acceptable student performance on assessment instruments and on compliance with any accountability provision specified by the charter, by a deadline or at intervals specified by the charter; establish the level of student performance that is considered acceptable; specify any basis, in addition to a basis specified by statute, on which the charter may be placed on probation or revoked or on which renewal of the charter may be denied; prohibit discrimination in admission policy on the basis of sex, national origin, ethnicity, religion, disability, academic or athletic ability, or the district the child would otherwise attend in accordance with the Texas Education Code; specify the grade levels to be offered; describe the governing structure of the program; specify the powers and duties of the governing body of the school; specify the manner in which the school will distribute certain information to parents; describe the process by which the person providing the program will adopt an annual budget; describe the manner in which an annual audit of the financial and programmatic operations of the program is to be conducted, including the manner in which the person providing the program will provide information necessary for the school district in which the program is located to participate, as required by the Texas Education Code or by Board of Education rule, in PEIMS; describe the facilities to be used; describe the geographical area served by the program; and specify any type of enrollment criteria to be used.

The grant of a charter does not create an entitlement to renewal of the charter. A revision of a charter of an open-enrollment charter school may be made only with the approval of the Board of Education.

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

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

The Commissioner may modify, place on probation, revoke, or deny renewal of the charter of an open-enrollment charter school if the Commissioner determines that the charter holder committed a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter; failure to satisfy generally accepted accounting standards of fiscal management; failure to protect the health, safety, or welfare of students; or failure to comply with any applicable law or rule. The action by the Commissioner with respect to modification, probation, revocation, or denial of renewal of a charter must be based on the best interest of the school's students, the severity of the violation, and any previous violation the school has committed. The Commissioner will adopt a procedure to be used for modifying, placing on probation, revoking, or denying renewal of the charter of an open-enrollment charter school.

If the Commissioner revokes or denies the renewal of a charter of an open-enrollment charter school, or if an open-enrollment charter school surrenders its charter, the school may not continue to operate or receive State funds except that an open-enrollment charter school may continue to operate and receive State funds for the remainder of a school year if the Commissioner denies renewal of the school's charter before the completion of that school year.

The Commissioner may take certain disciplinary actions available for public schools generally to the extent the Commissioner determines necessary, if an open-enrollment charter school commits a material violation of the school's charter, fails to satisfy generally accepted accounting standards of fiscal management, or fails to comply with the requirements of the Texas Education Code, Chapter 12, Subchapter D, as amended, or other applicable state and/or federal laws or rules, as determined by the Commissioner under Section 100.1022 and Section 100.1021, Chapter 100, Subchapter AA of Commissioner's Rules Concerning Open-Enrollment Charter Schools, 26 Tex Reg. 8823 adopted effective November 6, 2001, amended to be effective April 6, 2005, 30 Tex Reg. 1911, adopted April 6, 2005. The Commissioner may temporarily withhold funding, suspend the authority of an open-enrollment charter school to operate, or take any other reasonable action the Commissioner determines necessary to protect the health, safety, or welfare of students enrolled at the school based on evidence that conditions at the school present a danger to the health, safety, or welfare of the students. After the Commissioner so acts, the open-enrollment charter school may not receive funding and may not resume operating until a determination is made that, despite initial evidence, the conditions at the school do not present a danger of material harm to the health, safety, or welfare of students; or the conditions at the school that presented a danger of material harm to the health, safety, or welfare of the students have been corrected.

Annual Evaluation

The Commissioner must designate an impartial organization with experience in evaluating school choice programs to conduct an annual evaluation of open-enrollment charter schools. The evaluation must include consideration of students' scores on assessment instruments, student attendance, students' grades, incidents involving student discipline, socioeconomic data on students' families, parents' satisfaction with their children's school, and students' satisfaction with their school. The evaluation of open-enrollment charter schools must also include an evaluation of: the costs of instruction, administration, and transportation incurred by open-enrollment charter schools; the effect of open-enrollment charter schools on school districts and on teachers, students, and parents in those districts; and other areas determined by the Commissioner.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Funding Changes in Response to West Orange-Cove II

In response to the decision in West Orange-Cove II, the Texas Legislature (the "Legislature") enacted House Bill 1 ("HB 1"), in the 79th Legislative 3rd Special Session (2006), which made substantive changes in the way the Public School Finance System (the "Finance System") is funded, as well as other legislation which, among other things, established a special fund in the Texas state treasury to be used to collect new tax revenues that are dedicated under certain conditions for appropriation by the Legislature to reduce Operation and Maintenance Tax rates, broadened the State business franchise tax, modified the procedures for assessing the State motor vehicle sales and use tax and increased the State tax on tobacco products (HB 1 and other described legislation are collectively referred to as the "Reform Legislation"). The Reform Legislation generally became effective at the beginning of the 2006-07 fiscal year of each district.

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

In the future, the Legislature could enact additional changes to the Finance System that could benefit or be a detriment to an open-enrollment charter school depending upon a variety of factors, including the financial strategies that the Borrower has implemented in light of past funding structures. Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses of the U.S. and Texas Constitutions, neither the Borrower nor the Issuer can make representations or predictions concerning the effect of future

legislation or litigation, or how such legislation or future court orders may affect the Borrower's financial condition, revenues or operations. The disposition of any possible future litigation or the enactment of future legislation to address school funding in Texas could substantially adversely affect the financial condition, revenues or operations of the Borrower, as noted herein.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following description of the Finance System is a summary of the Reform Legislation and the changes made by the State Legislature to the Reform Legislation since its enactment, including modifications made during the regular through third called sessions of the 79th Texas Legislature (collectively, the "2006 Legislative Session"), the regular session of the 81st Texas Legislature (the "2009 Legislative Session") and the regular and first called sessions of the 82nd Texas Legislature (collectively, the "2011 Legislative Session"). For a more complete description of school finance and fiscal management in the State, reference is made to Vernon's Texas Codes Annotated, Education Code, Chapters 41 through 46, as amended.

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 financing 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. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase its State funding. A similar equalization system exists for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities was not appropriated by the 82nd Texas Legislature for the 2012–13 fiscal biennium.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited maintenance and operations ("M&O") tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Under current law, M&O tax rates are subject to a statutory maximum rate of \$1.17 per \$100 of taxable value for most school districts. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed \$0.50 per \$100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "AD VALOREM TAX PROCEDURES – Tax Rate Limitations" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

The Reform Legislation, which generally became effective at the beginning of the 2006–07 fiscal year of each school district in the State, made substantive changes to the Finance System, which are summarized below. While each school district's funding entitlement was calculated based on the same formulas that were used prior to the 2006–07 fiscal year, the Reform Legislation effected changes to the manner in which school districts are funded that were intended to reduce local M&O tax rates by one-third over two years through the introduction of the "State Compression Percentage," with M&O tax levies declining by approximately 11% in fiscal year 2006–07 and approximately another 22% in fiscal year 2007–08. (Prior to the Reform Legislation, the maximum M&O tax rate for most school districts was \$1.50 per \$100 of taxable assessed valuation.) Subject to local referenda, a district may increase its local M&O tax levy up to \$0.17 above the district's compressed tax rate. Based on the current State Compression Percentage, the maximum M&O tax rate is \$1.17 per \$100 of taxable value for most school districts (see "AD VALOREM TAX PROCEDURES – Tax Rate Limitations" herein).

