

FORBEARANCE AGREEMENT

RELATED TO THOSE

\$11,775,000 IDAHO HOUSING AND FINANCE ASSOCIATION
NONPROFIT FACILITIES REVENUE BONDS
(NORTH STAR CHARTER SCHOOL, INC. PROJECT) SERIES 2009

This **FORBEARANCE AGREEMENT** is dated as of June 6, 2013 and is between **Wells Fargo Bank, National Association as Trustee** under the Indenture and with regard to the Bonds (as those terms are defined below) (the "Trustee") and **North Star Charter School, Inc.**, a nonprofit corporation duly organized and validly existing under the laws of the State of Idaho ("Borrower," either or both of the Borrower and the Trustee, a "Party" or the "Parties").

RECITALS

A. Those Idaho Housing and Finance Association Nonprofit Facilities Revenue Bonds (North Star Charter School, Inc. Project), Series 2009, in the original aggregate principal amount of \$11,775,000 (collectively, the "Bonds") were issued under that Trust Indenture dated as of March 1, 2009 (the "Indenture") between the Idaho Housing and Finance Association (the "Issuer") and Wells Fargo Bank, National Association, as Trustee (the "Trustee").

B. The proceeds of the Bonds were loaned to the Borrower pursuant to, among other things, that Loan Agreement dated as of March 1, 2009 (the "Loan Agreement"), between the Issuer and the Borrower, to refinance the purchase of an approximately 14.75 acre parcel located at 839 North Linder in Eagle, Idaho, to finance the construction of facilities consisting of an approximately 76,059 square foot building, to acquire furniture and equipment (such parcel, facilities, and equipment, collectively, the "School Property"), and to fund certain funds and costs associated with the issuance of the Bonds. The Issuer's right, title and interest in the Loan Agreement (with limited exceptions not applicable to this Forbearance Agreement) was assigned to the Trustee pursuant to both the Indenture and the Loan Agreement.

C. Such loan was evidenced by that note dated March 10, 2009 in the amount of \$11,355,000, by the Borrower to the Issuer, which states it is the Series 2009A Note referred to in the Loan Agreement, and which the Issuer endorsed to the Trustee by an Endorsement of the same date (such note and endorsement, together, the "Series 2009A Note"), and that note dated March 10, 2009 in the amount of \$420,000, by the Borrower to the Issuer, which states it is the Series 2009B Note referred to in the Loan Agreement, and which the Issuer endorsed to the Trustee by an Endorsement of the same date (such note and endorsement, together, the "Series 2009B Note," and collectively with the Series 2009A Note, the "Notes").

D. To secure, among other things, the repayment of the Bonds and all amounts due and payable by the Borrower under the Loan Agreement, the Borrower made that Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents as of March 1, 2009, recorded on March 10, 2009, as Instrument No. 109027504 for Ada County, Idaho (the "Deed of Trust") to Alliance Title & Escrow Corp., as trustee, for the benefit of the Issuer, as beneficiary,

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with regard to the Mortgaged Property described therein, which includes the School Property. The Issuer's rights and interest in the Deed of Trust were assigned to the Trustee pursuant to both the Indenture and that Assignment of Deed of Trust dated as of March 10, 2009.

E. The Borrower has failed, or would have failed but for (i) the Trustee's payment of the Prior Requisition (defined below) and (ii) the execution and implementation of this Forbearance Agreement, to meet certain of its covenants, agreements, and obligations under the Loan Agreement and other Bond Documents. Such failures that are described on Exhibit A, which is attached hereto and incorporated herein, constitute the "Existing Events of Default." The Borrower has had actual knowledge of all of the Existing Events of Default, and acknowledges that it is unable to cure all of the Existing Events of Default as required under the Bond Documents. Therefore, the Borrower has waived (and waives hereunder) any right under the Bond Documents, including without limitation under Section 10.01(c) of the Loan Agreement, both to separate written notice from the Trustee of the Existing Events of Default and to a cure period, whether of thirty or ninety days, prior to any of the Existing Events of Default constituting Events of Default under the Loan Agreement and other Bond Documents.

F. Accordingly, each of the Existing Events of Default constitutes an Event of Default pursuant to, without limitation, Section 8.01 of the Indenture, Section 10.01 of the Loan Agreement, and Section 20 of the Deed of Trust.

G. The Borrower previously retained American Preparatory Services ("APS") and Dr. S. Olson ("Olson") as consultants. Reports by those consultants have been provided to the Trustee.

H. The Borrower submitted a requisition to the Trustee, on or about April 12, 2013, for monies from the Repair and Replacement Fund held by the Trustee under the Indenture (the "Prior Requisition") for the purpose of paying various operating expenses of the Borrower needed to keep the Borrower's operations as a going concern.

I. Requisitions from such Repair and Replacement Fund must be "for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Facility in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment all within the requirements of Idaho Code Section 33-1019, as amended." (Indenture, Section 3.15.) The Prior Requisition does not meet the requirements of Section 3.15 of the Indenture.

J. At the direction of the beneficial holders of a majority of the Bonds Outstanding (the "Majority Bondholders"), and with regard to the Prior Requisition, the Trustee paid from the Repair and Replacement Fund the amounts of \$50,000, on or about April 17, 2013, and \$105,000, on or about May 8, 2013, for application to the Borrower's ongoing operating

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expenses. Such direction was given pursuant to the Existing Events of Default and in anticipation of this Forbearance Agreement based upon the Borrower's agreement to a term sheet outlining certain of the terms and provisions set forth below. Payment of the Prior Requisition for the subject matter therein constitutes part of the concessions and forbearance made by the Trustee hereunder, and represents good and valuable consideration to the Borrower for the agreements set forth herein.

K. To facilitate the Borrower's continued operation as reflected in the FYE 2013 Modified Cashflow and the FYE 2014 Modified Cashflow (both defined below), and solely and exclusively with regard to the Existing Events of Default (defined below), the Borrower has requested that the Trustee make certain concessions and that the Trustee temporarily forbear from exercising its rights and remedies under the Indenture, Loan Agreement, Deed of Trust and other documents related to the issuance of the Bonds, subject to the terms of this Forbearance Agreement.

L. The Trustee, at the direction of the Majority Bondholders, is willing to grant such concessions and forbearance as are expressly set forth herein, but only upon the terms and provisions of this Forbearance Agreement.

M. The Trustee represents that the majority Bondholders have agreed to the terms and provisions of this Forbearance Agreement and have expressly directed the Trustee to enter into this Forbearance Agreement.

N. So long as no Forbearance Event of Default exists, the Borrower and the Trustee, at the direction of the Majority Bondholders, intend to undertake good faith negotiations for the purpose of amending the Bond Documents, subject to their terms, potentially to restructure the payment terms of the Bonds by February 28, 2014; provided, however, that any decision to restructure will be based upon the Majority Bondholders' sole discretion concerning, among other things, determining the Borrower's ability to sustain its business operations and maintain positive cashflow over the term of the Bonds, as potentially restructured.

O. Notwithstanding any terms herein, nothing in this Forbearance Agreement is intended to or shall have the effect of interfering with or abrogating any non-delegable duty owed by or legal power or responsibility of the members of the Board of Trustees of North Star.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Trustee agree as follows:

1. **Recitals**. Borrower hereby confirms, represents and warrants to the Trustee, upon which warranties and representations the Trustee has relied in entering into this Forbearance Agreement, the truth of the recitals set forth above. The recitals of this Forbearance Agreement

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set forth above are incorporated herein as an integral part of this Forbearance Agreement. The Borrower acknowledges that the Majority Bondholders have relied upon the truth of such recitals in directing the Trustee to enter into this Forbearance Agreement.

