

NORTH STAR PUBLIC CHARTER SCHOOL

◦ 839 North Linder Road ◦ Eagle, Idaho 83616 ◦ Phone 208 - 939-9600 ◦ Fax 208 - 939-6090

IB World School – International School of Business & Economics

June 10, 2013

Juan “Mike” Vuittonet, Chairman
Board of Trustees
Joint School District No. 2
1303 E. Central Drive
Meridian, Idaho 83642

R.E. Corrective Action Plan

Mr. Vuittonet:

On April 3, 2013 Joint School District No. 2 (hereinafter “MERIDIAN”) acting through its Board of Trustees transmitted to North Star Charter School (hereinafter “NORTH STAR”) a Notice of Defect. The Notice of Defect required NORTH STAR to reply in 30 days. It specifically and uniquely identified the following as the conditions which were to be addressed in a Corrective Action Plan:

“...(d) failed to demonstrate fiscal soundness. In order to be fiscally sound, the public charter school must be (i) fiscally stable on a short-term basis, that is, able to service all upcoming obligations; and (ii) fiscally sustainable as an on-going concern, that is, able to reasonably demonstrate its ability to service any debt and meet its financial obligations for the next fiscal year...” (emphasis added)(The “next fiscal year” for NORTH STAR in this context was July 1, 2013 to June 30, 2014)

NORTH STAR subsequently requested an extension of time to respond, which request was denied without comment or explanation.

On May 3, 2013 NORTH STAR submitted to MERIDIAN its Corrective Action Plan (hereinafter the “Plan”). The Plan identified 45 days as a reasonable time to implement its terms, and committed to a report to MERIDIAN if the Plan was successfully implemented prior to the passage of that 45 day period. This letter is provided to MERIDIAN as a report regarding the execution, implementation and consummation of the Plan.

The Plan has been completely and successfully executed and implemented. As a result of the Plan, NORTH STAR can confidently report that short-term fiscal stability has been completely restored and fiscal sustainability over the course of the next fiscal year is now assured. The basis for the Notice of Defect no longer exists. A summary of key events related to the Corrective Plan, and information regarding the specific elements of the plan follow.

Events Demonstrating Implementation of the Plan

The following are highlights of events that have transpired in April, May and June with regard to the Plan:

1. **Repair and Replacement Reserve.** On April 13, 2013 the Bond Trustee transmitted to NORTH STAR the sum of \$50,000 from a Repair and Replacement fund held by the Bond Trustee. This funding was noted in the Plan. On May 8, 2013, the Bond Trustee transmitted an additional \$105,000 from the same fund yielding a total of \$155,000 from that reserve fund.
2. **Short-Term Debt and Repayment.** In April NORTH STAR borrowed \$70,000 from a private lender and an additional \$13,000 from the North Star PTO; those sums were fully and completely repaid by the end of May.
3. **Brown Bus Forbearance.** NORTH STAR reached an informal forbearance arrangement with Brown Bus allowing NORTH STAR time to reach an agreement with its bondholders. Brown Bus will be brought fully current on June 11, 2013.
4. **May State Foundation Payment.** NORTH STAR received its May State Foundation payment in the amount of \$386,333. That amount has been used to pay various obligations including Brown Bus, consultants, vendors, short-term debt, personnel and other costs.
5. **Bondholder Forbearance Agreement.** On June 6, 2013 NORTH STAR concluded and fully executed a Forbearance Agreement with the Bond Trustee, supported by a majority of the bondholders (as required by the terms of the bond documents and the Plan). A copy of the Forbearance Agreement is attached hereto as Exhibit "A". The success of the Forbearance Agreement in terms of the implementation of the Plan is discussed below.

