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APPENDIX B

THE BORROWER AND THE CHARTER SCHOOLS

General

Cosmos Foundation, Inc. (the "*Borrower*") is a non-profit corporation incorporated in the State of Texas (the "*State*") in 1999. The Borrower is an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*"). The Borrower currently operates thirty-three open-enrollment charter schools throughout the State and plans to begin operations at four additional campuses in the fall of 2011 and five additional campuses in the fall of 2012, including two campuses expected to be leased in the future (collectively, the "*Charter Schools*"). Table 1 below presents certain basic information concerning the Charter Schools.

TABLE 1: CHARTER SCHOOLS[1]

Charter Name/Campus Name	Grades Offered[2]	Campus Enrollment[2]	Year Opened[3]	Free/Reduced Lunch (Low-Income)[2]
Harmony Science Academy				
1. Harmony Science Academy High School – Houston	9–12	389	2000–01	Approximately 73%
2. Harmony School of Innovation – Houston	K–8	587	2005–06	Approximately 66%
3. Harmony School of Ingenuity – Houston	K–9	500	2009–10	Approximately 67%
4. Harmony Science Academy – Beaumont	K–11	487	2007–08	Approximately 43%
5. Harmony Science Academy – Houston	K–8	340	2000–01	Approximately 81%
6. Harmony School of Art and Technology – Houston	K–8	406	2010–11	Approximately 55%
Harmony School of Excellence				
1. Harmony School of Excellence – Houston	K–8	751	2006–07	Approximately 21%
2. Harmony School of Excellence – Endeavor	K–8	462	2009–10	Approximately 82%
3. Harmony Science Academy – Bryan/College Station	K–12	281	2007–08	Approximately 57%
4. Harmony Science Academy – Houston Northwest	K–8	644	2006–07	Approximately 47%
5. Harmony School of Advancement – Houston	9–12	279	2010–11	Approximately 35%
6. Harmony School of Discovery – Houston	K–8	350	2010–11	Approximately 37%
Harmony School of Science				
1. Harmony School of Science – Houston	K–8	615	2008–09	Approximately 48%
2. Harmony School of Science High School – Houston	9–12	N/A	2011–12[4]	N/A
Harmony Science Academy (Waco)				
1. Harmony Science Academy – Waco	K–11	589	2007–08	Approximately 76%
2. Harmony Science Academy – Dallas	K–12	967	2007–08	Approximately 82%
3. Harmony School of Innovation – Dallas	K–9	491	2009–10	Approximately 42%
4. Harmony Science Academy – Garland	K–8	405	2010–11	Approximately 44%
5. Harmony School of Business – Dallas	K–8	N/A	2012–13[5]	N/A
Harmony Science Academy (Fort Worth)				
1. Harmony Science Academy – Fort Worth	K–12	599	2006–07	Approximately 33%
2. Harmony Science Academy – Grand Prairie	K–10	494	2008–09	Approximately 62%
3. Harmony Science Academy – Euless	K–9	568	2009–10	Approximately 47%
4. Harmony School of Nature and Athletics – Dallas	K–8	462	2010–11	Approximately 37%
5. Harmony School of Innovation – Fort Worth	K–8	N/A	2011–12[4]	N/A
Harmony Science Academy (Austin)				
1. Harmony Science Academy – Austin	K–8	330	2000–01	Approximately 80%
2. Harmony Science Academy – North Austin	5–12	561	2008–09	Approximately 45%
3. Harmony School of Excellence – Austin	K–9	497	2009–10	Approximately 66%
4. Harmony School of Science – Austin	K–8	519	2006–07	Approximately 29%
5. Harmony School of Political Science and Communication – Austin	K–8	N/A	2011–12[4]	N/A
Harmony Science Academy (El Paso)				
1. Harmony Science Academy – El Paso	K–12	735	2006–07	Approximately 74%
2. Harmony School of Innovation – El Paso	K–9	474	2009–10	Approximately 62%
3. Harmony School of Nature and Athletics – Houston	K–8	N/A	2012–13[5]	N/A
Harmony Science Academy (San Antonio)				
1. Harmony Science Academy – San Antonio	K–12	731	2006–07	Approximately 52%
2. Harmony School of Innovation – San Antonio	K–8	177	2010–11	Approximately 81%
Harmony Science Academy (Lubbock)				
1. Harmony Science Academy – Lubbock	K–11	403	2007–08	Approximately 79%
2. Harmony Science Academy – Odessa	K–8	236	2010–11	Approximately 63%

Harmony Science Academy - Laredo				
1. Harmony Science Academy – Laredo	K–10	627	2008–09	Approximately 62%
2. Harmony Teacher Academy – Houston	K–8	N/A	2011–12[4]	N/A
Harmony Science Academy - Brownsville				
1. Harmony Science Academy – Brownsville	K–10	414	2008–09	Approximately 66%
2. Harmony School of Language – Houston	K–8	N/A	2012–13[5]	N/A
TOTAL ENROLLMENT		**16,370**		

(1) In addition to the Charter Schools shown, the Borrower intends to open additional campuses in El Paso and San Antonio at the start of the 2012–13 school year. It is anticipated that such properties will be leased and will serve students in grades K-8. The Borrower has not yet identified the campuses to be leased.
(2) As of October 22, 2010.
(3) The year opened reflects the year in which the Borrower began operating a Charter School at such location.
(4) Expected to open to students at the start of the 2011–12 school year.
(5) Expected to open to students at the start of the 2012–13 school year.

History, Growth Strategy and Other Information Relating to the Borrower and the Charter Schools

General

As described above, the Borrower was originally formed in 1999. The Borrower opened Harmony Science Academy in Houston, its first Charter School, in 2000. The Borrower opened its second Charter School in Austin in 2002, its third Charter School in Dallas in 2004, and its fourth Charter School in Houston in 2005. Since that time, the Borrower has grown rapidly, adding five additional Charter Schools in each of 2006, 2007 and 2008, six additional Charter Schools in 2009, and eight additional Charter Schools in 2010. The Borrower's goal is for its Charter Schools to be high-performing college preparatory schools that focus on math, science, engineering and computer technologies. The Charter Schools are typically located in underserved communities. The Charter Schools provide students with the opportunity to excel in their studies in a small classroom environment focused on providing the skills they need to succeed later in life. The Borrower's vision is to lead its students from the classroom into the world as productive and responsible citizens, and even Nobel laureates. The Borrower's mission is to prepare each student for higher learning in a safe, caring and collaborative atmosphere through a quality, learner-centered educational program with a strong emphasis on math, science, engineering and technology.

Growth Strategy

The Borrower anticipates opening four new Charter Schools for the 2011–12 school year and five new Charter Schools for the 2012–13 school year. Thereafter the Borrower anticipates opening three to four Charter Schools each year for the foreseeable future.

Support Service Agreements

The Borrower provides support services to other organizations who wish to replicate the Borrower's model for operating charter schools. Such organizations include (1) Riverwalk Education Foundation ("*Riverwalk*"), which operates four charter schools in Texas, (2) Millennium Education Foundation, which operates two charter schools in Missouri, (3) SKY Foundation, which operates four charter schools in Oklahoma, (4) Pelican Educational Foundation ("*Pelican*"), which operates two charter schools in Louisiana, (5) Focus Foundation ("*Focus*"), which operates one charter school in Albuquerque, New Mexico, (6) Read Foundation ("*Read*"), which operates one charter school in Memphis, Tennessee, and (7) Little Scholars of Arkansas Foundation ("*LISA*"), which operates two charter schools in Little Rock, Arkansas. The Borrower has entered into agreements (each a "*Support Service Agreement*") with each of the aforementioned organizations wherein the Borrower provides support services to each organization. Pursuant to the Support Service Agreements, the Borrower provides support in the following areas: school start up; facility management, financial consulting and advisory; professional leadership; technology and database support; student admissions, marketing and employee recruiting; curriculum and assessment; student development and school climate; cooperation with home-school, external organizations and science fair organizations; and academic and non-academic performance.