2. Defined Terms. Capitalized terms not otherwise defined in this Agreement shall have the meanings assigned to them in this Section or in the applicable Bond Documents.

(a) “Bankruptcy Proceedings” include, without any limitation, if the Borrower (A) petitions for relief, or has a petition for relief filed against it, under the United States Bankruptcy Code, (B) petitions for relief, or has a petition for relief filed against it, pertaining to any reorganization, composition, readjustment, liquidation of assets, or similar relief under any present or future law or regulation, or (C) seeks, or fails to prevent, the appointment of any trustee, receiver or liquidator of the Borrower or of substantially all of the assets of the Borrower, or (D) makes a general assignment for the benefit of creditors, or (E) is unable, or admit in writing, its inability to pay its debts generally as they become due.

(b) “Bond Documents” include the Bonds, the Indenture, the Loan Agreement, the Notes, the Deed of Trust, and all other agreements, security documents, and other documents related to the issuance of the Bonds.

(c) “Bond Funds” includes the funds and accounts held by the Trustee under the Indenture, except for the Repair and Replacement Fund and the Rebate Fund (as those funds are defined under the Indenture).

(d) “Existing Events of Default” are strictly limited to those defaults, Events of Default, or events that with the passage of time or the giving of notice (which the Borrower waives hereunder) would ripen into Events of Default under any of the Bond Documents, that are expressly identified in Exhibit A attached hereto and made a part hereof.

(e) Each of the following constitutes a “Forbearance Event of Default”:

(i) the occurrence of any default, any Event of Default, or any event that with the passage of time or the giving of notice would ripen into an Event of Default under any of the Bond Documents, other than the Existing Events of Default or events resulting from the application of Section 3 below, with no requirement of notice or cure period;

(ii) any violation of any of the covenants contained in any of the Bond Documents, other than the Existing Events of Default or events resulting from the application of Section 3 below, with no requirement of notice or cure period;

(iii) any Bankruptcy Proceedings;

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- (iv) Borrower's loss of its school charter;
 - (v) noncompliance by the Borrower with any term or provision of this Forbearance Agreement or the occurrence of any default, event of default, or Event of Default under this Forbearance Agreement;
 - (vi) without any limitation to (v) above, if the amount of the 12/31/13 Interest and Principal Balance is not held in the Bond Interest Fund and the Bond Principal Fund on December 31, 2013, and if the additional amount of the 6/30/14 Interest and Principal Balance is not held in such Funds on June 30, 2014, pursuant to Section 3 below;
 - (vii) if the Borrower has negative cash variance in any month of greater than ten percent (10%) of budgeted cash flow, as may be determined by, without limitation, the reports provided by the Borrower under Section 4(g) hereof (due to state funding mechanisms, a month may demonstrate negative cash flow based on GAAP; accordingly, this Section 2(e)(vii) pertains to comparison of actual and budgeted amounts); and
 - (viii) if any of the representations or warranties made hereunder by or on behalf of the Borrower (including the Recitals hereto) shall not have been true, accurate or complete in any material respect when made.
- (f) "Forbearance Period" is as defined in Section 9 below.
- (g) "FYE 2013 Modified Cashflow" shall mean a cashflow statement prepared by APS, Mr. Lincoln Fillmore, or another independent professional satisfactory to Trustee, that sets forth the cashflow of the Borrower through its fiscal year ending June 30, 2013 in detail reasonably satisfactory (including all expected cash receipts and disbursements regardless of their treatment under GAAP as income, revenues, expenses, liabilities, accruals or any form of deferred inflow or outflow items), which reflects the proposed concessions and other financial agreements set forth in this Forbearance Agreement, which identifies beginning and ending cash in the bank for each calendar month of such fiscal year, which identifies any requested disbursements from any funds held by the Trustee, and which cashflow allows the Borrower to continue its operations through the end of such fiscal year, reflecting, where applicable, the Consultant's Recommendations as defined in Section 4 below. The FYE 2013 Modified Cashflow shall incorporate Borrower's receipt of the amounts paid on account of the Prior Requisition and the payment from the State of Idaho received by the Trustee on May 16, 2013 in the amount of \$386,333.35 (such payment having been transmitted in its entirety to the Borrower by the Trustee, the "May State Payment") and the expenditures made from such amounts. The FYE 2013 Modified Cashflow is attached as Exhibit B hereto.

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(h) “FYE 2014 Modified Cashflow” shall mean a cashflow statement prepared by the APS, Mr. Lincoln Fillmore, or another independent professional satisfactory to Trustee, that sets forth the cashflow of the Borrower through its fiscal year ending June 30, 2014 in detail reasonably satisfactory (including all expected cash receipts and disbursements regardless of their treatment under GAAP as income, revenues, expenses, liabilities, accruals or any form of deferred inflow or outflow items), which reflects the proposed concessions and other financial agreements set forth in this Forbearance Agreement, which identifies beginning and ending cash in the bank for each calendar month of such fiscal year, which identifies any requested disbursements from any funds held by the Trustee, and which cashflow allows the Borrower to continue its operations thru the end of such fiscal year, reflecting, where applicable, the Consultant’s Recommendations as defined in Section 4 below. The FYE 2014 Modified Cashflow is attached as Exhibit C hereto.

(i) “Monthly Cashflow Reconciliation” shall mean a report from the APS, Mr. Lincoln Fillmore, or another independent professional satisfactory to Trustee, that reconciles Borrower’s actual month-end cash flow to the applicable month set forth in the FYE 2013 Modified Cashflow and FYE 2014 Modified Cashflow, and provides an explanation in reasonable detail of any deviations of individual cashflow items of more than five percent (5%).

(j) “R&R Concession” and “Bond Interest Fund Concession” are as defined in Section 3 below.

3. Forbearance.

(a) Intent. Subject to the occurrence of a Forbearance Event of Default and the terms of this Forbearance Agreement, it is the intention of the parties to this Forbearance Agreement to allow North Star to obtain sufficient funds to operate in a customary manner during the Forbearance Period, subject to the terms of this Forbearance Agreement.

(b) Payment of Debt Service on the Bonds.

(i) On the Interest Payment Date of July 1, 2013, the Trustee shall distribute to Bondholders the entire amount of interest and principal then coming due on the Bonds, in the total amount of \$615,162.50, and such distribution shall be funded as follows: first, \$60,000.00 from the Bond Principal Fund; second, the full amount of the Bond Interest Fund; and third, from the Debt Service Reserve Fund. The foregoing will result in a deficiency in the Debt Service Reserve Fund of approximately \$492,312.00, plus all amounts paid pursuant to Section 12 of this Forbearance Agreement. This use of the Debt Service Reserve Fund is necessitated by the funding of the Bond Interest Fund Concession in accordance with Section 3(c) below and the FYE 2013 Modified Cashflow.

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(ii) On December 31, 2013 (the day before the Interest Payment Date of January 1, 2014), the Trustee shall have available in the Bond Interest Fund and Bond Principal Fund at least the total amount of \$360,000 (the “12/31/13 Interest and Principal Balance”).