6. Cash Receipt per Forbearance Agreement. On June 6, 2013 NORTH STAR received, pursuant to the Forbearance Agreement, the sum of \$492,312 disbursed from funds held by the Bond Trustee for security for obligations owed by NORTH STAR to the bondholders. This amount, when combined with year-end State Foundation payments, will be sufficient to meet all financial obligations for FY2013.
7. Consultant Engagement Letter. On June 6, 2013 NORTH STAR entered into an Engagement Letter with American Preparatory Schools (hereinafter "APS") of Draper, Utah, to provide assistance and support during FY 2014. Pursuant to that letter, Mr. Lincoln Fillmore of APS has been designated Chief Restructuring Officer for NORTH STAR to assist in creation of longer-term (post FY 2014) restructuring of the bonds and to communicate with bondholders during forthcoming negotiation for the restructuring of bonds subsequent to FY 2014. The Bond Trustee will pay all compensation to APS from reserve funds controlled by that trustee.
8. Stakeholder Communication. In April, NORTH STAR engaged Red Sky Public Relations to assist with a comprehensive and professional approach to stakeholder communication. NORTH STAR has held weekly status meetings with faculty and staff and periodic Town Hall meetings for parents. In addition, NORTH STAR held in-class meetings with students in the 9th, 10th and 11th grades to help students understand the outstanding issues. Chairman Miller has also issued periodic reports to parents and other stakeholders. These meetings were designed to help all stakeholders to understand in a transparent way the conditions, process and strategy behind the Plan.
9. FY 2014 Budget and Enrollment Assumptions. NORTH STAR has worked diligently on enrollment projections and on the FY 2014 budget. Exhibits B and C to the Forbearance Agreement represent budget-based cash flow projections. Exhibit B represents the conclusion of FY 2013, and Exhibit C represents FY 2014. The FY 2014 analysis assumes a total enrollment of 965 students, including 56 new students from the addition of a third 1st Grade and a third Kindergarten. These class additions have necessitated the procurement of two portable classrooms. On June 6, 2013 the Board of Trustees authorized and instructed administration to procure those portable classrooms. Alternative space accommodations may still be considered. The cash flows have been agreed upon by NORTH STAR, APS, and the Bond Trustee.
10. FY 2014 Enrollment Strategy. With regard to enrollment strategy, NORTH STAR has been diligently gathering data and working on obtaining reliable enrollment information. As of June 6, 2013, for the grades 7-11, NORTH STAR understands that 28 students have withdrawn for next year, but 44 new students will be joining the North

Star family, for a net increase of 16. These are of course early results and NORTH STAR expects further movement over the summer break. NORTH STAR is still highly confident of the 965 number reflected in the cash flow analysis (Exhibit C to the Forbearance Agreement). The addition of the new 1st Grade and Kindergarten are well supported by waitlist candidates and NORTH STAR has started to fill those seats. Active recruitment continues.

Corrective Action Plan Report

The Corrective Action Plan has been fully and successfully implemented as follows (the terms of the original Plan term are set forth, followed by a report on Plan implementation in red):

1. *“Short-Term Fiscal Stability: Since receipt of the Notice, NORTH STAR has received the proceeds of a private loan in the amount of \$70,000 and proceeds of a loan from the NORTH STAR PTO in the amount of \$13,000. NORTH STAR has also properly drawn on its Repair and Replacement Reserve (based on actual repair and replacement expenses already paid by NORTH STAR) in the amount of \$50,000. The amounts have been used to pay usual expenses up through the end of the month of April. The loans will be repaid with State Funding sums (expected to be approximately \$300,000) due approximately May 17th.”*

The two loans aggregating \$83,000 have been fully repaid. In addition to \$50,000 previously received from the Repair and Replacement Reserve, NORTH STAR received an additional \$105,000 from that fund in May, representing total receipts from the fund of \$155,000. While the Bond Trustee did not agree that withdrawals from that reserve fund were necessarily proper, he did nonetheless allow and facilitate the withdrawals in anticipation of the Forbearance Agreement.

2. *“Short-Term Fiscal Stability: In additional to the above, NORTH STAR has properly requested and expects to receive approximately \$100,000 properly drawn from Repair and Replacement Reserve, again based upon repairs and replacements already undertaken and paid by NORTH STAR. Documentation supporting the draw-down has been submitted as requested to the trustee and as of May 3rd we are awaiting processing. The Trustee has agreed that upon review of the documentation the amounts will be forwarded to NORTH STAR. Repair and Replacement Reserves will be replenished over the course of the next year or will be subject to forbearance as provided by the terms of that reserve fund and pursuant to the plan set forth below.”*

As noted above, the additional \$105,000 was received. The replenishment of the Repair and Replacement Reserve has been addressed in the Forbearance Agreement and will

be resolved in the course of negotiations concerning the post-2014 restructuring.

3. *“Short-Term Fiscal Stability: Between May 3, 2013 and the conclusion of the steps outlined below, all accounts will be serviced within 90 days of invoice receipt except for accounts as to which forbearance agreements are in place. All accounts payable (including those as to which there is a forbearance agreement—not including bond debt service--will be paid and brought current no later than June 30, 2013 using funds described in Section 6(d) below.”*

Upon receipt of the funds on June 6, 2013 NORTH STAR has commenced the payment of all outstanding obligations pursuant to this term of the Plan. As of the date of this report, June 10, 2013, all past due and current obligations including remaining obligations to Brown Bus, attorneys, consultants, vendors, reimbursements and other costs have been paid.