In exchange for its services, the Borrower receives 3% of each organization's annual state funding (except for the Support Service Agreements with Riverwalk and Pelican, for which the Borrower receives 5% of each organization's annual state funding, and Focus, for which the Borrower receives a flat fee of $45,000 per year). In fiscal year ending August 31, 2010, the Borrower received an aggregate of approximately $2.7 million in revenue from such Support Service Agreements. All Support Service Agreements terminate on June 30, 2011 (except for the Support Service Agreements between the Borrower and Riverwalk, which expire on August 31, 2011). The Support Service Agreements automatically renew upon mutual consent of each party delivered to the other party in writing at

least 60 days prior to termination. The Support Service Agreements may also terminate upon default by either party or by mutual agreement of the Borrower and the respective organization.

Recent Accomplishments

The Borrower has regularly been recognized for its accomplishments and notes the following as past highlights:

- Over 90% of the Charter Schools received "Exemplary" or "Recognized" accountability ratings in 2009–10.
- Harmony Science Academy High School – Houston was listed by *US News and World Report* as one of the best high schools among 21,000 public high schools across the county in 2007, 2008 and 2009.
- Harmony Science Academy – Houston, Harmony Science Academy – Austin, and Harmony Science Academy – Dallas have each experienced a 100% college acceptance rate and 0% dropout rate since 2004, 2006 and 2010, respectively.
- 95% of Charter School students that graduated in 2010 were accepted to 4-year colleges and 5% were accepted to 2-year colleges.
- Charter School students were recognized for the following achievements in MathCounts, a national middle school mathematics program that promotes mathematics achievement through a series of "bee" style contests:
    - 2011: Harmony School of Excellence – **[WHICH CITY?]** teams won 1st and 3rd place out of 80 teams in "Mathletes in Action" competition, with 5 team members placing in the top 10, including 1st, 2nd, and 3rd places;
    - 2010: Harmony School of Excellence – **[WHICH CITY?]** team won 1st place at Georgetown MathCounts Invitational Tournament;
    - 2010: Harmony Science Academy – Beaumont team won 1st place in Beaumont;
    - 2010: Harmony School of Excellence – Houston team won 2nd place in Texas, with one team member proceeding to the national competition;
    - 2010: Harmony School of Excellence – Houston team won 1st place in Mathletes in Action competition;
    - 2009: Harmony Science Academy – El Paso team won 2nd place in El Paso;
    - 2008: a Charter School student won 1st place at the national MathCounts competition; and
    - 2007: Harmony School of Excellence – Houston team member won 1st place in Houston.
- Charter School students were recognized for the following achievements at the following competitions where students build LEGO-based robots to complete tasks on a thematic playing surface:
    - 2010: Harmony Science Academy – El Paso won 8 awards at the Southwest FIRST LEGO League (FLL) Championship, including 1st and 2nd places; this team will represent Texas in the FLL World Festival and Championship in St. Louis, Missouri;
    - 2010: Harmony Science Academy – Beaumont team won 1st place at the BEST Robotics Competition held in Galveston;
    - 2010: Harmony Science Academy – Brownsville won 1st place at the FLL Robotics Championship Tournament held in Houston;
    - 2010: Harmony Science Academy – Laredo team received 1st place at the South Texas FLL Finals;
    - 2010: Harmony Science Academy – Dallas won 4th place at the North Texas FLL Championship;
    - 2009: Harmony Science Academy – El Paso team won 1st place at the Texas Alliance for Minorities in Engineering (TAME)/FLL Tri-State Robotics Championship and represented the United States in the 2009 European Open Championship Robotics Competition;
    - 2009: Harmony Science Academy – El Paso team won 1st and 2nd places at the Texas Computer Education Association (TCEA) Robotics Championship held in Austin; and
    - 2009: Harmony Science Academy – Beaumont won 1st place at the College Park FLL Qualifying Tournament.
- Charter School students were recognized for the following achievements at the following science fairs:
    - 2010: Harmony Science Academy – Euless won 9 awards at the Fort Worth Regional Science and Engineering Fair, including the Best School and Best Teacher awards;

- 2009: Harmony Science Academy – El Paso won 20 awards at a regional Science Olympiad tournament;
- 2009: Harmony Science Academy – El Paso won 20 awards at the Sun Country Regional Science and Engineering Fair;
- 2009: Harmony Science Academy – Fort Worth won 28 awards at the Fort Worth Regional Science and Engineering Fair;
- 2009: Harmony Science Academy – San Antonio won 1st and 2nd place awards and Harmony Science Academy – Laredo won 2nd and 4th place awards at the Texas Science and Engineering Fair;
- 2008: Harmony Science Academy – Dallas won 28 awards at a Science Olympiads tournament;
- 2007: Harmony Science Academy – San Antonio won 24 awards at the Alamo Regional Science and Engineering Fair, including two 2nd place awards;
- 2007: Harmony Science Academy – Houston won 22 awards at the Science and Engineering Fair of Houston, including a 2nd place award;
- 2007: Harmony Science Academy – Fort Worth won 22 awards at the Fort Worth Regional Science and Engineering Fair, including the Grand Award;
- 2007: Harmony Science Academy – Dallas won 36 awards and Harmony Science Academy – Fort Worth won 22 awards at a Science Olympiads tournament;
- 2007: Harmony Science Academy – Dallas won 20 awards at the Dallas Regional Science and Engineering Fair;
- 2007: Harmony Science Academy – Austin won a 3rd place award, four 4th place awards, and three honorable mentions at the Texas Science and Engineering Fair;
- 2007: Harmony School of Science – Austin won 12 awards and Harmony Science Academy – Austin won 29 awards at the Austin Regional Science Festival;
- 2007: Harmony School of Excellence – Houston won the Grand Award and six 1st place awards at the Science and Engineering Fair of Houston;
- 2007: Harmony School of Excellence – Houston team won 1st place at a regional Science Olympiads tournament; and
- 2006: Harmony Science Academy – Houston received a Bronze Medal at the International Math Project Competition held in Kazakhstan.

- The Borrower is responsible for establishing and organizing the International Sustainable World (Energy, Engineering, and Environment) Project (I-SWEEP), a science fair competition open to high school students and the largest science fair event of its kind world-wide. In 2010, students from 43 states and 70 countries participated in I-SWEEP.

- In 2005, Harmony Science Academy – Houston was one of only 52 schools in the nation—one of only two schools in Texas and the only charter school—to receive the National Title I Distinguished School Award for closing the achievement gap among ethnic groups.

- Fourteen of the Borrower's Charter Schools have been designated as T-STEM (Texas Science Technology Engineering and Mathematics) Academies and have received funding from public and private organizations such as the Gates Foundation and the Dell Foundation as part of the Texas High School Project. As of 2009, there were a total of 35 T-STEM Academies in Texas.

- Harmony Science Academy – Austin was selected as the best middle school in Central Texas in 2009 by Children at Risk, a nonprofit and nonpartisan organization that drives change for children through research, education and influencing public policy.

- Harmony Science Academy High School - Houston was listed as one of the top 10 high schools in Houston according to a study conducted by Children at Risk.

- Three Charter School students were named 2011 National Merit Scholarship finalists, with one student achieving a perfect score on the PSAT.

Educational Philosophy

The Charter Schools' teaching techniques and materials are a combination of four nationally recognized programs: Direct Teaching, Problem-Based Learning, Project-Based Learning and Collaborative Learning. Teachers tailor their teaching methods according to their students' needs.

Direct Instruction

Direct instruction is the most traditional teaching method wherein content is transmitted to students via a teacher, a book, video, or other repository of knowledge. It is essential for transmitting conventions of communication and social behavior. It is also used to transmit conceptual and methodological knowledge. Direct instruction is a systematic way of planning, communicating, and delivering in the classroom.