(iii) On June 30, 2014, the Trustee shall have available in the Bond Interest Fund and Bond Principal Fund at least the entire amount of interest and principal due to be paid on the Bonds on the Interest Payment Date of July 1, 2014 (the “6/30/14 Interest and Principal Balance”).

The distributions to Bondholders to be made on January 1, 2014 and July 1, 2014 (items (ii) and (iii) above) shall be funded first from the Bond Principal Fund and the Bond Interest Fund as called for under the Indenture, and then, if necessary, from the Debt Service Reserve Fund.

With regard to the payments due from the Borrower to the Trustee pursuant to Section 3.07 of the Indenture, Borrower shall deposit with the Trustee an amount equal to the deficiency in the Debt Service Reserve Fund. Such amount shall be due and payable immediately upon termination of the Forbearance Period (unless previously reimbursed pursuant to Section 3(d)); provided that if the Forbearance Period terminates before the Disbursement Date for State Payments (as defined in the Indenture) in August, 2013, then such amount shall be due as provided in Section 3.07 of the Indenture.

Notwithstanding anything else herein, the Trustee is not required to make any of the foregoing distributions to Bondholders (items (i), (ii), or (iii) above) in the minimum amounts stated if (A) the amounts held in each of the Bond Principal Fund, Bond Interest Fund, and Debt Service Reserve Fund are below the minimum amounts required under the Indenture and (B) in the Trustee’s sole discretion, funding such distribution would be imprudent or unreasonable given the balances that would remain in the Bond Funds or any other then-current circumstance. (This reflects the rights of the Trustee under Section 8.05 of the Indenture, “Application of Moneys.”) Notwithstanding anything else in this Forbearance Agreement, (1) any amounts due to Bondholders under the Bonds and other Bond Documents and unpaid on the foregoing Interest Payment Dates shall (unless paid from any other source) shall remain obligations of the Borrower, due and payable immediately upon the termination of the Forbearance Period, but without any compound interest, and (2) any deficiencies in any of the Bond Funds as a result of these or any other payments made from the Bond Funds shall remain obligations of the Borrower to cure in full immediately upon the termination of the Forbearance Period, in accordance with the terms and provisions of the Indenture.

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(c) Bond Interest Fund Concession. On or about the date that this Forbearance Agreement becomes effective, the Trustee shall transfer the amount of \$492,312.00 from the Bond Interest Fund to the Borrower (such transfer, the “Bond Interest Fund Concession”). Borrower acknowledges and agrees that the Bond Interest Fund Concession is not required under the Indenture and constitutes a concession to the Borrower made under this Forbearance Agreement.

(d) Flow of Funds.

Subject to the occurrence of a Forbearance Event of Default, after allocating moneys to the Bond Principal Fund and the Bond Interest Fund for payment of debt service in the amounts described in Section 3(b), any amounts remaining from funds received by the Trustee from the State of Idaho (the “Statement Payments” described in the Indenture), and after payment of any amounts due and owing to the Trustee for its services, fees, and expenses with regard to this Forbearance Agreement and/or during the Forbearance Period, the remainder of such funds shall be returned to the Borrower for operation to the Borrower’s general operation account, as described in the FYE 2013 Modified Cashflow and 2014 FYE Modified Cashflow, provided, however, to the extent amounts are received by the Trustee or the Borrower which are in excess of the amounts necessary for the Borrower to remain operational and are set forth in the FYE 2013 Modified Cashflow and FYE 2014 Modified Cashflow, the Borrower or the Trustee, as applicable, shall reimburse the Trust Estate with these excess amounts.

Notwithstanding anything else in this Forbearance Agreement, including in the FYE 2013 Modified Cashflow and FYE 2014 Modified Cashflow, Borrower shall cause the following amounts to be deposited to and retained in the Bond Interest Fund and the Bond Principal Fund (*i.e.*, such moneys shall not be subsequently transferred to the Borrower), from funds received by the Trustee from the State of Idaho or from any other source outside the Bond Funds: (A) between the date first given above and December 31, 2013, at least the amount of the 12/31/13 Interest and Principal Balance; and (B) between January 1, 2014 and June 30, 2014, at least the amount of the 6/30/14 Interest and Principal Balance.

Notwithstanding anything in this Forbearance Agreement, Borrower shall keep and maintain all rights of any sort with regard to any funds received by Borrower as gifts or donations made to Borrower as a 501(c)(3) entity, and Borrower may use any such funds at their sole discretion pursuant to legal 501(c)(3) requirements. Such donations or gifts shall be treated as outside of and wholly separate from Exhibits B and C hereto or this Forbearance Agreement.

(e) R&R Concession. Borrower acknowledges receipt of the amount of \$155,000.00 paid on account of the Prior Requisition by the Trustee from the Repair and Replacement Fund (the “R&R Concession”), and acknowledges and agrees that the R&R Concession was not required under the Indenture and constitutes a concession to the Borrower made under this Forbearance Agreement. Borrower shall provide Trustee with a written accounting of its

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disbursement of such funds (in accordance with Section 10(a) hereof) and incorporate such expenditures in the FYE 2013 Modified Cashflow (in accordance with Section 2(g) hereof). With regard to the payments due from the Borrower to the Trustee pursuant to Section 3.15 of the Indenture, Borrower shall deposit with the Trustee an amount equal to the deficiency in the Repair and Replacement Fund. Such amount shall be due and payable immediately upon termination of the Forbearance Period; provided that if the Forbearance Period terminates before the Disbursement Date for State Payments (as defined in the Indenture) in August, 2013, then such amount shall be due as provided in Section 3.15 of the Indenture.

(f) No obligation. Other than as set forth in Sections 3(c) and 3(d) above, the Borrower acknowledges and agrees that the Trustee has no obligation whatsoever to make monies available to the Borrower or otherwise assist the Borrower in meeting such expenses. Any transfer of monies from the Bond Funds to the Borrower made during the Forbearance Period, including without limitation the R&R Concession and the Bond Interest Fund Concession, shall constitute additional forbearance and concessions by the Trustee to the Borrower, and shall be entirely subject to the terms and provisions hereof. . Upon termination of the Forbearance Period, the amounts of any deficiencies in any of the funds and accounts held by the Trustee under the Indenture shall be immediately due and payable by the Borrower to the Trustee.

(g) Forbearance. During the Forbearance Period, and solely and exclusively with regard to the Existing Events of Default and Sections 3(b), 3(c), 3(d) and 3(e) above, the Trustee will forbear from exercising its rights or remedies under the Bond Documents, as applicable, or applicable law.

4. Consultants and Reporting.

(a) Borrower agrees to retain APS and Mr. Lincoln Fillmore, in his capacity as an affiliate of APS (“Mr. Fillmore”), under an agreement (or agreements) that is satisfactory to the Trustee, including as to its scope of engagement, allowing such consultants to freely communicate with the Trustee and bondholders, and providing for monthly reporting by such consultant to the Trustee as described below (the “Consultant Agreement”), and shall provide Trustee with a copy of the Consultant Agreement in accordance with Section 10 below. Borrower shall not terminate such retention except with the consent, or at the direction, of the Trustee. The Borrower agrees that the Trustee will cause APS and Mr. Fillmore to be paid, based on invoices from the applicable consultant with a copy to Borrower, from any available monies in the Bond Funds, and consistent with the FYE 2013 Modified Cashflow and FYE 2014 Modified Cashflow; provided that it shall be in the sole discretion of the Trustee to discontinue such payment at any time, including in the event of a termination of the Forbearance Period, and that if the Trustee discontinues payment then the Borrower shall timely pay APS and Mr. Fillmore any and all accrued and future amounts due under the Consultant Agreement.