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against the taxable property located in each school district. As noted above, prior to the Reform Legislation, the maximum M&O tax rate for most school districts was generally limited to \$1.50 per \$100 of taxable value, and the majority of school districts were levying an M&O tax rate of \$1.50 per \$100 of taxable value at the time the Reform Legislation was enacted. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage." For fiscal years 2007–08 through 2012–13, the State Compression Percentage has been 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. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by \$0.04 above the compressed tax rate without voter approval (for most districts, up to \$1.04 per \$100 of taxable value). In addition, if the voters approve the tax rate increase, districts may, in general, increase their M&O tax rate by an additional two or more cents and receive State equalization funds for such taxing effort up to a maximum M&O tax rate of \$1.17 per \$100 of taxable value (see "AD VALOREM TAX PROCEDURES– Public Hearing and Rollback Tax Rate". Elections held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (see "AD VALOREM TAX PROCEDURES – Tax Rate Limitations" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments. This basic level of funding is referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above \$1.00 per \$100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds and an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds. IFA primarily addresses the debt service needs of property-poor school districts. A New Instructional Facilities Allotment ("NIFA") also is available to help pay operational expenses associated with the opening of a new instructional facility. Future-year IFA and NIFA awards, however, were not funded by the Legislature for the 2012–13 fiscal biennium, although funding awards for IFA made in prior years will continue to be funded (but not the second year for NIFA for the 2012–13 fiscal biennium for districts that first became eligible for NIFA in the 2010–11 fiscal year).

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 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. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Legislature. Since future-year IFA awards were not funded by the Legislature for the 2012–13 fiscal biennium, and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes. State funding allotments may be adjusted in certain circumstances to account for shortages in State appropriations or to allocate available funds in accordance with wealth equalization goals.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

The cost of the basic program is based on an allotment per student known as the "Basic Allotment". The Basic Allotment is adjusted for all districts by a cost adjustment factor intended to address competitive labor markets for teachers known as the "cost of education index." In addition, district-size adjustments are made for small- and mid-size districts. The cost of education index and district-size adjustments applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment," as well as various other allotments associated with educating students with other specified educational needs. For fiscal year 2007–08, the Basic Allotment was \$3,135, and for fiscal year 2008–09, the Basic Allotment was increased to \$3,218. For a discussion of the Basic Allotment in fiscal years 2009–10 and beyond, see "2009 Legislation" below.

Tier Two currently provides two levels of enrichment with different guaranteed yields depending on the district's local tax effort. For the 2012–13 State fiscal biennium, the first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from \$1.01 to \$1.06 per \$100 of taxable value) will, for most districts, generate a guaranteed yield of \$59.97 per cent per weighted student in average daily attendance ("WADA"). The second level of Tier Two is generated by tax effort that exceeds the compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from \$1.07 to \$1.17 per \$100 of taxable value) and has a guaranteed yield per cent per WADA of \$31.95. Property-wealthy school districts are subject to recapture at the equivalent wealth per student of \$319,500 (see "Wealth Transfer Provisions" below). For school districts that adopted an M&O tax rate of \$1.17 per \$100 in taxable value for the 2010–11 fiscal year, the \$31.95 guaranteed yield is increased to \$33.95, but only for the 2011–12 fiscal year.

The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been \$35 since this program first began. To receive an IFA award, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the 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 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 2012–13 State biennium, however, no funds are appropriated for new IFA awards, although all current obligations are funded through the biennium.

State financial assistance is provided for certain existing eligible debt issued by school districts (referred to herein as EDA). The EDA guaranteed yield (the "EDA Yield") is the same as the IFA Guaranteed Yield (\$35 per cent of local tax effort per student in ADA), subject to adjustment as described below. For bonds that became eligible for EDA funding after August 31, 2001, and prior to August 31, 2005, EDA assistance was less than \$35 in revenue per student for each cent of debt service tax, as a result of certain administrative delegations granted to the Commissioner under State law. Effective September 1, 2003, the portion of the local debt service rate that has qualified for EDA assistance is limited to the first 29 cents of debt service tax or a greater amount for any year provided by appropriation by the Legislature. In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium or (ii) the 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 district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

Prior to the 2012–13 biennium, a district could also qualify for a NIFA allotment, which provided assistance to districts for operational expenses associated with opening new instructional facilities. As previously mentioned, this program was not funded for the 2012–13 State fiscal biennium.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. As noted above, the Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. Under the Target Revenue system, each school district is generally entitled to receive the same amount of revenue per student as it did in either the 2005–2006 or 2006–07 fiscal year (under existing laws prior to the enactment of the Reform Legislation), as long as the district adopted an M&O tax rate that was at least equal to its compressed rate. The reduction in local M&O taxes resulting from the mandatory compression of M&O tax rates under the Reform Legislation, by itself, would have significantly reduced the amount of local revenue available to fund the Finance System. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level.

2009 Legislation

During the 2009 Legislative Session, legislation was enacted that increased the Basic Allotment for the 2009–10 fiscal year from \$3,218 to \$4,765. In addition, each district's Target Revenue was increased by \$120 per WADA. Target Revenue amounts were also adjusted to provide for mandatory employee pay raises and to account for changes in transportation and NIFA costs since the original Target Revenues were set. Overall, the Legislature allocated approximately \$1.9 billion in new State aid for school districts.

2011 Legislation

During the 2011 Legislative Session, the Legislature enacted a budget that cut \$4 billion from the Foundation School Program for the 2012–13 State fiscal biennium, as compared to the funding level school districts were entitled to under the current formulas, including Target Revenue, and also cut approximately \$1.3 billion in various grants (i.e., pre-kindergarten grant program, student success initiative, etc.) that were previously available. Such cuts were made in light of a projected State deficit of up to \$27 billion for the 2012–13 State fiscal biennium. In order to reduce formula funding, a Regular Program Adjustment Factor ("RPAF") was applied to the formula that determines a district's regular program allotment. RPAF is multiplied by a school district's count of students in ADA (not counting the time a student spends in special education and career & technology education) and its Adjusted Allotment, which is the \$4,765 Basic Allotment adjusted for the cost of education index and the small- and mid-sized district adjustments. The RPAF is set at 0.9239 for the 2011–12 fiscal year and 0.98 for the 2012–13 fiscal year. In order to balance these reductions across the two years for formula funded districts, such districts have the option to request that an RPAF value of 0.95195 be applied for both the 2011–12 and 2012–13 fiscal years. In order to be granted the request by the Commissioner, the district must demonstrate that using the 0.9239 RPAF will cause the district a financial hardship in 2011–12. By applying the RPAF only to the Adjusted Allotment, other Tier One allotments, such as special education, career and technology, gifted and talented, bilingual and compensatory education, were not affected. The State Board of Education however, was directed to decrease funding for these programs in proportion to the reductions to the Basic Allotment. The Legislature also established an RPAF value of 0.98 for the 2013–15 State fiscal biennium, subject to increases by subsequent legislative appropriation not to exceed an RPAF value of 1.0. The RPAF factor and its related provisions are scheduled to expire on September 1, 2015.