Problem-Based Learning

Problem-based learning is an educational approach that organizes curriculum and instruction around carefully crafted problematic situations adapted from real-world issues. Problem-based learning, as the name implies, begins with a problem for students to solve or learn more about. Guided by teachers, students develop critical thinking, problem-solving, and collaborative skills in addition to content knowledge as they identify problems, formulate hypotheses, conduct data searches, perform experiments, formulate solutions, and determine the "best fit" of solutions to the conditions of the problem.

Project-Based Learning

Project-based learning is a model for classroom activity that emphasizes learning activities that are long-term, interdisciplinary, student-centered, and integrated with real world issues and practices. The project-based learning approach uses a production model: First, students define the purpose for creating the end product and identify their audience. They research their topic, design their product, and create a plan for project management. Students then begin the project, resolve problems and issues that arise in production, and finish their product. Students may use or present the product they have created, and ideally are given time to reflect on and evaluate their work. The entire process is meant to be authentic, mirroring real world production activities and utilizing students' own ideas and approaches to accomplish the tasks at hand.

Collaborative Learning

Collaborative learning techniques involve two or more students working together to solve problems and complete tasks. Students learn to depend upon and use each others' strengths to solve problems. Research shows that collaborative work supports greater retention of subject matter, improved attitudes toward learning, and teaches children how to get along with each other.

Family Involvement

The Borrower believes that parental support is vital to the success of its Charter Schools. The Borrower believes that high student attendance is a result of high family involvement in the school's programs. Therefore, parents/guardians are asked to participate in the school process by volunteering to serve on a committee or in the classroom, run a social activity, or coach—all at the comfort level of the parent/guardian. Various programs encourage parents to reinforce at home what the students are learning at school. Teachers also conduct home visits, especially for those parents who have lower levels of communication with teachers because of their work schedules.

No Association with Gülen Movement

Certain internet web sites have suggested that the Borrower is affiliated with the "Gülen Movement," a transnational civic society movement inspired by the teachings of Turkish Islamic theologian Fethullah Gülen. The Borrower has no affiliation with the Gülen Movement. The Borrower recognizes that Mr. Gülen is a well known Turkish scholar, author, and peace-maker. His works are studied by many national and international scholars of various religions, including Islam, Judaism and Christianity. There are a number of institutes operated by universities that study Mr. Gülen's life and his works, including The Gülen Institute at the University of Houston.

Prior and Future Financings

Bond Financings. The Borrower has previously issued its Series 2007 Bonds, its Series 2009 Bonds and its Series 2010 Bonds (each described below). The uses of the proceeds of such Bonds is also set forth below:

Series 2007 Bonds. The Borrower used the proceeds of the Texas Public Finance Authority Charter School Finance Corporation's $28,860,000 Education Revenue Bonds (Cosmos Foundation), Series 2007A and $1,135,000 Taxable Education Revenue Bonds (Cosmos Foundation), Series 2007B (collectively, the "*Series 2007 Bonds*") to:

(i) purchase two previously leased buildings at Harmony Science Academy – Dallas;

(ii) purchase land and construct new buildings at Harmony Science Academy – Bryan/College Station and Harmony Science Academy-San Antonio; and

(iii) renovate leased facilities at Harmony Science Academy – Waco, Harmony Science Academy – Lubbock, Harmony Science Academy – Beaumont, and Harmony School of Science – Houston.

The Series 2007 Bonds are outstanding in the aggregate principal amount of $28,860,000. The Series 2007 Bonds are payable from payments to be made by the Borrower under two promissory notes (the "*Series 2007 Notes*") issued by the Borrower to the Texas Public Finance Authority Charter School Finance Corporation and assigned to the bond trustee for the Series 2007 Bonds as security therefor. The Series 2007 Notes are entitled to the benefit of the Master Indenture and are secured under the Master Indenture on a parity with the Series 2008 Notes (defined below), the Series 2010 Notes (defined below) and the Series 2011 Notes (defined below).

Series 2008 Bonds. The Borrower used the proceeds of the La Vernia Higher Education Finance Corporation's $30,075,000 Education Revenue Bonds (Cosmos Foundation), Series 2008A and $980,000 Taxable Education Revenue Bonds (Cosmos Foundation), Series 2008B (collectively, the "*Series 2008 Bonds*") to:

(i) purchase and renovate previously leased facilities at Harmony School of Innovation – Houston;

(ii) complete construction of facilities at Harmony Science Academy – San Antonio initially financed with proceeds of the Series 2007 Bonds (due to cost overruns);

(iii) purchase land for the future construction of Harmony School of Nature and Athletics – Dallas;

(iv) purchase land and construct new facilities at Harmony School of Excellence – Houston; and

(v) purchase and improve previously leased facilities at Harmony Science Academy – Lubbock and Harmony Science Academy – Austin.

The Series 2008 Bonds are outstanding in the aggregate principal amount of $30,755,000. The Series 2008 Bonds are payable from payments to be made by the Borrower under two promissory notes (the "*Series 2008 Notes*") issued by the Borrower to the La Vernia Higher Education Finance Corporation and assigned to the bond trustee for the Series 2008 Bonds as security therefor. The Series 2008 Notes are entitled to the benefit of the Master Indenture and are secured under the Master Indenture on a parity with the Series 2007 Notes, the Series 2010 Notes and the Series 2011 Notes.

Series 2010 Bonds. The Borrower used the proceeds of the Texas Public Finance Authority Charter School Finance Corporation's $50,090,000 Education Revenue Bonds (Cosmos Foundation, Inc.), Series 2010A and $39,910,000 Taxable Education Revenue Bonds (Cosmos Foundation, Inc.), Series 2010Q (Qualified School Construction Bonds – Direct Pay) (collectively, the "*Series 2010 Bonds*") to:

(i) construct new gymnasiums at Harmony Science Academy – Bryan/College Station and Harmony Science Academy – Lubbock;

(ii) renovate leased facilities at Harmony School of Excellence – Austin, Harmony Science Academy – North Austin, Harmony School of Innovation – Dallas, Harmony School of Innovation – El Paso, Harmony Science Academy – Dallas, and Harmony School of Discovery – Houston;

(iii) complete construction of facilities at Harmony School of Nature and Athletics – Dallas, Harmony School of Art and Technology – Houston, Harmony School of Innovation – San Antonio, Harmony School of Advancement – Houston, Harmony School of Innovation – Houston, and Harmony School of Ingenuity – Houston;

(iv) acquire land and construct new facilities at Harmony School of Political Science and Communication – Austin and Harmony School of Science High School – Houston;

(v) purchase previously leased facilities at Harmony Science Academy – Austin;

(vi) purchase and improve existing facilities at Harmony Science Academy – Garland; and

(vii) refinance existing debt.

The Series 2010 Bonds are outstanding in the aggregate principal amount of $90,000,000. The Series 2010 Bonds are payable from payments to be made by the Borrower under two promissory notes (the "*Series 2010 Notes*") issued by the Borrower to the Texas Public Finance Authority Charter School Finance Corporation and assigned to the bond trustee for the Series 2010 Bonds as security therefor. The Series 2010 Notes are entitled to the benefit of the Master Indenture and are secured under the Master Indenture on a parity with the Series 2007 Notes, the Series 2008 Notes and the Series 2011 Notes.

Series 2011 Bonds. See **"PLAN OF FINANCE"** in the Official Statement for additional information regarding the Projects to be financed with the proceeds of the Bonds. The Bonds are payable from payments to be made by the Borrower under two promissory notes (the "*Series 2011 Notes*") to be issued by the Borrower to the Texas Public Finance Authority Charter School Finance Corporation and assigned to the bond trustee for the Bonds as security therefor. The Series 2011 Notes will be entitled to the benefit of the Master Indenture and, upon the issuance of the Bonds, will be secured under the Master Indenture on a parity with the Series 2007 Notes, the Series 2008 Notes, the Series 2010 Notes, and any future promissory notes issued pursuant to the Master Indenture.