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(b) Any additional or substitute consultants retained by Borrower shall be acceptable to the Trustee and retained under agreements that are satisfactory to the Trustee, and the Trustee shall have no obligation whatsoever with regard to their payment.

(c) The Borrower shall fully cooperate with any reasonable requests of APS and Mr. Fillmore, and with any other consultants or professionals that may be hired by the Borrower or by the Trustee with regard to the Borrower and/or School Property, in lieu of or in addition to APS or Mr. Fillmore (collectively, "Consultants"). The Borrower will provide APS and Mr. Fillmore, and any other Consultants, with all information and documents requested on a complete and timely basis, with full access to the Borrower's records, and with full access to the land and buildings of the School Property during normal business hours.

(d) Without limitation, the Borrower acknowledges and agrees that Mr. Fillmore will serve in the capacity of "chief restructuring officer" under a separate engagement agreement, that Mr. Fillmore's service in such capacity is in Borrower's best interest, and that the Borrower, its Board and its staff shall reasonably cooperate with Mr. Fillmore's efforts in such capacity.

(e) The Borrower, its Board and its staff shall promptly and reasonably comply with and implement the recommendations of APS, Mr. Fillmore (including in his capacity as chief restructuring officer), and any other Consultants (collectively, the "Consultant Recommendations"). The Borrower acknowledges that its timely and full compliance with and implementation of the Consultant Recommendations constitutes a significant part of the consideration provided to the Trustee for its forbearance hereunder, and agrees that such compliance and implementation shall be undertaken in good faith and with its best efforts.

If the Borrower has a material objection to any Consultant Recommendation, and provides the Trustee with prompt written notice thereof, then the Borrower's compliance with such Consultant Recommendation may be stayed pending a response from the Trustee.

The Consultant Agreement shall include the requirement, and the Borrower shall cause each Consultant to comply with such requirement, that the Consultants shall provide a monthly report to the Trustee regarding the status of the Borrower's implementation of the Consultant Recommendations beginning the period ending May 31, 2013.

The Borrower shall generally give consideration to and act in accordance with the recommendations put forth by APS in its "North Star Charter School Comprehensive Review" dated March 19, 2013; provided, however, that the Parties agree (i) that such recommendations are considered preliminary to and superseded by subsequent recommendations made by APS, Mr. Fillmore or other Consultants based upon additional and more current information and (ii) that all financial and budgetary recommendations in such Comprehensive Review are entirely superseded by this Forbearance Agreement, including the reports and documents referenced herein.

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(f) The Borrower shall timely provide the Trustee, or shall cause APS, Mr. Fillmore, and any other Consultants to timely provide the Trustee, with any reports, recommendations, summaries, or other documents any of them prepare with regard to the Borrower or the School Property. The Borrower, the Trustee, and the Bondholder shall hold monthly calls hosted by the Trustee in which the Borrower, APS and Mr. Fillmore shall discuss the Borrower, the School Property, and any reports, recommendations, summaries, or other documents prepared by the Borrower or the respective Consultant. Nothing herein shall prohibit the Borrower, the Trustee or any of the Bondholders from directly discussing issues or the contents of the foregoing reports, recommendations, summaries or other documents with the Consultants even though some or all of the of the other parties to the monthly conference calls are not present.

(g) In addition to and not in lieu of the reporting requirements in the Bond Documents, the Borrower shall provide and/or shall cause the Consultants to provide specific financial and operational reports to the Trustee as follows:

(i) Within ten business days after the close of each month, commencing the month ending May 31, 2013, a Monthly Cash Flow Reconciliation;

(ii) Within fifteen (15) business days after the close of each month, commencing the month ending May 31, 2013, monthly reports as to recruitment and enrollment efforts (including enrollment by grade and wait lists by grade), description of marketing roll out results, and any adjustments made to current enrollment recruitment and retention plans.

(iii) Within three business days of occurrence, any adverse actions taken against the Borrower by its vendors, licensors, or other creditors.

(iv) Within three business days of occurrence, any events that would materially prevent the Borrower from achieving the FYE 2013 Modified Cashflow or the FYE 2014 Modified Cashflow, such as any modification to its charter, any lawsuit, any loss of material managers, teachers, or staff, or any proceedings or actions seeking to remove or change the Borrower's board members (other than the regular election of Borrower's board members).

(h) The Trustee, in its personal capacity, does not hereby endorse or require compliance with any recommendations in Consultant Recommendations or the Comprehensive Review that pertain to the specific operations of the Borrower's business and are outside the scope of this Forbearance Agreement, such as, solely as examples, specific recommendations as to the program of education, staffing, transportation, etc.

5. **Guaranty.** The Borrower shall cooperate fully with the Trustee in actions, if any, that the Trustee may take with regard to that Guaranty made and given by America's Charter School Finance Corporation, as of March 10, 2009, with regard to the Bonds.

6. **Benchmarks.** Borrower shall achieve the cashflows set forth in the FYE 2013 Modified Cashflow and the FYE 2014 Modified Cashflow, provided that any Forbearance Event of Default with regard to achieving such cashflows shall be pursuant to Section 2(e)(vii) above. Borrower shall implement the Consultant Recommendations as set forth herein, shall maintain its existing charter, and shall use its best efforts to retain needed teachers and staff and meet the enrollment targets per grade for its fiscal year ending June 30, 2014 (to be determined by Borrower in consultation with the Consultants).

7. **Limitations on Borrower.** Without the prior written consent of the Trustee, the Borrower shall not (a) take any actions (or fail to take a needed action) that would cause the Borrower to fail to achieve its FYE 2013 Modified Cashflow or the FYE 2014 Modified Cashflow or fail to comply with the Consultant Recommendations, (b) dispose of or transfer any funds, assets or rights unless such disposition or transfer was noted as part of the FYE 2013 Modified Cashflow or the FYE 2014 Modified Cashflow, or is a Consultant Recommendation agreed to by the Trustee, or (c) take any action (or fail to take a needed action) not permitted under the Bond Documents (except as provided in Section 3 above).

8. **Events of Default.**

(a) The Borrower acknowledges and agrees that it has had actual knowledge of all of the Existing Events of Default, and that it is unable to cure all of the Existing Events of Default. The Borrower hereby waives any right under the Bond Documents, including without limitation under Section 10.01(c) of the Loan Agreement, (i) to any notice requirements as to the Existing Events of Default and as to any default or Event of Default under the Bond Documents resulting from application of Section 3 of this Forbearance Agreement and (ii) to any cure period with regard to the Existing Events of Default and as to any default or Event of Default under the Bond Documents resulting from application of Section 3 of this Forbearance Agreement.

(b) The Bondholder acknowledges and agrees that each of the Existing Events of Default and any default or Event of Default under the Bond Documents resulting from application of Section 3 of this Forbearance Agreement constitutes an Event of Default under the Loan Agreement and other Bond Documents.