4. *“Short-Term Fiscal Stability: Based upon the Forbearance Agreement described below, NORTH STAR will pay all personnel costs (salaries, benefits and taxes) on time through the end of the current fiscal and contract year (and through the 2013-2014 fiscal and contract year).”*

All personnel costs (salaries, benefits and taxes) have been fully and timely paid as of the date of this report and will be fully and timely paid through the end of FY 2013 and FY 2014 (the years of concern with regard to the Notice of Defect.) Funds adequate to pay such obligations and all other obligations are either in-hand in NORTH STAR accounts, or will be supported by the year-end payment from the State of Idaho. The cash flow projections supporting the payment of such obligations are set forth in Exhibit B to the Forbearance Agreement and are agreed by NORTH STAR, APS, and the Bond Trustee.

5. *“Short-Term Fiscal Stability: All normal year-end activities of the school (including graduation, testing, prom, and preparation for summer fund-raising events, among others) will occur in a timely manner and all costs associated therewith will be paid in accordance with the provisions of Section 3 above.”*

This term of the Plan has been fully and completely fulfilled.

6. *“Short-Term Stability and Long-Term Stability as an On-going Concern: A Forbearance Agreement will be executed between NORTH STAR and a Majority of the Bondholders. Under the terms of the Bond Indenture, a Majority of Bondholders may agree to a*

Forbearance Agreement which is binding on all Bondholders. The drafting of such a Forbearance Agreement is already in process and is in advanced stages of negotiation. The Trustee (acting on behalf of a Majority of the Bondholders) and personnel at NORTH STAR are actively engaged in due diligence and determination of appropriate quantitative values as indicated below. The Forbearance Agreement is an essential element of the Corrective Action Plan, and NORTH STAR expects that this element of that plan will be in place and effective within the requisite "reasonable time", that is, 45 days. The Forbearance Agreement will contain the following provisions:"

The Forbearance Agreement was executed on June 6, 2013 and is attached hereto.

- a. *"Long-Term Stability as an On-going Concern: A one year term of forbearance on bond debt service and bond obligations and covenants sufficient to allow normal operation of the school with ability to timely service all obligations, to continue through the end of the next fiscal year, in accordance with the long-term financial stability requirements under Idaho Code 33-5209 (2)(d)(ii)."*

The Forbearance Agreement satisfies this term. Bondholders have agreed to forbear from any claim or action against NORTH STAR so long as the terms of the Agreement are followed. Bondholders provided monies from the Repair and Replacement Reserve and from other reserve accounts sufficient to conclude the FY 2013 year with all obligations fulfilled (an amount totaling approximately \$647,000.) Bondholders have agreed that only \$360,000 will be deducted from total State Foundation Payments (as opposed to approximately \$1.2 million specified under the existing terms of the Bond Indenture and Loan Agreement) with remaining amounts available to NORTH STAR for operations in FY2014. Based on the cashflow projections prepared by APS and agreed by Mr. George Coburn and the Board of Trustees of NORTH STAR (see Exhibit C to the Forbearance Agreement), NORTH STAR will be fiscally sound through FY 2014 will be able to operate all programs as usual.

We note that the financial arrangement so comprised allows NORTH STAR to restore some service items in FY 2014. The budget, upon which the cash flow projections were based, includes the addition of 5 FTE personnel (to be determined, but including teachers for the new 1st Grade and Kindergarten, additional building maintenance staff, and paraprofessionals.) Teachers will receive modest salary increases. Additional academic administrative support will be provided, as well as additional staff development. Additional facilities will be provided for the two new classes. None of the increases are anything more than

modest, but they do represent improvement.

- b. *“Stability Subsequent to Period of Statutory Concern: An agreement to work in good faith to achieve an agreement as to terms to assure the financial stability of NORTH STAR in years subsequent to 2013-2014, including necessary adjustments to bond debt service and other bond terms.”*

This provision is included as recital N in the Forbearance Agreement, with a stated goal for completion of February 28, 2014. Planning for longer-term negotiations will commence in a conference call scheduled for June 20, 2013.

- c. *“Long-Term Stability as an On-going Concern: Protection for NORTH STAR from any consequences of any defaults or covenant failures under the bond agreements during the term of the Forbearance Agreement.”*

Such protection is provided by the Forbearance Agreement.

- d. *“Short-Term Stability: the Trustee will disburse in a timely manner from an existing Interest Reserve (current balance at approximately \$1.5 Million) of \$550,000 +/- 5%. This sum will allow the 2012-2013 fiscal year to be completed with complete service of all obligations for the year, as required by Idaho Code 33-5209. Trustee will agree to cause such amounts (in a single payment or in periodic payments) to reach NORTH STAR in sufficient time to allow NORTH STAR to make timely payment for the remainder of Fiscal year 2012-13 and Contract year 2012-2013.”*

Based upon the cashflow analysis represented by Exhibit B to the Forbearance Agreement, and further clarity as to the amount due from the State of Idaho, the Bond Trustee agreed to provide approximately \$492,000 from the reserves held by the Bond Trustee, plus \$155,000 held in the Repair and Replacement Reserve mentioned above. The total funding from the trustee-held reserve accounts pursuant to the Forbearance Agreement amounted to approximately \$647,000. Such amounts have been received and are either disbursed or now in NORTH STAR accounts.