Other Obligations Secured Under the Master Indenture. In addition to the Series 2007 Notes, the Series 2008 Notes, the Series 2010 Notes and the Series 2011 Notes, the Borrower has issued a promissory note to evidence an equipment loan from Regions Bank, an affiliate of Morgan Keegan & Company, Inc., in the amount of $7.5 million (the "*Equipment Note*"). Prior to delivery of the Series 2011 Notes, the Borrower intends to issue an additional promissory note to evidence a bridge loan from Regions Bank, an affiliate of Morgan Keegan & Company, Inc., in the amount of $12.9 million (the "*Bridge Note*"). Both the Equipment Note and the Bridge Note were or will be issued pursuant to the Master Indenture and were or will be secured on a parity with the Series 2007 Notes, the Series 2008 Notes, the Series 2010 Notes and the Series 2011 Notes. The Borrower anticipates repaying the Equipment Note and the Bridge Note with proceeds of the Series 2011 Bonds.

In addition to the foregoing, the Borrower has issued certain promissory notes entitled to the benefit of the Master Indenture which are secured on a basis subordinate to the Series 2007 Notes, the Series 2008 Notes, the Series 2010 Notes and the Series 2011 Notes. Such promissory notes include two promissory notes issued by the Borrower to the Texas Public Finance Authority Charter School Finance Corporation relating to the Series 2007 Bonds and the Series 2008 Bonds. One such promissory note is in an amount equal to the lesser of $1,000,000 and the amount required to be on deposit in the debt service reserve fund relating to the Series 2007 Bonds. The second promissory note is in an amount equal to the lesser of $1,000,000 and the amount required to be on deposit in the debt service reserve fund for the Series 2008 Bonds. The Borrower has also issued a promissory note in the amount of $1.9 million (the "*LISA Note*") to evidence its obligations under a guaranty relating to the debt of LISA Academy ("*LISA*"), a non-profit corporation operating charter schools in Little Rock, Arkansas.

Other Long-Term Debt. In addition to indebtedness issued under and entitled to the benefit of the Master Indenture, the Borrower has incurred additional indebtedness, not secured under the Master Indenture, including the following:

HSA's obligations under notes payable consists of the following:

1. Note payable to a bank, secured by land and buildings. The note is dated August 5, 2009, and has a variable interest rate and a face amount of $6,650,000. The date of maturity is December 3, 2009, and the outstanding balance was $6,200,602 as of August 31, 2010.

2. Note payable to a bank, secured by land and buildings. The note is dated December 28, 2009, and has a 6.5% interest rate and a face amount of $4,300,000. The date of maturity is October 5, 2015, and the outstanding balance was $4,300,000 as of August 31, 2010.

3. Note payable to a finance company, secured by land and buildings. The note is dated June 15, 2009, and has a 6.15% interest rate and a face amount of $ 4,290,000. The date of maturity is May 15, 2039, and the outstanding balance was $4,066,033 as of August 31, 2010.

4. Note payable to a finance company, secured by land and buildings. The note is dated June 15, 2009, and has a 6.25% interest rate and a face amount of $2,110,000. The date of maturity is May 15, 2039, and the outstanding balance was $1,851,076 as of August 31, 2010.

Additionally, the Borrower has guaranteed a 3-year lease entered into by the Read Foundation, which operates a charter school in Memphis, Tennessee. Payments under the lease are approximately $11,000 per month.

Future Financings. The Borrower does not anticipate the issuance of additional Notes in the next two years. However, the Borrower expects to continue expanding by acquiring existing commercial facilities and converting them into charter schools. It is anticipated that such new facilities will be leased or financed with seller financing. The Borrower anticipates opening between 3 and 4 additional schools per year and hopes to have 45 charter schools in operation by 2013.

Facilities

The following table provides information regarding the locations from which the Charter Schools currently operate or will operate (with respect to schools not yet opened).

TABLE 2: EXISTING/PROPOSED FACILITIES[1]					
Charter Name/Campus Name & Address	**Own/Lease (Lease Expiration Date)**	**Approximate Square Footage**	**Year Built**	**Year Updated**	**Student Capacity**
Harmony Science Academy – Houston					
1. Harmony Science Academy High School – Houston, 9431–9441 W. Sam Houston Pkwy. S., Houston, TX	Own	35,000	1986	2010	875
2. Harmony School of Innovation – Houston, 9421 W. Sam Houston Pkwy. S., Houston, TX	Own	41,400	1986	2007	1,035
3. Harmony School of Ingenuity – Houston, 10555 Stella Link Rd., Houston, TX	Own	68,000	2000	2010	1,550
4. Harmony Science Academy – Beaumont, 4055 Calder Ave., Beaumont, TX	Lease (8/31/2012)	34,641	1993	2007	866
5. Harmony Science Academy – Houston, 5435 S. Braeswood Blvd., Houston, TX	Own	22,000	1976	2007	550
6. Harmony School of Art and Technology – Houston, 9115 Kirby Dr., Houston, TX	Own	73,000	2010	N/A	1,700
Harmony School of Excellence					
1. Harmony School of Excellence – Houston, 7340 N. Gessner Dr., Houston, TX	Lease (6/30/2020)	88,000	1984	2008	1,800
2. Harmony School of Excellence – Endeavor, 5668 W. Little York Rd., Houston, TX	Lease (8/13/2014)	32,913	1984	2009	820
3. Harmony Science Academy – Bryan/College Station, 2031 S. Texas Ave., Bryan, TX	Own	24,000	1990	2007	600
4. Harmony Science Academy – Houston Northwest, 16200 Tomball Pkwy. (SH 249), Houston, TX	Lease (7/31/2012)	47,000	1987	2007	1,175
5. Harmony School of Advancement – Houston, 3171 N. Sam Houston Pkwy. W., Houston, TX	Own	62,000	2010	N/A	1,550
6. Harmony School of Discovery – Houston, 6270 Barker Cypress Rd., Houston, TX	Own	34,500	2008	N/A	860
Harmony School of Science – Houston					
1. Harmony School of Science – Houston, 13415 W. Belfort Ave., Sugarland, TX	Lease (8/31/2014)	36,937	[____]	2008	920
2. Harmony School of Science High School – Houston, W. Airport Blvd. @ Eldridge Rd., Houston, TX	Own	[____][2]	2011[2]	N/A	[____][2]
Harmony Science Academy (Waco)					
1. Harmony Science Academy – Waco, 1900 N. Valley Mills Dr., Waco, TX	Lease (8/30/2012)	54,265	1988	2010	1,350
2. Harmony Science Academy – Dallas, 11945-12005 Forestgate Dr., Dallas, TX	Own[3]	48,000	1985	2007	1,200
3. Harmony School of Innovation – Dallas, 1024 W. Rosemeade Pkwy., Carrollton, TX	Lease[4] (8/31/2011)	41,000	1985	2009	1,000
4. Harmony Science Academy – Garland, 2302 Firewheel Pkwy., Garland, TX	Own	54,000	1995	N/A	1,200