(c) Upon the occurrence of a Forbearance Event of Default, the Trustee may terminate the Forbearance Period, may terminate this Forbearance Agreement, and/or may proceed with any and all rights and remedies afforded by law, under this Forbearance Agreement, under any of the Bond Documents, or otherwise available to the Trustee. The Borrower has no right to notice or a cure period with regard to any Forbearance Event of Default.

9. “Forbearance Period” and Termination. The forbearance and other relief granted to the Borrower under this Forbearance Agreement shall apply during the period from and after the date first given above (subject to the conditions precedent given in Section 10 below) through June 30, 2014; *provided, however*, that if a Forbearance Event of Default exists, the Trustee may immediately terminate such period by written notice to the Borrower and such termination shall be deemed to occur immediately prior to the occurrence of such Forbearance Event of Default regardless of notice. The period of time from the date first given above (subject to the conditions precedent given in Section 10 below) through termination on the earlier of June 30, 2014 or, upon written notice from the Trustee, immediately prior to the occurrence of a Forbearance Event of Default, shall be referred to herein as the “Forbearance Period.” Upon termination of the Forbearance Period, no forbearance or other relief granted to the Borrower under this Forbearance Agreement shall apply, and all other terms and provisions hereof shall continue in full force and effect.

10. Conditions Precedent. The provision of the documents listed below is a condition precedent to the effectiveness of this Forbearance Agreement. Notwithstanding anything else herein, this Forbearance Agreement shall have no force or effect unless and until the Borrower provides to the Trustee all of the following:

- (i) Supplement to the Prior Requisition, in form complying with Section 3.15 of the Indenture and satisfactory in full to the Trustee, to include an accounting of the Borrower’s disbursement of the funds received as the R&R Concession and May State Payment, a reconciliation of the monies spent and to be spent, a schedule of all amounts to be paid with the requisitioned funds, and copies of all invoices to be paid.
- (ii) FYE 2013 Modified Cashflow.
- (iii) FYE 2014 Modified Cashflow.
- (iv) Certified copies of the corporate resolution or resolutions authorizing its execution and delivery of this Forbearance Agreement and an incumbency certificate as to the identity of the officer executing this Forbearance Agreement and their authority to so execute.
- (v) Current cash flow reconciliations for Borrower’s Fiscal Year ending June 30, 2013. If appropriate, such cash flow reconciliation shall indicate what amounts, if any, Borrower may seek to receive from the Bond Funds to fund operations, as additional forbearance and concessions by the Trustee under this Forbearance Agreement, and when Borrower believes any such payment may be necessary.

- (vi) Detailed enrollment projections by grade for Borrower's Fiscal Year ending June 30, 2014.
- (vii) Consultant Agreement.

11. No Waiver; No Amendment.

Each of the Parties agrees, acknowledges and represents that (i) nothing in this Forbearance Agreement accepts or permanently waives any of the Existing Events of Default, or any other default or Event of Default under any of the Bond Documents, or any default or Forbearance Event of Default under this Forbearance Agreement; and (ii) except as expressly set forth herein, nothing in this Forbearance Agreement or the performance by the Parties of their respective obligations hereunder constitutes or shall be deemed to constitute a waiver of either of the Parties' rights or remedies under the terms of any of the Bond Documents or applicable law, all of which are hereby reserved.

Each of the Parties agrees, acknowledges and represents that this Forbearance Agreement does not represent a modification or amendment to any term or provision of any of the Bond Documents, and all terms and provisions of all of the Bond Documents remain in full force and effect. Nothing in this Forbearance Agreement changes the amount of principal, premium, if any, or interest due on any Bond.

The Borrower agrees, acknowledges and represents that nothing in this Forbearance Agreement is intended to serve as a waiver of any payment or other obligations of the Borrower under any of the Bond Documents, and each of such obligations shall continue in full force and effect. All amounts due to the Trustee under any of the Bond Documents shall continue to be due in full and on the date required, and each and every failure by the Borrower to pay any such amount in full and on time shall constitute an Event of Default under the applicable Bond Documents. (Solely by way of example, if Bondholders are not paid on January 1, 2014 in the amounts required by the Bonds and other Bond Documents but are paid in the amounts required under Section 3(b) above, then an Event (or Events) of Default will exist with regard to the Bonds and under the Bond Documents, but the Trustee will not exercise its rights and remedies arising from such Event of Default until termination of the Forbearance Period.) Immediately upon termination of the Forbearance Period, all amounts then due and payable by the Borrower to the Trustee under any of the Bond Documents shall be immediately due and payable in full to the Trustee.

12. Trustee's Fees and Expenses. The Borrower hereby acknowledges and agrees that the Trustee is entitled to payment and reimbursement in full for its reasonable fees for services rendered under the Indenture and otherwise with regard to the Bonds, including without limitation with regard to this Forbearance Agreement, as and when the same become due and all expenses reasonably made or incurred by the Trustee in connection with such services, including

legal fees and expenses, as and when the same become due. The Borrower further acknowledges and agrees that if it fails to cause such payment and reimbursement to be timely made pursuant to, without limitation, Section 9.02 of the Indenture and Section 5.01(d) of the Loan Agreement, it shall be an Event of Default under the Bond Documents. Upon this or any other Event of Default, the Trustee is and shall be entitled to payment of its fees and expenses from the Bond Funds, and in that event the Borrower shall be obligated to reimburse any resulting deficiency in the Bond Funds. The Borrower further acknowledges and agrees that during the Forbearance Period, and following the Forbearance Period for so long as any default or Event of Default may be continuing under any of the Bond Documents, the Trustee is and shall be entitled immediately to pay its fees and expenses from the Bond Funds, including without limitation the Debt Service Reserve Fund, and the Borrower shall be obligated to reimburse any resulting deficiency in any of the Bond Funds.

13. Indemnification and Release.

The Borrower hereby agrees to indemnify and hold the Trustee and its directors, officers, agents, and employees (collectively, the "Trustee Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out of pocket, incidental expenses, legal fees and expenses, and the allocated costs and expenses of in-house counsel and legal staff that may be imposed on, incurred by, or asserted against, the Trustee Indemnitees or any of them in connection with or arising out of the Trustee's consideration of, entering into, and/or performance under this Forbearance Agreement; *provided, however*, the foregoing indemnification shall not apply to any liability caused by the Trustee's negligence or willful default. Such indemnification does not limit and is not limited by the indemnification obligations of the Borrower under Section 8.06 of the Loan Agreement.

The Borrower, for itself and for its successors, heirs, and assigns (collectively, the "Borrower Parties"), hereby unconditionally and irrevocably releases, discharges and acquits each and all of Wells Fargo Bank, National Association and the Trustee, for themselves and their respective successors, heirs, and assigns, and for their past and present officers, directors, affiliates, shareholders, agents, insurers, attorneys, and employees (collectively, the "Trustee Parties") from, and waives and relinquishes any and all claims, actions, causes of action, and suits of any kind whatsoever which any of the Borrower Parties have or might have, known or unknown, now existing or that may hereafter arise, directly or indirectly attributable to any and all matters pertaining to (a) any act or omission by any of the Trustee Parties made with regard to this Forbearance Agreement or any matter related to this Forbearance Agreement, including without limitation the R&R Concession, the Bond Interest Fund Concession and the Existing Events of Default, (b) any act or omission by or on behalf of any of the Trustee Parties taken or failed to be taken, respectively, in accordance with the terms and provisions of the Indenture, or (c) any act or omission by or on behalf of any of the Trustee Parties not included in (a) or (b) above but known to any of the Borrower Parties as of the date hereof. Each of the Borrower

Parties agrees that this release is executed for the purpose of adding to and supplementing the indemnification also given herein.