The RPAF is the primary mechanism for formula reductions in the 2011–12 fiscal year. In the 2012–13 fiscal year, the RPAF of 0.98 is combined with a percentage reduction in each school district's Target Revenue per WADA to 92.35% of its formula amount. For the 2013–14 and subsequent fiscal years, the percentage reduction will be set by legislative appropriation. With regard to this adjustment, the ASATR relief that funds the Target Revenue system is phased out between the 2013–14 and 2017–18 fiscal years.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned its municipal rating of "_____" to the Bonds. An explanation of the rating may be obtained from S&P. The rating reflects only the views of S&P and none of the Underwriters, the Issuer, the Financial Advisor, or the Borrower makes any representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

THE ISSUER

Creation and Authority

The ISSUER is a public non-profit corporation created by the _____, Texas, and is as an instrumentality of the City pursuant to Chapters 53 and 53A of the Texas Education Code, as amended (the "Act"). Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to any accredited institutions of higher education, secondary schools, and primary schools, and to authorized charter schools for the purpose of aiding such schools in financing or refinancing "educational facilities" and "housing facilities" (as such terms are defined in the Act) and facilities which are incidental, subordinate, or related thereto or appropriate in connection therewith.

All of the Issuer's property and affairs are controlled by and all of its power is exercised by a board of directors (the "Board") consisting of seven members, each of whom has been appointed by the City Council of the City. Board members serve two-year terms, and each Board member may serve an unlimited number of two-year terms. Board members serve until their successors have been appointed as described above. All vacancies on the Board are filled by the City Council. Further, while there is no requirement that the Board members reside within the corporate limits of the City, no officer or employee of the City may serve as a Board member.

The officers of the Issuer consist of a president, a vice president, a secretary, a treasurer, and three assistant secretaries, each selected by the Board from among its members, whose terms of office may not exceed two years and whose duties are described in the Issuer's bylaws. All officers are subject to removal from office, with or without cause, at any time by a vote of a majority of the entire Board. Vacancies may be filled by the Board.

Neither Board members nor officers receive compensation for serving as such, but they are entitled to reimbursement for expenses incurred in performing such service.

The Issuer has no assets, property, or employees. 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 \$_____ in connection with the issuance of the Bonds, after provision has been made for expenses of the Issuer, which amount shall be paid to the City and may be used by the City for any lawful purpose.

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

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.

Neither the Issuer nor the City has assumed any responsibility for the matters contained herein except, in the case of the Issuer, solely as to matters relating to the 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 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 guarantee, warrant or endorse the creditworthiness or credit standing of the Borrower, 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 Preliminary Official Statement and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Issuer. By its issuance of the Bonds, the Issuer does not in any manner, directly or indirectly, guarantee, warrant or endorse the creditworthiness or credit standing of the Borrower or the investment quality or value of the Bonds. The Issuer has no taxing power.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinions of the Attorney General of Texas to the effect that the Bonds are valid and legally binding limited obligations of the Issuer under the Constitution and laws of the State payable from and secured by a lien on and pledge of the payments designated as Loan Payments to be paid, or caused to be paid, to the Bond Trustee, pursuant to the Bond Indentures and the Loan Agreements, as evidenced by the Issuer Master Notes, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, and the approving legal opinions of Andrews Kurth LLP, Houston, Texas, Bond Counsel. See "APPENDIX D – SUBSTANTIALLY FINAL FORMS OF OPINIONS OF BOND COUNSEL" attached hereto.

Bond Counsel was not requested to participate and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information appearing in the Preliminary Official Statement under the captions "THE BONDS," "SECURITY AND SOURCE OF PAYMENT," "CONTINUING DISCLOSURE OF INFORMATION," "APPENDIX E – SUBSTANTIALLY FINAL FORM OF MASTER TRUST INDENTURE," "APPENDIX F – SUBSTANTIALLY FINAL FORMS OF TRUST INDENTURE AND SECURITY AGREEMENTS," "APPENDIX G – SUBSTANTIALLY FINAL FORMS OF LOAN AGREEMENTS," and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Bond Documents (as defined in the Bond Indentures). Further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions "LEGAL MATTERS," "TAX MATTERS FOR SERIES 2012A BONDS," "TAX MATTERS FOR SERIES 2012B AND SERIES 2012Q BONDS" "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," and "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas, whose legal fee for services rendered is contingent upon the sale and delivery of the Bonds.

No-Litigation Certificates

The Issuer will furnish the Underwriters certificates, executed by both the President and Secretary of the Issuer, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the collection of Loan Payments for the payment thereof, or the organization of the Issuer, or the title of the officers thereof to their respective offices.

The Borrower will furnish the Underwriters certificates, executed by both the President and Secretary of the Borrower, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the payment of Loan Payments for the payment thereof, or the organization of the Borrower, the granting or renewal of the Charter, the validity of the Loan Agreements, the Issuer Master Notes, the Deed of Trust, or the title of the officers thereof to their respective offices.

TAX MATTERS

Tax Exemption

In the opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel, interest on the Series 2012A Bonds is (a) 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 (b) not included in determining the alternative minimum taxable income of individuals or, except as described below, corporations.

Interest on the Bonds owned by a corporation, other than an "S" corporation or a qualified mutual fund, real estate investment trust ("REIT"), real estate mortgage investment conduit ("REMIC"), or financial asset securitization investment trust ("FASIT"), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

In rendering its opinion, Bond Counsel has assumed that the Issuer and the Borrower will comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2012A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted in the Bond Indenture and the Loan Agreement to comply with each such requirement. In providing the opinions set forth in the preceding paragraph, Bond Counsel has relied upon representations of the Issuer, the Borrower, and the Underwriter with respect to matters solely within the knowledge of the Issuer, the Borrower, and the Underwriter, respectively, that Bond Counsel has not independently verified, and has assumed continuing compliance with the procedures, safeguards, and covenants in the Bond Indenture and the Loan Agreement pertaining to those sections of the Code that affect the status of the Borrower as an

organization described in section 501(c)(3) of the Code, the requirements of section 145 of the Code and the Treasury Regulations promulgated thereunder relating to projects for 501(c)(3) organizations, and the exclusion from gross income of interest on the Series 2012A Bonds for federal income tax purposes. Bond Counsel has also relied, with the permission of the Issuer and the Borrower and without independent verification, on representations of the Borrower pertaining to the applicable requirements of sections 501(c)(3) and 145 of the Code and the Treasury Regulations promulgated thereunder. Included among such representations are those representations of the Borrower set forth in the Borrower's Tax Certificate and those representations of the Borrower and the Issuer set forth in the Issuer's Federal Tax Certificate. The matters that are the subject of such representations are (1) matters that Bond Counsel has assumed to be solely within the knowledge of the respective persons making such representations and (2) matters that Bond Counsel has not independently verified. Bond Counsel has assumed that subsequent to the date hereof there will be continuous compliance with the procedures, safeguards and covenants in the Bond Indenture and the Loan Agreement that pertain to the requirements of sections 103, 141 through 150, and 501(c)(3) of the Code. Failure to comply with any of such requirements may cause the inclusion of interest on the Series 2012A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2012A Bonds regardless of the date on which the event causing such taxability occurs.