- e. *“Long-Term Stability as an On-going Concern: Agreement for Forbearance of sufficient debt service obligations under the bond to assure that NORTH STAR can service the remaining debt, meet its financial obligations, and continue to provide services at the high level of quality which is currently the trademark of NORTH*

STAR. The exact amount of the debt service reduction will be agreed on by the parties in the 45 day implementation period and will be sufficient to satisfy the requirement of Idaho Code 33-5209."

As noted above, concessions on the amount of debt service payments that will be taken from State Foundation payments are very substantial (bondholders will forego approximately \$860,000 in debt service payments from State Foundation payments) and based upon the cash flow analysis included as Exhibit C to the Forbearance Agreement will assure the financial stability of NORTH STAR pursuant to Idaho Code 33-5209 through FY 2014.

- f. "Other legal terms as necessary to appropriately effectuate the Forbearance Agreement including confession of default, remedies for breach of the Forbearance Agreement and other protections for the bondholders as necessary."*

Such terms are included in the Forbearance Agreement attached hereto. Note that NORTH STAR believes that many of admissions and concessions made in that agreement are already contained in the original bond documents such that terms of the Forbearance Agreement in many cases simply reaffirm concessions made at the time of the original bond issuance. NORTH STAR believes that all admissions of default made in the agreement are supported in fact.

We note that in the course of the negotiations concerning the Forbearance Agreement we have perceived and experienced a significantly improved working relationship with the bondholders, the Bond Trustee, and their legal counsel. We believe that each side has experienced increased understanding and hopefully trust by virtue of these talks. We understand mutual goals and needs with greater clarity. We are very optimistic about the prospects for a workable and successful solution to bond restructuring and are committed to begin work immediately towards that end.

With the successful implementation of the Forbearance Agreement and various other solutions identified herein, NORTH STAR has assured and demonstrated (to all Stakeholders) that it is *"... (i) fiscally stable on a short-term basis, that is, able to service all upcoming obligations; and (ii) fiscally sustainable as an on-going concern, that is, able to reasonably demonstrate its ability to service any debt and meet its financial obligations for the next fiscal year..."*

The Forbearance Agreement is now fully in effect, monies have been transferred, and all terms of the Corrective Action Plan are satisfied and operative. It is our expectation that the Notice of Defect will be dismissed immediately.

North Star is a leader among Idaho Charter Schools. We routinely demonstrate outstanding academic and extra-curricular results and we are proud to have on-board a truly outstanding array of both elementary and secondary teachers. We are starting now to work towards another great year in the 2013-2014 academic year.

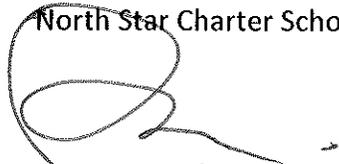
Sincerely,



James C. Miller, Chairman
Board of Trustees
North Star Charter School



William J. Russell, Vice-Chairman
Board of Trustees
North Star Charter School



George S. Coburn
Director of Financial Affairs
North Star Charter School

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,

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 2

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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 3

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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 4

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;

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 5

- (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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 6

(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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 7

(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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 8

(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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 9

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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 10

(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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 11

(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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 12

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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 13

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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 14

(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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 15

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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 16

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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 17

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;

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 18

- (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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 19

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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 20

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]

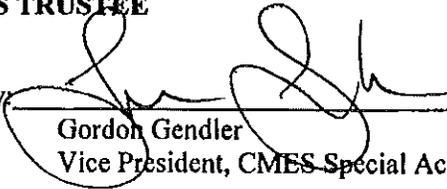
FORBEARANCE AGREEMENT

**\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009**

Page 21

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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

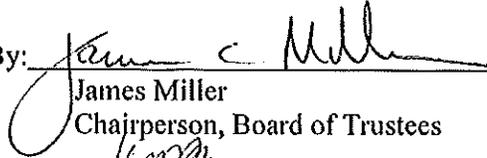
Page 21

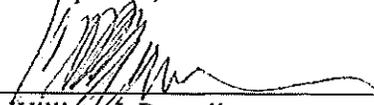
IN WITNESS WHEREOF, the Trustee and the Borrower have executed this
Forbearance Agreement as of the date first above written.

**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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 22

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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 23

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

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 24

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.

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 25

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)					

FORBEARANCE AGREEMENT

\$11,775,000 Idaho Housing and Finance Association
Nonprofit Facilities Revenue Bonds
(North Star Charter School, Inc. Project) Series 2009

Page 26

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