14. Acknowledgments and Affirmations.

The Borrower hereby acknowledges, agrees and represents to the Trustee, upon which acknowledgments, agreements and representations the Trustee has relied in entering into this Forbearance Agreement, that (i) the Bond Documents to which the Borrower is a party constitute the valid and binding obligations of the Borrower, enforceable in accordance with their terms, (ii) the Existing Events of Default, which constitute material monetary and non-monetary defaults and Events of Default under the Bond Documents, have occurred and continue to exist under the Bond Documents, (iii) because of the Existing Events of Default, the Trustee is now entitled to exercise any and all of its rights and remedies under the Bond Documents and applicable law, (iv) the outstanding principal of the Bonds is \$11,775,000.00 as of the date hereof, (v) a distribution to Bondholders was last made as of January 1, 2013, which represented the interest due on the Bonds accrued through December 31, 2013, and interest on the Bonds (*i.e.*, interest on the principal amount of \$11,775,000.00) has accrued on and after January 1, 2013 and continues to accrue, (vi) the amounts from time to time on deposit in the Bond Funds are held by the Trustee in trust, upon the terms set forth in the Indenture, for the benefit of the Bonds and the Bondholders and are not property of the Borrower now or following any Bankruptcy Proceeding, (vii) in the event of any Bankruptcy Proceeding, the Borrower shall acknowledge and agree that the Bond Funds do not constitute property of its estate, including that, without limitation, it has no rights, title or interest in the Debt Service Reserve Fund or other funds held within the Trust Estate, and (viii) by its execution of this Forbearance Agreement, the Borrower acknowledges and agrees that the only right it could have to any amounts in the Bond Funds would arise from payment in full of the Bonds from amounts outside the Bond Funds; accordingly, the Borrower acknowledges that it has no contingent interest in any of the Bond Funds, each and all of which are property of the Issuer and/or the Trustee and are for the benefit of the Bondholders subject to the terms of the Indenture.

Without any limitation, the Borrower hereby ratifies and confirms Section 2.06 of the Loan Agreement, "Borrower's Irrevocable Direction to the State," and Section 10.07 of the Loan Agreement, "Treatment of Funds in Bankruptcy."

Without any limitation, the Borrower hereby ratifies and confirms its pledge to the Trustee under the Loan Agreement, including Sections 5.02, 9.01, and 9.02 thereof, of all of the Borrower's right, title and interest in and to the Project and all Pledged Revenues (as those terms are defined and described in the Loan Agreement), and all as more fully stated in the Loan Agreement. Without any limitation whatsoever, the Borrower hereby ratifies and confirms that it granted, bargained, sold, and conveyed, for the benefit of the Trustee under the Deed of Trust as it was assigned to the Trustee, all of the Mortgaged Property (as that term is defined in the Deed of Trust). The Borrower hereby warrants that, as of the date hereof, the Trustee enjoys a

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valid first priority lien on and security interest in such Pledged Revenues and Mortgaged Property, subject to no liens, charges or encumbrances other than the Permitted Encumbrances (as defined in the Loan Agreement). The Borrower agrees that it has no defenses and/or waives any defenses it may have with regard to any of its failures to meet any obligation or covenant under any of the Bond Documents. The Borrower agrees that it has no defenses and/or waives any defenses it may have under the Loan Agreement or Deed of Trust or under any security instrument securing or perfecting the rights intended to be granted thereunder for the ultimate benefit of the Bondholders.

The Borrower acknowledges and agrees that under the Indenture, including without limitation the granting clauses on page 3 and 4 and Section 3.01 thereof, and all as more fully stated in the Indenture, (i) the Issuer granted, bargained, sold, alienated, assigned, pledged, set over and confirmed unto the Trustee the Trust Estate, (ii) that the pledge of the Trust Estate is valid and binding, and the Trust Estate is subject to the lien of such pledge, and (iii) the Trust Estate includes, among other things, the Issuer's rights and interests under the Loan Agreement, the Issuer's rights and interests in the Project, the Pledged Revenues, the rights and interests of the Issuer and the Borrower under the Deed of Trust and Notes, all funds and accounts held by the Trustee under the Indenture other than the Repair and Replacement Fund and the Rebate Fund, and all Revenues payable to the Trustee by or for the account of the Issuer.

The Borrower agrees that, in the event of any Bankruptcy Proceeding, the Trustee shall be entitled to, and the Borrower irrevocably consents to, immediate and unconditional relief from any automatic stay imposed by Section 362 of the Bankruptcy Code, any similar provision under any other federal or state law, statute, rule, regulation or ordinance, or otherwise, on or against the exercise of the rights and remedies otherwise available to the Trustee herein or in the Bond Documents, or any other documents or instruments executed and delivered in connection therewith and as otherwise provided by law, and the Borrower irrevocably waives any right to object to such relief and will not contest any motion by the Trustee seeking relief from the automatic stay. The Borrower shall be liable for any damages caused by any violation of this covenant.

15. No Preferential Treatment. The Borrower has not entered into this Forbearance Agreement to provide any preferential treatment to the Trustee or any other creditor of the Borrower. The Borrower does not intend to file for protection or seek relief under the United States Bankruptcy Code or any similar federal or state law providing for the relief of borrowers.

16. Representations and Warranties. Each of the Parties hereby represents and warrants that each of the following statements is true, accurate and complete as to such Party as of the date hereof.

- (a) Such Party has carefully read and fully understood all of the terms and conditions of this Forbearance Agreement;

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- (b) Such Party has consulted with, or had a full and fair opportunity to consult with, an attorney regarding the terms and conditions of this Forbearance Agreement;
- (c) Such Party has had a full and fair opportunity to participate in the drafting of this Forbearance Agreement;
- (d) Such Party is freely, voluntarily, knowingly and intelligently entering into this Forbearance Agreement;
- (e) In entering into this Forbearance Agreement, such Party has not relied upon any representation, warranty, covenant or agreement not expressly set forth herein;
- (f) This Forbearance Agreement has been duly authorized and validly executed and delivered by such Party and constitutes each such Party's legal, valid and binding obligation, enforceable in accordance with its terms; and
- (g) Such Party is duly organized, validly existing and in good standing under with regard to the Borrower, the laws of the State of Idaho, and with regard to the Trustee, the laws of the United States of America, and has the full power and legal authority to execute this Forbearance Agreement, consummate the transactions contemplated hereby, and perform its obligations hereunder.

17. WAIVER OF JURY TRIAL. EACH OF THE PARTIES KNOWINGLY WAIVES ANY RIGHT TO TRIAL BY JURY IT MAY HAVE RELATED TO CLAIMS ARISING FROM THE TERMS OF THIS FORBEARANCE AGREEMENT, THE BOND DOCUMENTS, THE BONDS, OR ANY INSTRUMENT DELIVERED PURSUANT TO ANY OF THEM OR THE VALIDITY, PROTECTION, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF.

18. Time is of the Essence. Time shall be of the essence with respect to each and every of the various undertakings and obligations set forth in this Forbearance agreement.