The Code and 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 Series 2012A Bonds in gross income of the owners thereof for federal income tax purposes.

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 2012A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer and the Borrower described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2012A Bonds is commenced, under current procedures the Service is likely to treat the Issuer as the "taxpayer," and the owners of the Series 2012A 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 2012A Bonds, the Issuer may have different or conflicting interests from the owners of the Series 2012A Bonds. Public awareness of any future audit of the Series 2012A Bonds could adversely affect the value and liquidity of the Series 2012A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Series 2012A Bonds, received or accrued during the year.

Prospective purchasers of the Series 2012A Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2012A 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 2012A Bonds.

Impact of President's 2013 Budget Proposal

On February 13, 2012, President Obama released the language of his proposed budget for fiscal year 2013 (the "Budget"). One provision of the Budget would have the effect of imposing an additional amount of tax on certain "high income" taxpayers based on, among other things, the amount of interest on tax-exempt obligations, such as the Bonds, received by such taxpayers. As originally proposed, this provision will be effective for taxable years beginning on or after January 1, 2013, and will apply to interest on the Bonds and other tax-exempt obligations received by such taxpayers on or after that date. The introduction or enactment of this provision or any similar legislative proposal may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds are advised to consult their tax advisors with respect to the impact of the Budget or other legislative proposals, as to which Bond Counsel expresses no opinion.

Tax Treatment of Original Issue Discount on Series 2012A Bonds

Certain maturities of the Series 2012A Bonds may be offered at an initial offering price which is less than the stated redemption price at maturity of such Series 2012A Bonds. If a substantial amount of any maturity of the Series 2012A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Series 2012A Bonds of that maturity (the "Discount Series 2012A Bonds") will be considered to have "original issue discount" for federal income tax purposes. An initial owner who purchases a Discount Series 2012A Bond in the initial public offering of the Series 2012A Bonds at such an initial offering price will acquire such Discount Series 2012A Bond with original issue discount equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Series 2012A Bond and (b) the initial public offering price to the public of such Discount Series 2012A Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Discount Series 2012A 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 Series 2012A Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Series 2012A Bond under the caption “-Tax Exemption” herein generally applies to original issue discount deemed to be earned on a Discount Series 2012A Bond while held by an owner who has purchased such Discount Series 2012A Bond at the initial offering price in the initial public offering of the Series 2012A Bonds and that discussion should be considered in connection with this portion of this Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Series 2012A Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Series 2012A 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 Series 2012A 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 Series 2012A Bond will be treated for federal income tax purposes as interest on a Series 2012A 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. See “-Tax Exemption” herein 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 and does not otherwise affect the rights or obligations of the owner of a Discount Series 2012A Bond or of the Issuer. The portion of the principal of a Discount Series 2012A Bond representing original issue discount is payable upon the maturity or earlier redemption of such Series 2012A Bond to the registered owner of the Discount Series 2012A Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Series 2012A 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 Series 2012A Bonds by an owner that did not purchase such Discount Series 2012A 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 Series 2012A 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 Series 2012A 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 Series 2012A Bonds.

TAX MATTERS FOR SERIES 2012B AND SERIES 2012Q BONDS

General

The following is a general summary of United States federal income tax consequences of the purchase and ownership of the Series 2012B Bonds and the Series 2012Q Bonds (the “Taxable 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. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Taxable 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, broker-dealers, and persons who have hedged the risk of owning the Taxable Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable Bonds as “capital assets” within the meaning of section 1221 of the Code, and acquire such Taxable 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 Taxable 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 TAXABLE BONDS.

Internal Revenue Service Circular 230 Notice

You should be aware that:

- (i) the discussion with respect to United States federal tax matters for the Taxable Bonds in this Preliminary Official Statement was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- (ii) such discussion was written to support the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and
- (iii) each taxpayer should seek advice based on his or her particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with IRS Circular 230.

Stated Interest on the Taxable Bonds

The stated interest on the Taxable Bonds will be included in the gross income, as defined in section 61 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.

Reporting Of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to Taxable 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 Taxable Bond for U.S. federal income tax purposes.

Original Issue Discount

If a substantial amount of any maturity of the Taxable Bonds is purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Bonds of that maturity (the "Taxable Discount Bonds") will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Taxable Discount Bonds at maturity over its Issue Price, and the amount of the original issue discount on that maturity of the Taxable Discount Bonds will be amortized over the life of such Taxable Discount Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Taxable Discount Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Taxable Discount Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Taxable Discount Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Taxable Discount Bonds will increase the adjusted tax basis of the Taxable Discount Bonds in the hands of such beneficial owner.

Disposition of Taxable Bonds

A beneficial owner of Taxable Bonds will generally recognize gain or loss on the redemption, sale or exchange of a 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 Taxable Bonds. Generally, the beneficial owner's adjusted tax basis in the Taxable Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. 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 Taxable Bonds.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Taxable Bonds who is a United States person, as defined in section 7701(a)(3) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Taxable Bonds. This withholding applies if such beneficial owner of Taxable 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 properly 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 Taxable Bonds. Beneficial owners of the Taxable 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 rate of 30% 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 received by the beneficial owners of the Taxable 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 Taxable Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Taxable Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Taxable Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup 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 that such person is a United States person.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by the Underwriter, pursuant to two bond purchase contracts with the Issuer, one for the Series 2012A Bonds and the Series 2012B Bonds and one for the Series 2012Q Bonds, each as approved by the Borrower, at prices of \$ _____, which reflect the par amount of the Series 2012A Bonds less an underwriting discount of \$ _____ and less an original issue discount of \$ _____, the par amount of the Series 2012B Bonds less an underwriting discount of \$ _____ and less an original issue discount of \$ _____ and the par amount of the Series 2012Q Bonds less an underwriting discount of \$ _____ and less an original issue discount of \$ _____. The Underwriter's obligation to purchase the Bonds is subject to certain conditions precedent, and the Underwriters 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. The Underwriter has provided the following sentence for inclusion in this Preliminary Official Statement. The Underwriter has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Series 2012A Bonds is conditioned upon the receipt by the Issuer of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Series 2012A Bonds stating the prices at which a substantial amount of the Series 2012A 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 Underwriters regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriters 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 Underwriters 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 Securities Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The Bonds have been assigned a rating of "_____" by Standard & Poor's. See "RATING" herein. However, political subdivisions otherwise subject to the Public Funds Investment Act may have additional statutory authority to invest in the Bonds independent of the Public Funds Investment Act. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of combined capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will in fact be used as investments or security by any entity.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in APPENDIX A, Tables 1 through 5 and Tables 7 through 10, and APPENDIX B. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year-end is the last day of August. Accordingly, the District must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of

the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the System or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of trustee, if material. The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Availability of Information

The Borrower has not previously been an obligated person under the Rule.