5. Harmony School of Business – Dallas, SH 190 @ Frankford Rd., Dallas, TX	Own	48,000[2]	2012[2]	N/A	[____][2]
Harmony Science Academy (Fort Worth)					
1. Harmony Science Academy – Fort Worth, 5651 Westcreek Dr., Fort Worth, TX	Lease (8/31/2016)	47,000	1975	2009	1,175
2. Harmony Science Academy – Grand Prairie, 1102 NW 7th St., Grand Prairie, TX	Own	50,200	1981	2010	1,200
3. Harmony Science Academy – Euless, 701 S. Industrial Blvd, Euless, TX	Lease (8/31/2014)	48,000	2002	2010	1,200
4. Harmony School of Nature and Athletics– Dallas, 8120 W. Camp Wisdom Rd., Dallas, TX	Own	101,000	2011	N/A	2,000
5. Harmony School of Innovation – Fort Worth, 8080 W. Cleburne Rd., Fort Worth TX	Own	48,000[2]	2011[2]	N/A	[____][2]
Harmony Science Academy (Austin)					
1. Harmony Science Academy – Austin, 930 E. Rundberg Ln., Austin, TX	Own	22,000	1972	2002	550
2. Harmony Science Academy – North Austin, 1421 Wells Branch Pkwy. W., Pflugerville, TX	Lease (8/31/2015)	55,000	1998	2009	1,300
3. Harmony School of Excellence – Austin, 2100 E. Saint Elmo Rd., Austin, TX	Lease (8/31/2021)	49,966	1998	2009	1,200
4. Harmony School of Science – Austin, 11800 Stonehollow Dr., Austin, TX	Lease (8/30/2013)	31,650	1999	2007	790
5. Harmony School of Political Science and Communication – Austin, Lake Creek Pkwy. at FM 620, Austin, TX	Own	[____][2]	2011[2]	N/A	[____][2]
Harmony Science Academy (El Paso)					
1. Harmony Science Academy – El Paso, 9405 Betel Dr., El Paso, TX	Lease (6/15/2012)	86,000	2007	2007	2,000
2. Harmony School of Innovation – El Paso, 5210 Fairbanks Dr., El Paso, TX	Lease (12/31/2015)	72,000	1987	2009	1,800
3. Harmony School of Nature and Athletics– Houston, 0 Southwest Fwy, Sugar Land, TX	Own	48,000[2]	2011[2]	N/A	[____][2]
Harmony Science Academy (San Antonio)					
1. Harmony Science Academy – San Antonio, 8505 Lakeside Pkwy., San Antonio, TX	Own	62,000	**[2006]**	N/A	1,550
2. Harmony School of Innovation – San Antonio, 8125 Glen Mont Dr., San Antonio, TX	Own	74,700	2010	N/A	1,868
Harmony Science Academy (Lubbock)					
1. Harmony Science Academy – Lubbock, 1516 53rd St., Lubbock, TX	Own	53,000	1980	2009	1,325
2. Harmony Science Academy – Odessa, 2755 N. Grandview Ave., Odessa, TX	Lease (8/31/2020)	34,000	2001	N/A	850
Harmony Science Academy (Laredo)					
1. Harmony Science Academy – Laredo, 4401 San Francisco Ave., Laredo, TX	Lease (8/31/2013)	48,569	1997	2009	1,000
2. Harmony Teacher Academy – Houston, Westpark Tollway and Grand Pkwy., **[Katy]**, TX	Own	59,500[2]	2012[2]	N/A	[____][2]
Harmony Science Academy (Brownsville)					
1. Harmony Science Academy – Brownsville, 1124 Central Blvd., Brownsville, TX	Lease (8/31/2018)	44,000	1970	2009	1,000
2. Harmony School of Language – Houston, location to be determined	Own	50,000[2]	2011[2]	N/A	[____][2]

(1) In addition to the facilities shown, the Borrower intends to lease additional facilities in El Paso and San Antonio in 2012.

(2) Projected.

(3) The Borrower currently owns two buildings that constitute the Charter School and leases a third. The Borrower intends to purchase the currently leased building with the proceeds of the Bonds.

(4) The Borrower intends to purchase this facility with proceeds of the Bonds.

The Projects

The proceeds of the Bonds will be used for the Projects described below and to pay the costs of issuance of the Bonds. A portion of the proceeds of the Bonds will be utilized to refinance all of the outstanding principal of the Bridge Note ($12.9 million) and the Equipment Note ($7.5 million), the proceeds of which were utilized for expenses of the Projects.

TABLE 3: ESTIMATED PROJECT COSTS				
Campus	**2011A Related Costs(1)**	**2011Q Related Costs(1)**	**Total Cost of Project(1)**	**Project Description**
Harmony School of Language – Houston	$4,550,000	$5,000,000	$9,550,000	Construction of New Campus
Harmony School of Discovery – Houston	$2,700,000	—	$2,700,000	Expansion of Existing Campus
Harmony School of Science High School – Houston	$1,975,000	—	$1,975,000	Gym Addition
Harmony School of Political Science and Communication – Austin	—	$2,100,000	$2,100,000	Gym Addition
Harmony Science Academy – Austin	—	$3,252,000	$3,252,000	Expansion of Existing Campus
Harmony School of Innovation – Fort Worth	$9,100,000	—	$9,100,000	Construction of New Campus
Harmony School of Nature – Houston	$5,000,000	$5,356,000	$10,356,000	Construction of New Campus
Harmony Science Academy – Odessa	$400,000	—	$400,000	Expansion of Existing Campus
Harmony School of Business – Dallas	$4,000,000	$5,017,000	$9,017,000	Construction of New Campus
Harmony Science Academy – Garland	$650,000	—	$650,000	Campus Renovations
Harmony Science Academy – Dallas	$2,600,000	—	$2,600,000	Purchase Existing Building
Harmony School of Innovation – Dallas	$3,775,000	—	$3,775,000	Purchase Existing Building
Harmony Teacher Academy – Houston	$6,032,750	$5,086,000	$11,118,750	New Campus Expansion
Multiple Campuses	$7,500,000	—	$7,500,000	Refinance Existing Loans
Totals	**$48,282,750**	**$25,811,000**	**$74,093,750**	

(1) Preliminary, based upon current construction estimates.

(2) The totals do not match the aggregate principal amount of the Bonds because they do not include a deposit to the reserve fund, capitalized interest, or costs of issuance.

Project Construction

General

The Borrower employs a construction staff of five professionals for the purpose of overseeing the development of its construction projects. Generally, the Borrower's construction staff is responsible for architectural design and management of its construction projects. The Borrower does not anticipate entering into fixed-price construction contracts with respect to the Projects. Rather, the Borrower assumes the risk of completing the Projects on budget. The Borrower has been advised by its architect that the proceeds of the Bonds, together with other available funds of the Borrower, will be sufficient for the completion of the Projects. If the proceeds are not sufficient, the Borrower may not be able to complete the Projects in a timely fashion or at all, which could adversely affect the ability of the Borrower to generate sufficient revenues to pay debt service on the Bonds. Additionally, restrictions on the incurrence of additional Debt contained in the Master Indenture could limit the ability of the Borrower to incur additional Debt in order to complete the Projects in the event of a shortfall in the proceeds of the Bonds.

Projects in Process

In addition to the Projects being financed with proceeds of the Bonds, the Borrower is still in the process of completing certain projects originally financed with proceeds of the Series 2010 Bonds. Those projects include the improvements at Harmony Science Academy – Bryan/College Station, the completion of Harmony School of Science High School – Houston, the completion of the Harmony School of Political Science and Communication – Austin, and the completion of the Harmony School of Nature and Athletics – Dallas. The Borrower's architects have estimated that the foregoing projects are approximately 23.31%, 36.76%, 37.02%, and 80.89% complete, respectively, as of December 15, 2010. The Borrower's architects believe that such projects will be completed on time and within the original budget.

Environmental Assessments

The subsections that follow provide summary information relating to environmental site assessments performed at certain of the Borrower's campus sites. Each report speaks only as of its date, and the Borrower has not requested that any additional environmental assessment be made. Further, the reports are subject to limitations specified in each respective report, including that no environmental inspection can completely eliminate uncertainty regarding the potential for recognized environmental conditions in connection with a property. Potential investors must refer to the complete reports for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the reports are available as described under "**MISCELLANEOUS – Additional Information**" in the Official Statement. See also "**RISK FACTORS – Environmental Regulation**" in the Official Statement.