19. Notices. Notices hereunder shall be given in writing and addressed to the attention of the Parties as indicated below (or such other address as either may provide by notice). Notices shall be deemed to have been properly given or served on the date of receipt if sent by commercial courier or overnight delivery, or on the date sent if delivered by facsimile or electronic mail, receipt confirmed.

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Trustee: Wells Fargo Bank, National Association
MAC N9311-115
625 Marquette Avenue S
Minneapolis, Minnesota 55479
Attn: Gordon Gendler
facsimile: (612) 667-5047
electronic mail: Gordon.I.Gendler@wellsfargo.com

with a copy to: Warren S. Bloom, Esq.
Greenberg Traurig, P.A.
450 South Orange Avenue, Suite 650
Orlando, Florida 32801
facsimile: (407) 420-5909
electronic mail: bloomw@gtlaw.com

Borrower: North Star Charter School, Inc.
839 North Linder
Eagle, Idaho 83616
Attn: Board Chairman
facsimile: (208) 939-6090
electronic mail: ebates@northstarcharter.org

with a copy to: Joe W. Borton, Esq.
Borton-Lakey Law Offices
141 E Carlton Ave.
Meridian, Idaho 83642
facsimile: (208) 493-4610
electronic mail: joe@borton-lakey.com

20. Governing Law. This Forbearance Agreement shall be governed by and interpreted in accordance with the internal laws of the State of Idaho without regard to conflicts of laws principles.

21. Entire Agreement. This Forbearance Agreement is the sole agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings or negotiations, whether oral or written, of the parties, with respect to the subject matter hereof.

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22. No Modification; No Assignment. This Forbearance Agreement may be modified only by an instrument in writing signed by the party against which enforcement is sought. This Forbearance Agreement may not be assigned by the Borrower except with the prior written consent of the Trustee, and may not be assigned by the Trustee except in accordance with the Indenture.

23. Successors and Assigns. This Forbearance Agreement shall inure to the benefit of and bind the Parties, and their successors and assigns.

24. Severability. If any provisions of this Forbearance Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

25. Counterparts. This Forbearance Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes, provided, however, that all such counterparts shall together constitute one and the same instrument.

26. Signatures. A faxed or e-mailed (as a pdf document) signature of this Forbearance Agreement shall be deemed an original for all purposes.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the Trustee and the Borrower have executed this Forbearance Agreement as of the date first above written.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS TRUSTEE**

By: _____


Gordon Gendler
Vice President, CMES Special Accounts Group

NORTH STAR CHARTER SCHOOL, INC.

By: _____

James Miller
Chairperson, Board of Trustees

By: _____

William J. Russell
Vice-Chairperson Board of Trustees

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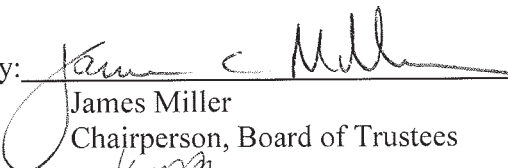
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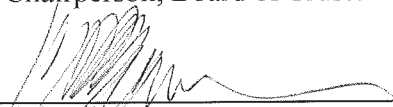
IN WITNESS WHEREOF, the Trustee and the Borrower have executed this Forbearance Agreement as of the date first above written.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS TRUSTEE**

By: _____
Gordon Gendler
Vice President, CMES Special Accounts Group

NORTH STAR CHARTER SCHOOL, INC.

By:  _____
James Miller
Chairperson, Board of Trustees

By:  _____
William J. Russell
Vice-Chairperson Board of Trustees

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EXHIBIT A: EXISTING EVENTS OF DEFAULT

The Borrower has had actual knowledge of the Existing Events of Default (listed below), and acknowledges that it is unable to cure the Existing Events of Default. Therefore, the Borrower has waived (and waives hereunder) any right under the Bond Documents, including without limitation under Section 10.01(c) of the Loan Agreement, both to written notice from the Trustee of any of the Existing Events of Default listed below and to a cure period, whether of thirty or ninety days, prior to any of the Existing Events of Default constituting Events of Default under the Loan Agreement and other Bond Documents.

Accordingly, each of the Existing Events of Default constitutes an Event of Default pursuant to, without limitation, Section 8.01 of the Indenture, Section 10.01 of the Loan Agreement, and Section 20 of the Deed of Trust.

Capitalized terms below that are not otherwise defined in this Forbearance Agreement are as defined in the Loan Agreement.

1. Under Section 2.04 of the Loan Agreement, the Borrower covenants to comply fully and in all respect with the provisions of the Borrower's Charter Contract so long as any Bonds remain Outstanding. Further, under Section 8.09 of the Loan Agreement, the Borrower covenants to do all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals and to comply with such permits, licenses and other governmental approvals necessary for operation of the Project as a charter school.

On or about April 9, 2013, pursuant to Idaho Code 33-5209, the Joint School District No. 2 issued a formal Notice of Defect for the Borrower, based upon its short term and long term lack of financial soundness as defined by the code.

Accordingly, issuance of the Notice of Defect as well as the Borrower's failures leading to such issuance constitute Events of Default under the Loan Agreement and other Bond Documents.

2. Under Section 6.02 of the Loan Agreement, the Borrower agrees to pay as they become due, as more fully stated therein, all taxes and governmental charges; utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities; and all assessments and charges by any governmental body.

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The Borrower is unable to pay, or but for the R&R Concession would be unable to pay, as they become due and payable, all charges, assessments and other amounts as described in Section 6.02 of the Loan Agreement, and each such failure to pay constitutes an Event of Default under the Loan Agreement and other Bond Documents.

As a result, the Borrower submitted the Prior Requisition to the Trustee. However, payment of the Prior Requisition from the Repair and Replacement Fund (*i.e.*, the R&R Concession) is not required under the Indenture, and the R&R Concession constitutes a concession made by the Trustee to the Borrower pursuant to this Forbearance Agreement and does not constitute a cure by the Borrower. The Borrower is obligated to cause the replenishment of the Repair and Replacement Fund as provided in Section 3(e) of this Forbearance Agreement.

3. Under Section 6.03 of the Loan Agreement, the Borrower agrees to keep, or cause to be kept, the Facilities insured against the risks described in such section, paying all premiums with respect thereto as they become due and payable.

The Borrower is unable to pay, or but for the R&R Concession would be unable to pay, as they become due and payable, all premiums and other amounts as described in Section 6.02 of the Loan Agreement, and each such failure to pay constitutes an Event of Default under the Loan Agreement and other Bond Documents.

As a result, the Borrower submitted the Prior Requisition to the Trustee. However, payment of the Prior Requisition from the Repair and Replacement Fund (*i.e.*, the R&R Concession) is not required under the Indenture, and the R&R Concession constitutes a concession made by the Trustee to the Borrower pursuant to this Forbearance Agreement and does not constitute a cure by the Borrower. The Borrower is obligated to cause the replenishment of the Repair and Replacement Fund as provided in Section 3(e) of this Forbearance Agreement.

4. Under the Loan Agreement, including Sections 6.03 and 8.05, the Borrower is obligated to provide certain reports and certificates to the Trustee.