Limitations and Amendments

The Borrower has agreed to update information and to provide notices of material events only as described above. The Borrower has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The Borrower makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Borrower disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreements or from any statement made pursuant to its agreements, although holders of Bonds may seek a writ of mandamus to compel the Borrower to comply with its agreements. Nothing in this paragraph is intended or shall act to disclaim, waive, or limit the Borrower's duties under federal or state securities laws.

The continuing disclosure agreements may be amended by the Borrower from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Borrower, but only if (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Indentures) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Borrower (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. The Borrower may also amend or repeal the provisions of the continuing disclosure agreements if the Securities Exchange Commission amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Borrower amends its agreements, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

The Borrower is subject to periodic reporting and audit requirements under the statutes and rules governing charter schools, including participation in the Texas PEIMS system. See "THE SYSTEM OF CHARTER SCHOOLS IN TEXAS" herein. Such records are open records under the Texas Public Information Act, Chapter 552, Texas Government Code, as amended, and, subject to exemptions contained therein, would be available to any person from the Borrower or TEA upon payment of costs.

PREPARATION OF PRELIMINARY OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Preliminary Official Statement have been obtained primarily from the Borrower and sources other than the Issuer. All of these sources are believed to be reliable, but no representation or guarantee is made by the Issuer as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation or guarantee on the part of the Issuer to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, documents, and other related information set forth in this Preliminary Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

MISCELLANEOUS

All estimates, statements, and assumptions in this Preliminary Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Preliminary Official Statement 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.

This Preliminary Official Statement was approved by the Board of Directors of the Issuer, as of the date shown on the cover page.

SCHEDULE 1
PROJECTED DEBT SERVICE

APPENDIX A
INFORMATION REGARDING THE BORROWER

THE FACILITIES
OPERATING DATA

FINANCIAL SUMMARY

APPENDIX B

PROFORMA FINANCIAL PLAN

Eden Park (Wayside)
Projected Operating Performance

	Audited 2009-2010	Audited 2010-2011	Budget 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015	Projected 2015-2016	Projected 2016-2017
Enrollment:	188	232	253	657	790	1186	1399	1599
ADA %:	0	0	0	0	0	0	0	0
ADA Students:	0	0	0	0	0	0	0	0
Revenues:								
Local Support								
Other Revenue from Local Support	\$ 268,988	\$ 218,615	\$ 87,952	\$ 450,000	\$ 250,000	\$ 275,000	\$ 300,000	\$ 325,000
Total Local Support	\$ 268,988	\$ 218,615	\$ 87,952	\$ 450,000	\$ 250,000	\$ 275,000	\$ 300,000	\$ 325,000
State Program Revenues								
Foundation School Program Revenue	\$ 1,557,096	\$ 1,843,210	\$ 1,902,040	\$ 4,775,644	\$ 5,752,341	\$ 8,776,869	\$ 10,298,809	\$ 11,780,387
State Revenue Distributed by TEA	\$ 6,885	\$ 7,587	\$ 16,634	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	\$ -
Total State Program Revenues	\$ 1,563,981	\$ 1,850,797	\$ 1,918,674	\$ 5,075,644	\$ 6,052,341	\$ 9,076,869	\$ 10,298,809	\$ 11,780,387
Federal Program Revenues								
Federal Revenue Distributed by TEA	\$ 293,536	\$ 183,823	\$ 155,877	\$ 191,599	\$ 232,824	\$ 371,878	\$ 439,802	\$ 504,950
Total Federal Program Revenues	\$ 293,536	\$ 183,823	\$ 155,877	\$ 191,599	\$ 232,824	\$ 371,878	\$ 439,802	\$ 504,950
Total Revenues:	\$ 2,126,505	\$ 2,253,235	\$ 2,162,503	\$ 5,717,243	\$ 6,535,165	\$ 9,723,747	\$ 11,038,611	\$ 12,610,337
Expenses:								
Payroll Costs	\$ 1,125,077	\$ 1,270,682	\$ 1,252,611	\$ 3,561,478	\$ 4,031,516	\$ 6,024,879	\$ 6,754,259	\$ 7,757,024
Professional and contracted Services	\$ 240,680	\$ 288,826	\$ 229,633	\$ 914,585	\$ 1,299,950	\$ 2,171,526	\$ 2,429,657	\$ 2,696,002
Supplies and Materials	\$ 101,169	\$ 140,168	\$ 72,770	\$ 438,530	\$ 280,830	\$ 621,608	\$ 692,327	\$ 673,342
Other Operating Costs	\$ 193,345	\$ 220,636	\$ 153,201	\$ 694,120	\$ 710,528	\$ 788,185	\$ 802,127	\$ 820,128
Debt Service	\$ 192,810	\$ 150,541	\$ 204,000	\$ 192,690	\$ 192,690	\$ 192,690	\$ 192,690	\$ 192,690
Depreciation	\$ -	\$ -	\$ -	\$ (108,000)	\$ (108,000)	\$ (108,000)	\$ (108,000)	\$ (108,000)
Total Expenses:	\$ 1,853,081	\$ 2,070,853	\$ 1,912,215	\$ 5,693,353	\$ 6,407,514	\$ 9,690,888	\$ 10,763,060	\$ 12,031,186
Change in Total Net Assets:	\$ 273,424	\$ 182,382	\$ 250,288	\$ 23,890	\$ 127,651	\$ 32,859	\$ 275,551	\$ 579,151

APPENDIX C

AUDITED FINANCIALS OF THE BORROWER FOR FISCAL YEAR 2009, 2010 AND 2011

APPENDIX D

SUBSTANTIALLY FINAL FORM OF OPINION OF BOND COUNSEL

APPENDIX E

SUBSTANTIALLY FINAL FORM OF MASTER TRUST INDENTURE

APPENDIX F

SUBSTANTIALLY FINAL FORM OF TRUST INDENTURE AND SECURITY AGREEMENT

APPENDIX G

SUBSTANTIALLY FINAL FORM OF LOAN AGREEMENT

COASTAL SECURITIES, INC.