[REVIEW ENVIRONMENTAL ASSESSMENTS ON ALL PROPERTIES]

Charter Contracts

General

The Charter Schools operate or will operate pursuant to various open-enrollment charter contracts between the Borrower and the Texas State Board of Education (the "*State Board of Education*") under Chapter 12 of the Texas Education Code, Section 12.001 *et seq.* (the "*Charter Schools Act*"). The Charter Schools Act provides for the creation of charter schools in order to improve student learning, to increase the choice of learning opportunities within the public school system, to create professional opportunities that will attract new teachers to the public school system, to establish a new form of accountability for public schools and to encourage different and innovative learning methods. The Charter Schools Act provides for three kinds of charter contracts: home-rule school district charters, campus or campus programs charters, and open-enrollment charters. See "**APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW – GENERAL.**" A charter contract governs such matters as the recipient's authority to operate, student admissions and performance, financial management, and governance and operations. The term of an open-enrollment charter contract is not specifically provided under State law, and there is no formal annual review process. The current practice of the Texas Education Agency (the "*TEA*") is to grant open-enrollment charters for a five-year period and then to renew such charters for additional ten-year periods. At the end of each charter contract, each charter holder is required to submit a charter renewal application to the TEA. Charter schools are required to provide periodic reports to the TEA, including financial data, an annual governance report, and an annual financial audit report. Additionally, charter schools must report enrollment data to TEA every six weeks. If any such reports are missing or not satisfactory, the TEA may follow up with additional questions.

TABLE 4: CHARTER INFORMATION

Charter Name/Campus Name	Charter Granted/ Campus Opened	Original Charter Expiration Date	Current Charter Expiration Date	2009–10 Accountability Rating
Harmony Science Academy (Houston)	**05/19/00**	**07/31/05**	**07/31/15**	**Exemplary**
1. Harmony Science Academy High School – Houston	2000–01			Recognized[3]
2. Harmony School of Innovation – Houston	2005–06			Exemplary
3. Harmony School of Ingenuity – Houston	2009–10			**[Recognized]**
4. Harmony Science Academy – Beaumont	2007–08			Acceptable
5. Harmony Science Academy – Houston	2010–11			Recognized[3]
6. Harmony School of Art and Technology – Houston	2010–11			N/A
Harmony School of Excellence	**02/01/06**	**07/31/10**		**Exemplary**
1. Harmony School of Excellence – Houston	2006–07			Exemplary
2. Harmony School of Excellence – Endeavor	2009–10			Exemplary
3. Harmony Science Academy – Bryan/College Station	2007–08			Acceptable
4. Harmony Science Academy – Houston Northwest	2006–07			Exemplary
5. Harmony School of Advancement – Houston	2010–11			N/A
6. Harmony School of Discovery – Houston	2010–11			N/A
Harmony School of Science – Houston	**04/25/08**	**07/31/13**	**07/31/13**	**Exemplary**
1. Harmony School of Science – Houston	2008–09			Exemplary
2. Harmony School of Science High School – Houston	2011–12[1]			N/A
Harmony Science Academy (Waco)	**02/26/07**	**07/31/11**	**07/31/11**	**Exemplary**
1. Harmony Science Academy – Waco	2007–08			Exemplary

2. Harmony Science Academy – Dallas	2007–08			Exemplary
3. Harmony School of Innovation – Dallas	2009–10			Exemplary
4. Harmony Science Academy – Garland	2010–11			N/A
5. Harmony School of Business – Dallas	2011–12[1]			N/A
Harmony Science Academy (Fort Worth)	**02/01/06**	**07/31/10**		**Exemplary**
1. Harmony Science Academy – Fort Worth	2006–07			Exemplary
2. Harmony Science Academy – Grand Prairie	2008–09			Exemplary
3. Harmony Science Academy – Euless	2009–10			Exemplary
4. Harmony School of Nature and Athletics – Dallas	2010–11			N/A
5. Harmony School of Innovation – Fort Worth	2011-12[1]			N/A
Harmony Science Academy (Austin)	**05/19/00**	**07/31/05**	**07/31/15**	**Exemplary**
1. Harmony Science Academy – Austin	2000–01			Exemplary
2. Harmony Science Academy – North Austin	2008–09			Recognized
3. Harmony School of Excellence – Austin	2009–10			Exemplary
4. Harmony School of Science – Austin	2006–07			Exemplary
5. Harmony School of Political Science and Communication – Austin	2011–12[1]			N/A
Harmony Science Academy (El Paso)	**02/01/06**	**07/31/10**		**Recognized**
1. Harmony Science Academy – El Paso	2006–07			**[Exemplary]**
2. Harmony School of Innovation – El Paso	2009–10			Recognized
3. Harmony School of Nature – Houston	2012–13[2]			N/A
Harmony Science Academy (San Antonio)	**02/01/06**	**07/31/10**		**Recognized**
1. Harmony Science Academy – San Antonio	2006–07			Recognized
2. Harmony School of Innovation – San Antonio	2010–11			N/A
Harmony Science Academy (Lubbock)	**02/26/07**	**07/31/11**	**07/31/11**	**Recognized**
1. Harmony Science Academy – Lubbock	2007–08			Recognized
2. Harmony Science Academy – Odessa	2010–11			N/A
Harmony Science Academy (Laredo)	**05/05/08**	**07/31/13**	**07/31/13**	**Exemplary**
1. Harmony Science Academy – Laredo	2008–09			Exemplary
2. Harmony Teacher Academy – Houston	2011-12[1]			N/A
Harmony Science Academy (Brownsville)	**05/05/08**	**07/31/13**	**07/31/13**	**Recognized**
1. Harmony Science Academy – Brownsville	2008–09			Recognized
2. Harmony School of Language – Houston	2011–12[1]			N/A

[1] Expected to open to students at the start of the 2011–12 school year.
[2] Expected to open to students at the start of the 2012–13 school year. The Borrower also intends to open additional Charter Schools in El Paso and San Antonio at the start of the 2012–13 school year
[3] These Charter Schools previously existed as a single school and share common accountability ratings for previous years.

The Borrower was granted its initial open-enrollment charter from the Texas Education Agency (the "*TEA*") to operate its initial school as an open-enrollment charter school on May 19, 2000. The Borrower currently holds eleven open-enrollment charters from the TEA. The TEA is only authorized to grant a total of 215 open-enrollment charters, most of which have already been granted. In order to increase the number of open-enrollment charters available to new operators in the State, the Borrower recently consolidated some of its charters. Since the Borrower can operate multiple campuses under a single charter, this consolidation is not expected to have any impact on the number of campuses operated by the Borrower or on the planned Projects. However, it could limit the volume of qualified school construction bonds available to the Borrower in the future. Once the Projects are complete, the Borrower will have the capacity to accommodate up to _____ students. In conjunction with the consolidation of certain of the Borrower's charters as described above, the TEA agreed to allow the Borrower to open future campuses by providing TEA 60 days written notice indicating the location of the new schools and the enrollment size without obtaining any further approval from the TEA (the "*TEA Waiver*").

As shown in **Table 4** above, four of the Borrower's charter contracts have expired and have not been renewed, although the Borrower has been informed that it may continue to operate such Charter Schools until the renewals are processed by the TEA. The delay in renewing these expired charters is a result of backlog at the TEA. The Borrower anticipates that all four expired charters will be renewed for a period of 10 years and expects such renewal to occur prior to the pricing of the Bonds.

Revocation and Nonrenewal

Under the Charter Schools Act and the terms of the Borrower's charter contracts, the Commissioner of Education (the "*Commissioner*") may modify, place on probation, revoke, or deny renewal of an open-enrollment charter contract if the Commissioner determines that the charter recipient has:

(i) committed a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter;

(ii) failed to satisfy generally accepted accounting standards of fiscal management;

(iii) failed to protect the health, safety, or welfare of the students enrolled at the school; or

(iv) failed to comply with any applicable law or rule.

If the above circumstances have occurred, the Commissioner may:

(i) temporarily withhold funding;

(ii) suspend the authority of an open-enrollment charter school to operate; or

(iii) take any other reasonable action the Commissioner determines necessary to protect the health, safety, or welfare of students enrolled at the school based on evidence that conditions at the school present a danger to the health, safety, or welfare of the students.

Any action the Commissioner takes in this respect must be based on the best interest of the school's students, the severity of the violation, and any previous violation the school has committed. If the Commissioner takes such action, the open-enrollment charter school may not receive funding and may not resume operating until a determination is made that:

(i) despite initial evidence, the conditions at the school do not present a danger of material harm to the health, safety, or welfare of students, or

(ii) the conditions at the school that presented a danger of material harm to the health, safety, or welfare of students have been corrected.