The Trustee has not received the following reports and certificates:

- Promptly upon request, but in any case within 90 days after the end of each Fiscal Year, a certificate of an Authorized Representative of the Borrower setting forth the particulars as to all insurance policies maintained by the Borrower pursuant Section 6.03 of the Loan Agreement, and certifying that such insurance policies

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are in full force and effect, that such policies comply with Section 6.03 of the Loan Agreement, and that all premiums then due thereon have been paid, all as more specifically required under Section 6.03 of the Loan Agreement. Such certificate is outstanding for the Fiscal Year ending June 30, 2012, and a current certificate is now requested and is a Condition Precedent hereunder.

- At least once per quarter, a copy of the monthly reports received from the State of Idaho indicating the amount of the Borrower's State Payments for such quarter, as required under Section 8.05(b)(iv) of the Loan Agreement. Such reports are outstanding for each quarter to date in the Borrower's Fiscal Years ending June 30, 2012 and June 30, 2013.
- Once per month, if the Revenue Stabilization Account has a required balance greater than \$0, unaudited interim financials, including income statement and balance sheet and comparative data to the year-to-date budget and showing amounts in the Revenue Stabilization Account, as submitted by Borrower to its Governing Board, within 10 days from the end of the calendar month, as required under Section 8.05(b)(v) of the Loan Agreement. Such reports are outstanding for each month to date in the Borrower's Fiscal Years ending June 30, 2012 and June 30, 2013.
- Within six (6) weeks after the end of Borrower's Fiscal Year, a certificate executed by the Borrower's president or chief financial officer meeting the requirements set forth under Section 8.05(d) of the Loan Agreement. Such certificate is outstanding for the Fiscal Year ending June 30, 2012.
- Simultaneously with delivery to the Authorizer or the State of Idaho, and in any event within 30 days of the Borrower's receipt thereof, the result of any educational testing required by State of Idaho or federal law, as required under Section 8.05(f) of the Loan Agreement. Such reports are outstanding for all educational testing performed to date during the Borrower's Fiscal Years ending June 30, 2012 and June 30, 2013.

Each of the Borrower's failures (shown above) to provide the reports and certificates required under the Loan Agreement, constitute Events of Default under the Loan Agreement and other Bond Documents.

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EXHIBIT B: FYE 2013 MODIFIED CASHFLOW

FYE 2013 Modified Cashflow

	April	May	June	Accrued	Total
Begin Month Cash Balances	\$ 83,818	\$ 2,251	\$ 128,465	\$ 250,573	\$ 83,818
Loans	\$ 83,000	\$ -	\$ -	\$ -	\$ 83,000
Local Revenue	\$ -	\$ 2,000	\$ 2,000	\$ -	\$ 4,000
State Revenue	\$ 44,700	\$ 386,333	\$ 6,000	\$ 49,948	\$ 486,981
Transfer from Reserves	\$ 99,000	\$ 155,000	\$ -	\$ -	\$ 254,000
Total Revenue	\$ 226,700	\$ 543,333	\$ 8,000	\$ 49,948	\$ 827,981
Employee Compensation	\$ 248,558	\$ 255,595	\$ 241,757	\$ 278,390	\$ 1,024,299
Supplies & Services	\$ 59,708	\$ 75,024	\$ 136,448	\$ 22,132	\$ 293,312
Debt & Other	\$ -	\$ 86,500	\$ -	\$ -	\$ 86,500
Total Expenses	\$ 308,267	\$ 417,119	\$ 378,205	\$ 300,521	\$ 1,404,111
Monthly Operating Surplus/(Deficit)	\$ (81,567)	\$ 126,214	\$ (370,205)	\$ (250,573)	\$ (576,130)
Month-End Cash	\$ 2,251	\$ 128,465	\$ (241,739)	\$ (0)	\$ (492,312)
Bond Interest Fund Concession			\$ 492,312		
Month-End Unrestricted Cash Balance After Forbearance Funds (Target is \$5000)					

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EXHIBIT C: FYE 2014 MODIFIED CASHFLOW

FYE 2014 Modified Cashflow

	July	August	September	October	November	December
Begin Month Unrestricted Cash Balances	\$ 250,573	\$ 1,062,382	\$ 1,741,281	\$ 1,406,544	\$ 1,900,033	\$ 2,056,477
Local Revenue	\$ -	\$ 25,000	\$ 10,000	\$ 1,563	\$ 1,563	\$ 1,563
State Revenue	\$ 1,115,938	\$ 952,941	\$ -	\$ 867,972	\$ 531,778	\$ -
Total Revenue	\$ 1,115,938	\$ 977,941	\$ 10,000	\$ 869,535	\$ 533,341	\$ 1,563
Employee Compensation	\$ 225,650	\$ 232,848	\$ 276,178	\$ 277,748	\$ 285,594	\$ 282,456
Classroom Expenses	\$ 52,289	\$ 26,402	\$ 28,767	\$ 72,906	\$ 55,911	\$ 63,036
Facility Expenses	\$ 3,200	\$ 31,150	\$ 31,150	\$ 16,750	\$ 16,750	\$ 16,750
Administrative Expenses	\$ 22,990	\$ 8,642	\$ 8,642	\$ 8,642	\$ 18,642	\$ 8,642
Total Operating Expenses	\$ 304,129	\$ 299,042	\$ 344,737	\$ 376,046	\$ 376,897	\$ 370,884
Monthly Operating Surplus/(Deficit)	\$ 811,809	\$ 678,899	\$ (334,737)	\$ 493,489	\$ 156,444	\$ (369,321)
Month-End Cash	\$ 1,062,382	\$ 1,741,281	\$ 1,406,544	\$ 1,900,033	\$ 2,056,477	\$ 1,687,156

Month-End Unrestricted Cash Balance
After Forbearance Funds (Target is \$5000)

	January	February	March	April	May	June	Accrued	Total
\$	1,687,156	\$ 1,349,626	\$ 1,297,643	\$ 942,850	\$ 598,144	\$ 909,315	\$ 250,573	\$ 250,573
\$	1,563	\$ 1,563	\$ 1,563	\$ 1,563	\$ 1,563	\$ -	\$ -	\$ 47,500
\$	-	\$ 320,754	\$ -	\$ -	\$ 686,376	\$ -	\$ 143,496	\$ 4,619,257
\$	1,563	\$ 322,317	\$ 1,563	\$ 1,563	\$ 687,939	\$ -	\$ 143,496	\$ 4,666,757
\$	265,193	\$ 285,594	\$ 282,456	\$ 269,901	\$ 285,594	\$ 262,054	\$ 321,090	\$ 3,552,355
\$	48,508	\$ 63,314	\$ 48,508	\$ 50,975	\$ 65,781	\$ 43,911	\$ 1,161	\$ 621,468
\$	16,750	\$ 16,750	\$ 16,750	\$ 16,750	\$ 16,750	\$ 16,570	\$ 16,570	\$ 232,637
\$	8,642	\$ 8,642	\$ 8,642	\$ 8,642	\$ 8,642	\$ 8,086	\$ 6,483	\$ 133,981
\$	339,092	\$ 374,300	\$ 356,355	\$ 346,268	\$ 376,768	\$ 330,620	\$ 345,304	\$ 4,540,442
\$	(337,530)	\$ (51,983)	\$ (354,793)	\$ (344,706)	\$ 311,171	\$ (330,620)	\$ (201,808)	\$ 126,315
\$	1,349,626	\$ 1,297,643	\$ 942,850	\$ 598,144	\$ 909,315	\$ 578,695	\$ 48,765	\$ 376,887