Financial Advisor to Eden Park Academy

***GENERAL PURPOSE
FINANCIAL STATEMENTS***

EDEN PARK ACADEMY
STATEMENT OF FINANCIAL POSITION - EXHIBIT A-1
June 30, 2011 and 2010

	2011	2010
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 645,445	\$ 602,122
Due from Texas Education Agency	325,209	302,527
Other receivable	20	-
Total current assets	970,674	904,649
Non-current Assets:		
Deferred Charges	\$ 19,299	-
Property and equipment, net	3,059,057	3,134,950
Total non-current assets	3,078,356	3,134,950
Total Assets	\$ 4,049,030	\$ 4,039,600
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 424	\$ 2,192
Due to tenant	12,000	12,000
Current portion of long-term debt	50,566	47,071
Total current liabilities	62,990	61,263
Long-Term Debt	2,541,895	2,716,574
Total long term liabilities	2,541,895	2,716,574
Total Liabilities	2,604,885	2,777,837
Net Assets		
Unrestricted	\$ 1,444,145	1,261,737
Temporarily restricted	-	26
Total Net Assets	1,444,145	1,261,763
Total Liabilities and Net Assets	\$ 4,049,030	\$ 4,039,600

See Notes to Financial Statements.

EDEN PARK ACADEMY
STATEMENT OF ACTIVITIES - EXHIBIT A-2
Years Ended June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Totals	
			2011	2010
Revenues				
Local support:				
5740 Other Revenues from Local Sources	\$ 183,844	\$ -	\$ 183,844	\$ 239,401
5750 Revenue from Cocurricular or Enterprising	34,051	-	34,051	25,362
5740 Interest Revenue	720	-	720	4,225
Total Local Support	<u>218,615</u>	<u>-</u>	<u>218,615</u>	<u>268,988</u>
State program revenues				
5810 Foundation School Program Act Revenues	-	1,843,210	1,843,210	1,557,096
5820 State Program Revenues Distributed by Texas Education Agency	-	7,587	7,587	6,885
Total state program revenue	<u>-</u>	<u>1,850,797</u>	<u>1,850,797</u>	<u>1,563,981</u>
Federal program revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	-	183,823	183,823	293,536
Net assets released from restrictions:	2,034,646	(2,034,646)	-	-
Total Revenues	<u>2,253,261</u>	<u>(26)</u>	<u>2,253,235</u>	<u>2,126,505</u>
Expenses				
11 Instruction	1,181,547	-	1,181,547	985,178
12 Instructional Resources and Media Services	512	-	512	4,556
13 Curriculum Development and Instructional Staff Development	13,088	-	13,088	18,637
21 Instructional Leadership	1,080	-	1,080	25,769
23 School Leadership	45,942	-	45,942	49,898
31 Guidance, Counseling and Evaluation Services	13,542	-	13,542	14,607
35 Food Services	62,169	-	62,169	54,367
41 General Administration	179,391	-	179,391	185,986
51 Plant Maintenance and Operations	335,071	-	335,071	237,328
52 Security and Monitoring Services	13,200	-	13,200	11,944
53 Data Processing Services	12,760	-	12,760	12,760
61 Community Services	21,147	-	21,147	14,882
71 Debt Service	150,541	-	150,541	202,103
81 Fund Raising	40,863	-	40,863	35,064
Total Expenses	<u>2,070,853</u>	<u>-</u>	<u>2,070,853</u>	<u>1,853,079</u>
Change in Net Assets	182,408	(26)	182,382	273,426
Beginning Net Assets	1,261,737	26	1,261,763	988,337
Ending Net Assets	<u>\$ 1,444,145</u>	<u>\$ -</u>	<u>\$ 1,444,145</u>	<u>\$ 1,261,763</u>

See Notes to Financial Statements.

EDEN PARK ACADEMY
STATEMENT OF CASH FLOWS - EXHIBIT A-3
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Foundation school program payments	\$ 1,820,508	\$ 1,527,201
Grant payments	191,410	300,421
Contributions and fund-raising activities	7,088	5,765
Miscellaneous sources	211,527	263,223
Payments to vendors for goods and services rendered	(568,344)	(435,768)
Payments to charter school personnel for services rendered	(1,283,442)	(1,125,007)
Interest payments	(150,540)	(202,103)
Net Cash Provided by Operating Activities	228,207	333,732
Cash Flows from Investing Activities:		
Purchase of capital assets	(13,700)	(30,348)
Net Cash (Used) by Investing Activities	(13,700)	(30,348)
Cash flows from financing activities:		
Principal payments on long-term debt	(171,184)	(43,789)
Net Cash (Used) by Financing Activities	(171,184)	(43,789)
Net Change in Cash and Cash Equivalents	43,323	259,595
Beginning cash and cash equivalents	602,122	342,527
Ending Cash and Cash Equivalents	\$ 645,445	\$ 602,122
Adjustments to Reconcile to Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Change in net assets	\$ 182,382	\$ 273,426
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,593	86,368
(Increase) decrease in receivables	(22,702)	(29,895)
(Increase) decrease in prepaid expenses	(19,298)	2,130
Increase (decrease) in liabilities	(1,768)	1,703
Net Cash Provided by Operating Activities	\$ 228,207	\$ 333,732

See Notes to Financial Statements.

SUPPLEMENTAL INFORMATION

EDEN PARK ACADEMY
SCHEDULE OF EXPENSES - EXHIBIT C-1
 Years Ended June 30, 2011 and 2010

	Totals	
	2011	2010
Expenses		
6100 Payroll Costs	\$ 1,283,442	\$ 1,125,007
6200 Professional and Contracted Services	269,866	224,976
6300 Supplies and Materials	146,368	103,106
6400 Other Operating Costs	220,636	197,889
6500 Debt	150,541	202,103
Total Expenses	\$ 2,070,853	\$ 1,853,079

EDEN PARK ACADEMY
SCHEDULE OF CAPITAL ASSETS - EXHIBIT D-1
 June 30, 2011

	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Buildings and Improvements	-	3,394,157	96,664
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	217,657	-
Total Property and Equipment	\$ -	\$ 3,611,814	\$ 96,664