Not later than the third business day after the date the Commissioner takes action, the Commissioner must provide the school an opportunity for a hearing, after which the Commissioner must take action or cease any temporary sanctions. State law provides that relevant provisions of the Texas Government Code do not apply to a hearing related to a modification, placement on probation, revocation, or denial of renewal of a charter. Hence, the determination of the Commissioner is final and may not be appealed. No charter contract entered into by the Borrower has ever been suspended or revoked. For additional information, see **"APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF TEXAS CHARTER SCHOOL LAW – GENERAL – CHARTER REVISION, REVOCATION AND NON-RENEWAL."**

Board of Directors

The Borrower operates as a nonprofit corporation under the Texas Business Organizations Code. The Borrower is governed by applicable law and its articles of incorporation and bylaws. The Borrower is governed by a 5-member Board of Directors. Board members are recruited among volunteers who participate in activities of the Borrower and its Charter Schools and who share goals and objectives with the Borrower (*i.e.*, to establish and provide state-of-the-art math, science, and technology education). Identification and recruitment of new board members is a long-term process requiring a step-by-step approach. One of the Borrower's goals regarding board membership and diversity is to build a team around the Borrower's core values rather than around the unpredictable results of political elections or friendship. Currently, there is no set term for board members. Board members also serve on the Borrower's Membership Committee, Nominating Committee and Program Committee.

Dr. Oner U. Celepcikay is the President of the Borrower. He received his Ph.D. in Computer Science at University of Houston in 2009 and his M.S. Degree in Computer Science at the University of Houston 2003. He received his Bachelor's Degree in Electrical Engineering in 1997 from Istanbul University. Dr. Celepcikay worked at the University of Houston Educational Technology Outreach Department from 2000 to 2007. He has published a number of papers in his research fields including cluster analysis, multivariate statistical analysis, regional regression analysis and spatial data mining.

Ms. Ellen A. MacDonald is a Vice President of the Borrower. Since December 2006, Ms. MacDonald has overseen various departments at Sheltering Arms Senior Services, a nonprofit organization committed to the health and well-being of older adults and their family caregivers. From 2005–2006 she was Program Manager for Care Consultation and Support Groups at the Houston and Southeast Texas Chapter of the Alzheimer's Association.

Ms. MacDonald retired from The University of Texas-Houston School of Nursing in September 1999. She was Division Head for Gerontology in the Department of Systems and Technology at The University of Texas-Houston School of Nursing from 1990–1993 and the Associate Director for Community Affairs and Operations at The University of Texas-Houston Center on Aging from 1990 to 1999. Until June 2001, she was a Regional Administrator for Uncommon Care, Inc., operators of the Barton House, an assisted living facility for persons with dementia.

Ms. MacDonald received her B.A. from Houghton College in New York with a major in history and minors in Latin and psychology and her Masters in nursing from Case Western Reserve University in Cleveland, Ohio. Prior to her appointment to The University of Texas-Houston Health Science Center, she was the Director of Nursing Services at Seven Acres Jewish Geriatric Center in Houston. Her previous experience includes developing and directing a program of older adult services for a community mental health center.

Ms. MacDonald has served on several local and state committees. She chaired the Aging Programs Advisory Committee of the Houston-Galveston Area Council Department on Aging, and the Board of the Area Health Education Center. She is a member of the Board of the Texas Interfaith Housing Corporation and has chaired its Supportive Services Committee. In July 2001 she completed a two-year term as President of the Board of the Alzheimer's Association-Houston and Southeast Texas Chapter. As a member of the Board of The Seniors Place, a day center for persons with dementia, Ms. MacDonald chaired the Health Professionals Committee. Ms. MacDonald has also served on the Programs Advisory Committee of Sheltering Arms Senior Services.

Mr. Cengizhan Keskin is a Vice President of the Borrower. Mr. Keskin is a petroleum engineer and currently working for SPT Group as a senior flow assurance consultant. Prior to that, Mr. Keskin was employed as a flow assurance specialist at Schlumberger Technology Corporation in Houston. He holds a Master of Engineering degree in petroleum engineering from the University of Tulsa where he also worked as a researcher for five years. He received his M.Sc. and B.Sc. degrees in petroleum and natural gas engineering from Middle East Technical University in Ankara, Turkey. He has a number of publications in peer reviewed journals on multiphase flow and thermal analysis. Mr. Keskin served as a board member for Dove Science Academy in Tulsa, Oklahoma between 2003 and 2006. He has also been involved in several high school and middle school science fairs as a judge on science and engineering.

Dr. Bilal Akin is the Secretary of the Borrower. He received his Ph.D. in electrical engineering from Texas A&M University and possesses over seven years of research experience in the field of industrial electronics. Dr. Akin worked as a Research/Teaching Assistant in Texas A&M's Department of Electrical Engineering. Further, he is a named inventor on an invention disclosure soon to filed with the U.S. Patent and Trademark Office. Dr. Akin interned at Tyco Electronics in 2004 and worked as a research and development engineer at Toshiba International from May 2005 to May 2007. After receiving his Ph.D., Dr. Akin continued his research of fault diagnosis of industrial components as a Postdoctoral Fellow at Texas A&M University. He also worked as a Gifted and Talented Coordinator at Harmony Science Academy-College Station.

Dr. Mustafa A. Atik is the Treasurer of the Borrower. Dr. Atik is a physician and currently working at Baylor College of Medicine as a researcher. Dr. Atik received his undergraduate degree from Hacettepe University School of Medicine in 1985. Following his graduation, he worked at Anayurt, Afyon Medical Center for two years. He completed his residency in the field of Pulmonary Medicine at Ataturk Chest Diseases Institute in Ankara, Turkey. Between 1992 and 2001, Dr. Atik worked as Pulmonary Medicine Specialist for the Ministry of Health. In 2001, Dr. Atik moved to the United States and established a business in Houston, Texas. In 2005, he was hired as a Medical Researcher by Baylor College of Medicine.

Senior Leadership and Succession Planing

Each of the Borrower's Charter Schools is led by a Principal, who reports to a Cluster Superintendent. The Charter Schools are organized into **[five]** "clusters," and each of the five Cluster Superintendents report to the Superintendent of Schools. Listed below are members of the Borrower's senior leadership, along with a brief description of the responsibilities of their respective positions and biographical information pertaining to each.

Soner Tarim, Ph.D., Superintendent of Schools – Dr. Tarim is the Superintendent of Schools of the Borrower. Dr. Tarim received his Ph.D. from Texas A&M University in College Station, Texas. He is a trained biologist and ecologist. He taught many courses in the field of biology, ecology, management, general science, and physical education over the years at the high school, college, and graduate levels. He has organized symposiums and science projects for college professionals and high school students. He developed and directed successful after-school programs at a private high school where he was awarded teacher of the year. Dr. Tarim is qualified to

provide services for charter schools in all areas of education (Vision, Structure, Accountability, Advocacy, and Unity) specifically school law, school finance, and safety issues because he established or helped to establish several non-profit organizations that are sponsoring entities for successful charter schools in several states including Texas, Oklahoma, Missouri, Louisiana, and Arkansas. Dr. Tarim wrote and was awarded over a dozen charter school applications and start up grants for many non-profit organizations in several states. Moreover, he has held positions at every level in a school setting. Due to his vast experience in charter school establishment, he is familiar with federal and state charter school laws, accountability requirements, open meeting acts, and requirements relating to charter and public school operations. Dr. Tarim has published various peer reviewed articles, policies, procedures, and guidelines for charter schools in the areas of admission, English as a second language, governance, and human resources. Dr. Tarim is a certified school board member and school administrator trainer. Currently he also serves as a board member representing over fifty (50) charter schools at the Region 4 Education Service Center in Houston, Texas. Dr. Tarim's term with the Region 4 Education Service Center in Houston expires in 2013.