EDEN PARK ACADEMY
BUDGETARY COMPARISON SCHEDULE - EXHIBIT E-1
Year Ended June 30, 2011

	Budget		Actual Amounts	Variance From Final Budget
	Original	Final		
Revenues				
Local support:				
5740 Other Revenues from Local Sources	\$ 162,800	\$ 217,764	\$ 184,564	\$ 33,200
5750 Revenue from Cocurricular or Enterprising	-	-	34,051	(34,051)
Total Local Support	<u>162,800</u>	<u>217,764</u>	<u>218,615</u>	<u>(851)</u>
State program revenues:				
5810 Foundation School Program Act Revenues	1,997,500	1,997,500	1,843,210	154,290
5820 State Program Revenues Distributed by Texas Education Agency	-	7,238	7,587	(349)
Total state program revenue	<u>1,997,500</u>	<u>2,004,738</u>	<u>1,850,797</u>	<u>153,941</u>
Federal program revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	-	172,978	183,823	(10,845)
Total Revenues	<u>2,160,300</u>	<u>2,395,480</u>	<u>2,253,235</u>	<u>142,245</u>
Expenses				
11 Instruction	1,160,873	1,232,516	1,181,547	50,969
12 Instructional Resources and Media Services	6,000	6,173	512	5,661
13 Curriculum Development and Instructional Staff Development	3,800	15,453	13,088	2,365
21 Instructional Leadership	1,200	23,798	1,080	22,718
23 School Leadership	37,246	55,746	45,942	9,804
31 Guidance, Counseling and Evaluation Services	-	-	13,542	(13,542) *
35 Food Services	-	70,500	62,169	8,331
41 General Administration	184,899	186,949	179,391	7,558
51 Plant Maintenance and Operations	322,267	398,318	335,071	63,247
52 Security and Monitoring Services	11,000	13,200	13,200	-
53 Data Processing Services	15,000	12,800	12,760	40
61 Community Services	24,500	21,212	21,147	65
71 Debt Service	246,000	246,000	150,541	95,459
81 Fund Raising	41,000	41,000	40,863	137
Total Expenses	<u>2,053,785</u>	<u>2,323,664</u>	<u>2,070,853</u>	<u>252,811</u>
Change in Net Assets	106,515	71,815	182,382	322,500
Beginning Net Assets	1,261,763	1,261,763	1,261,763	-
Ending Net Assets	<u>\$ 1,368,278</u>	<u>\$ 1,333,578</u>	<u>\$ 1,444,145</u>	<u>\$ 322,500</u>

Notes to Supplementary Information:

- *Expenditures exceeded appropriations.

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

EDEN PARK ACADEMY DBA EDEN PARK ACADEMY
STATEMENT OF FINANCIAL POSITION
June 30, 2009 and June 30, 2008

ASSETS	June 30, 2009	June 30, 2008
Current Assets -		
Cash on Hand and in Banks	\$ 342,527	\$ 645,319
Due from Texas Education Agency	248,782	204,958
Due from Fiscal Agent	23,794	20,258
Due from NYOS	-	190
Other Receivable	56	-
Prepaid Expenses	2,130	12,360
Total Current Assets	617,288	783,085
Fixed Assets Net of Accumulated Depreciation	3,190,972	-
Total Assets	3,808,260	783,085
 LIABILITIES AND NET ASSETS		
Current Liabilities -		
Accounts Payable	489	15,274
Payroll Liabilities	-	26,100
Accrued Salaries Payable	-	75,873
Due to Tenant	12,000	-
Deferred Revenue	-	-
Note Payable	43,789	-
Total Current Liabilities -	56,278	117,247
Long-Term Liabilities		
Note Payable	2,763,645	-
Total Long-Term Liabilities -	2,763,645	-
Total Liabilities	2,819,923	117,247
Net Assets -		
Unrestricted (Deficiency)	975,365	665,838
Temporarily Restricted (Deficiency)	12,972	-
Total Net Assets	988,337	665,838
Total Liabilities and Net Assets	\$ 3,808,260	\$ 783,085

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

EDEN PARK ACADEMY DBA EDEN PARK ACADEMY
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2009 and Period Ended June 30, 2008

	2009			Ten Month
	Unrestricted	Temporarily Restricted	Totals	Period Ended June 30, 2008
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ 289,944	\$ -	\$ 289,944	\$ 95,860
5750 Revenue from Cocurr or Enterpr	22,915	-	22,915	22,130
Total Local Support	312,859	-	312,859	117,990
State Program Revenues				
5810 Foundation School Program	201,767	1,143,344	1,345,110	1,099,248
5820 State Matching Program	-	477	477	340
5820 Technology Allotment	-	4,857	4,857	4,439
5820 Accelerated Reading Program	-	3,702	3,702	7,179
5820 Automated Extnl Defibrillator	-	1,240	1,240	-
Total State Program Revenues	201,767	1,153,620	1,355,386	1,111,206
Federal Program Revenues				
5920 ESEA Title IV, Safe and Drug Free	-	-	-	-
5920 ESEA Title I, Part A, Improve Basic	-	32,334	32,334	32,705
5920 IDEA Part B, Formula	-	37,532	37,532	29,914
5920 IDEA Part B, Preschool	-	-	-	2,826
5920 Child Nutrition Program	-	43,025	43,025	30,305
5920 Title II, Part A, Teacher, Prin Tr	-	7,877	7,877	7,417
5920 Title II, Part D, Enh Ed Thr Tech	-	592	592	837
5920 Title I, Part A, ARRA/Stimulus	-	8,544	8,544	-
Total Federal Program Revenues	-	129,904	129,904	104,005
Interest and Other Income	6,450	-	6,450	-
Net Assets Released from Restrictions	1,270,552	(1,270,552)	-	-
Total Revenue and Other Support	1,791,627	12,972	1,804,598	1,333,200
EXPENSES AND OTHER LOSSES				
Program Services				
10 Instruction and Instructional Rel Serv	782,299	-	782,299	696,940
20 Instructional School Leadership	37,771	-	37,771	30,171
Support Services				
30 Support Services Student	86,979	-	86,979	69,875
40 Administrative Support Serv	151,077	-	151,077	133,654
50 Support Services Non Student	237,520	-	237,520	289,190
60 Ancillary Services	11,707	-	11,707	6,459
70 Debt Service	136,445	-	136,445	-
80 Fundraising	38,301	-	38,301	29,301
Total Expenses	1,482,098	-	1,482,098	1,255,590
Change In Net Assets	309,528	12,972	322,500	77,610
Net Assets (Deficiency), Beginning of Year	665,838	-	665,838	588,228
Net Assets (Deficiency), End of Year	\$ 975,365	\$ 12,972	\$ 988,337	\$ 665,838

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

EDEN PARK ACADEMY DBA EDEN PARK ACADEMY
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2009 and Period Ended June 30, 2008

	2009	Ten Month Period Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 1,324,044	\$ 986,648
Grant Payments	117,422	116,166
Contributions from Fund-Raising	5,355	97,052
Miscellaneous Sources	313,953	20,938
Cash Paid to Suppliers for Goods and Services	(525,163)	(490,096)
Cash Paid to Employees for Services	(995,836)	(675,565)
Net Cash Provided by Operating Activities	<u>239,774</u>	<u>55,142</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	<u>(3,250,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments on) Note Payable	(27,483)	-
Proceeds from (Payments on) Note Payable	<u>2,834,917</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(202,792)	55,142
Cash and Cash Equivalents at Beginning of Year	<u>545,319</u>	<u>490,177</u>
Cash and Cash Equivalents at End of Year	<u>\$ 342,527</u>	<u>\$ 545,319</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ 322,500	\$ 77,610
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	59,027	-
(Increase) Decrease in Net Assets-		
Due from Texas Education Agency	(43,824)	(110,912)
Due from Fiscal Agent	(3,346)	(9,222)
Prepaid Expenses	10,174	(11,872)
Increase (Decrease) in Operating Liabilities-		
Accounts Payable	(14,785)	14,914
Payroll Liabilities	(26,100)	25,164
Accrued Salaries Payable	(75,873)	70,944
Due to Tenant	12,000	-
Deferred Revenue	-	(1,485)
Net Cash Provided by Operating Activities	<u>\$ 239,774</u>	<u>\$ 55,142</u>

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

**SPECIFIC PURPOSE
FINANCIAL STATEMENTS**

EDEN PARK ACADEMY DBA EDEN PARK ACADEMY
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2009 and Period Ended June 30, 2008

	2009			Ten Month Period Ended June 30, 2008
	Unrestricted	Temporarily Restricted	Totals	
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ 289,944	\$ -	\$ 289,944	\$ 95,860
5750 Revenue from Cocurr or Enterpr	22,915	-	22,915	22,130
Total Local Support	312,859	-	312,859	117,990
State Program Revenues				
5810 Foundation School Program	201,767	1,143,344	1,345,110	1,099,248
5820 State Matching Program	-	477	477	340
5820 Technology Allotment	-	4,857	4,857	4,439
5820 Accelerated Reading Program	-	3,702	3,702	7,179
5820 Automated Extn Defibrillator	-	1,240	1,240	-
Total State Program Revenues	201,767	1,153,620	1,355,386	1,111,206
Federal Program Revenues				
5920 ESEA Title IV, Safe and Drug Free	-	-	-	-
5920 ESEA Title I, Part A, Improve Basic	-	32,334	32,334	32,705
5920 IDEA Part B, Formula	-	37,532	37,532	29,914
5920 IDEA Part B, Preschool	-	-	-	2,826
5920 Child Nutrition Program	-	43,025	43,025	30,305
5920 Title II, Part A, Teacher, Prin Tr	-	7,877	7,877	7,417
5920 Title II, Part D, Enh Ed Thr Tech	-	592	592	837
5920 Title I Part A, ARRA/Stimulus	-	8,544	8,544	-
Total Federal Program Revenues	-	129,904	129,904	104,005
Interest and Other Income	6,450	-	6,450	-
Net Assets Released from Restrictions	1,270,552	(1,270,552)	-	-
Total Revenue and Other Support	1,791,627	12,972	1,804,598	1,333,200
EXPENSES AND OTHER LOSSES				
11 Instruction	778,317	-	778,317	677,383
12 Library Services	887	-	887	4,364
13 Curr Development and Instr St Devel	3,095	-	3,095	15,193
21 Instructional Leadership	-	-	-	-
23 School Leadership	37,771	-	37,771	30,171
31 Guidance, Counseling, Eval Services	14,656	-	14,656	13,722
33 Health Services	1,240	-	1,240	-
35 Food Services	71,083	-	71,083	56,153
36 Extracurricular/Cocurricular Act	-	-	-	-
41 Administration	151,077	-	151,077	133,654
51 Plant Maintenance	214,154	-	214,154	270,321
52 Security	4,905	-	4,905	4,819
53 Data Processing	18,460	-	18,460	14,050
61 Community Services	11,707	-	11,707	6,459
71 Debt Service	136,445	-	136,445	-
81 Fundraising	38,301	-	38,301	29,301
Total Expenses	1,482,098	-	1,482,098	1,255,590
Change in Net Assets	309,528	12,972	322,500	77,610
Net Assets (Deficiency), Beginning of Year	665,838	-	665,838	588,228
Net Assets (Deficiency), End of Year	\$ 975,365	\$ 12,972	\$ 988,337	\$ 665,838

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

**SUPPLEMENTAL INFORMATION
FINANCIAL STATEMENTS**

EDEN PARK ACADEMY DBA EDEN PARK ACADEMY
SCHEDULE OF EXPENSES
Fiscal Year Ended June 30, 2009 and Period Ended June 30, 2008

EXPENSES	2009	Ten Month Period Ended June 30, 2008
6100 Payroll	\$ 893,863	\$ 771,483
6200 Professional and Contracted Services	250,501	365,748
6300 Supplies and Materials	60,937	76,496
6400 Other Operating Costs	227,315	41,863
8500 Debt	49,482	-
Total Expenses	\$ <u>1,482,098</u>	\$ <u>1,255,590</u>

EDEN PARK ACADEMY DBA EDEN PARK ACADEMY
SCHEDULE OF CAPITAL ASSETS
Fiscal Year Ended June 30, 2009

	OWNERSHIP INTEREST		
	LOCAL	STATE	FEDERAL
1510 Land and Improvements	\$ -	\$ 3,250,000	\$ -
1520 Building Improvements	-	130,457	96,664
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	187,312	-
Total Property and Equipment	\$ -	\$ 3,567,769	\$ 96,664

EDEN PARK ACADEMY DBA EDEN PARK ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ONLY
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ -	\$ -	\$ 73,317	\$ 73,317
5750 Revenue from Cocurr or Enterpr	-	-	1,345,110	1,345,110
Total Local Support	-	-	1,418,427	1,418,427
State Program Revenues				
5810 Foundation School Prog Act Rev	1,195,759	1,202,759	-	(1,202,759)
5820 State Revenue Dist by TEA	-	-	-	-
Total State Program Revenues	1,195,759	1,202,759	-	(1,202,759)
Federal Program Revenues				
5920 Federal Revenue Dist by TEA	-	-	-	-
Total Federal Program Revenues	-	-	-	-
Interest and Other Income	-	-	-	-
Total Revenue and Other Support	1,195,759	1,202,759	1,418,427	215,668
EXPENSES AND OTHER LOSSES				
11 Instruction	689,742	699,512	699,860	(348)
12 Library Services	5,090	890	887	3
13 Curr Development and Instr St Devel	4,680	980	878	102
23 School Leadership	39,785	37,885	37,771	114
31 Guidance, Counseling, Eval Services	-	-	-	-
34 Student Transportation	-	-	-	-
36 Extracurricular/Cocurricular Act	-	-	-	-
41 Administration	136,708	152,673	152,296	377
51 Plant Maintenance	194,108	172,523	165,832	6,691
52 Security	4,120	5,120	4,905	215
53 Data Processing	9,440	21,200	18,460	2,740
61 Community Services	-	-	-	-
71 Debt Services	-	49,490	49,482	8
81 Fund Raising	-	-	-	-
Total Expenses	1,083,673	1,140,273	1,130,372	9,901
Change in Net Assets	112,086	62,486	288,055	225,569
Net Assets (Deficiency), Beginning of Year	503,675	503,675	503,675	-
Net Assets (Deficiency), End of Year	\$ 615,761	\$ 566,161	\$ 791,730	\$ 225,569

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