Mr. Umit Pecen, Associate Superintendent and CFO – Mr. Pecen is the Associate Superintendent and Chief Financial Officer of the Borrower. Prior to this appointment, Mr. Pecen was Vice President/Chief Financial Officer of United Smart Inc. and other business companies located in Chicago from 2005 to 2008. Prior to that, Mr. Pecen worked for the Turkish Treasury - Banking Regulation and Supervision Agency from 2000 to 2005, starting as a Sworn Bank Auditor, then Chief Bank Examiner of Board of Sworn Auditors. Prior to that, Mr. Pecen worked for the Turkish Government Treasury as Assistant Sworn Bank Auditor and Sworn Bank Auditor from 1992 to 2000. During his tenure at the Turkish Banking Regulation and Supervision Agency, Mr. Pecen was also a part-time adjunct instructor at a number of universities and private and public organizations to teach courses and organize workshops in the areas of banking, enhancement of funds management, and accounting. Mr. Pecen has authored and co-authored two books and published a number of papers on the subjects of small and medium size business companies, finance, accounting, and banking. Mr. Pecen is a member of the Association of Certified Fraud Examiners and holds an international Certified Public Accountants' license. Mr. Pecen holds a Bachelor of Arts degree in Public Finance and a Master's degree in finance. Mr. Pecen also holds a M.B.A. in international management from the University of Illinois - Urbana Champaign.

Mr. Kadir Almus, Ed. D., Associate Superintendent and CAO – Dr. Almus has worked as the Borrower's Associate Superintendent and Chief Academic Officer since June 2008. He is responsible for overseeing academic activities, including curriculum development and implementation, testing, high school programs, professional development, and special education services for all of the Charter Schools. Dr. Almus' career in education began as a textbook co-author for one year at Surat Publishing Company in Istanbul, Turkey. Following this project, he moved to Albania where he worked as a high school chemistry teacher, chemistry Science Olympiad team coach, chemistry department chair, and high school principal for eight years. Dr. Almus received "The Best Teacher of the Year Award" twice during his teaching tenure in Albania. In July 2003, Dr. Almus moved to Houston and served as the school principal for Harmony Science Academy - Houston. Under his administrative leadership, Harmony Science Academy - Houston earned an Exemplary rating in 2004 and maintained this status for three consecutive years. Dr. Almus also served as the initial principal of Harmony School of Excellence - Houston from 2006 to 2008. Under his direction, the school became an Exemplary rated campus in its first year, with almost 100% passing rates in all subject areas in state tests; and the school has maintained its Exemplary status. Dr. Almus has co-authored two high school chemistry textbooks and published various policies, procedures, and guidelines for charter school governance and operations. Dr. Almus holds a B.S. degree in Chemistry Education awarded by Bogazici University in Turkey. He received his M. Ed. and Ed. D. degrees in Educational Leadership and Cultural Studies from the University of Houston's College of Education.

Succession Planning – The Borrower maintains a succession plan for every executive position (*i.e.*, the Superintendent, Chief Financial Officer, Chief Academic Officer, Human Resource Director, each Cluster Superintendent, and each Principal). Each executive works closely with several other employees in his/her division and provides mentoring to prepare others to fill his/her position in the future. The Borrower has consistently used this process of mentoring and advancement to fill vacant leadership positions. For example, both the Chief Financial Officer and Chief Academic Officer work closely with the Superintendent, are consulted for input on many important decisions, and make executive decisions when the Superintendent is not available.

Employees

General

The following table provides information regarding the number of professional staff and faculty that the Borrower employed as of the first day of the school year for the years set forth below.

TABLE 5: PROFESSIONAL STAFF AND FACULTY				
Faculty & Staff	**2007–08**	**2008–09**	**2009–10**	**2010–11**
Teachers	491	606	925	1186
Administration (Leadership)	74	93	125	254
Central Administration	62	48	53	63
Total	627	747	1103	1503

Faculty	**2006–07**	**2007–08**	**2008–09**	**2009–10**
Beginning Teachers	213	205	294	377
1-5 Years Experience	241	363	553	719
6-10 Years Experience	24	31	54	62
Over 10 Years Experience	13	7	24	28
Student - Teacher Ratio				
Number of Students Per Teacher	9.66	13.04	13.34	13.80

Labor Relations

All of the Borrower's teachers, support staff and additional employees are at-will employees of the Borrower and are held to high standards.. The Borrower believes that the faculty, administration and the Board of Directors have a strong and collaborative working relationship. The Borrower had an approximately 85% teacher retention rate between the 2009–10 and 2010–11 school years. The Borrower considers relations with its teachers to be very good.

Enrollment

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

Under its general admissions policies, the Borrower accepts applications year round, on a school-by-school basis. Any student who lives in the area of a Charter School and who submits a timely application may attend such Charter School. If the number of applications exceeds such Charter School's capacity, applicants are selected through a lottery process.

The following table sets forth data provided by the Borrower regarding each Charter School's historical and projected enrollment. For 2011–12 and thereafter, data presented represents projected enrollment as estimated by the Borrower, and is subject to the general qualifications and limitations described under "**INTRODUCTION – Forward-Looking Statements**" in the Official Statement. The table includes projected information for the Borrower's currently existing campuses and planned campuses.

TABLE 6: HISTORICAL AND FUTURE PROJECTED ENROLLMENT[1]									
		Historical					*Projected[2]*		
	Grade	**2007-08**	**2008-09**	**2009-10**	**2010-11[3]**		**2011-12**	**2012-13**	**2013-14**
Harmony Science Academy High School – Houston[4]	**PreK**	—	—	—	—		—	—	—
	K	—	—	—	—		—	—	—
	1	—	—	—	—		—	—	—
	2	—	—	—	—		—	—	—
	3	—	—	—	—		—	—	—
	4	—	—	—	—		—	—	—
	5	—	—	—	—		—	—	—
	6	—	—	—	—		—	—	—
	7	—	—	—	—		—	—	—
	8	—	—	—	—		—	—	—
	9	—	—	—	158		150	150	125
	10	—	—	—	127		150	150	150
	11	—	—	—	76		115	150	150
	12	—	—	—	28		70	115	140
	Grade	**2007-08**	**2008-09**	**2009-10**	**2010-11[3]**		**2011-12**	**2012-13**	**2013-14**
Harmony School of Innovation – Houston[4]	**PreK**	40	16	—	—		—	—	—
	K	25	47	51	46		50	50	50
	1	48	36	51	49		75	75	75
	2	57	45	42	46		75	75	75
	3	61	69	54	49		75	75	75
	4	67	66	77	76		75	75	75
	5	69	56	74	74		75	75	75
	6	63	48	77	84		85	85	85
	7	—	63	75	81		85	85	85
	8	—	16	69	82		80	80	80
	9	—	—	22	—		—	—	—
	10	—	—	—	—		—	—	—
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	**2007-08**	**2008-09**	**2009-10**	**2010-11[3]**		**2011-12**	**2012-13**	**2013-14**
Harmony School of Ingenuity – Houston[4]	**PreK**	—	—	—	—		—	—	—
	K	—	—	50	48		50	55	40
	1	—	—	48	44		50	50	50
	2	—	—	49	54		44	50	50
	3	—	—	54	69		54	44	48
	4	—	—	49	51		69	60	44
	5	—	—	50	50		51	75	54
	6	—	—	57	74		100	100	75
	7	—	—	26	73		74	100	95
	8	—	—	26	22		73	75	95
	9	—	—	—	15		22	85	74
	10	—	—	—	—		15	22	85
	11	—	—	—	—		—	15	22
	12	—	—	—	—		—	—	15

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Beaumont	PreK	—	—	—	—		—	—	—
	K	30	25	50	40		50	50	40
	1	22	23	47	48		40	50	50
	2	20	35	51	49		48	40	50
	3	21	34	47	50		49	50	40
	4	27	38	46	47		50	49	48
	5	19	49	55	41		47	50	49
	6	33	44	52	48		54	75	50
	7	14	44	47	47		48	54	75
	8	23	22	49	42		47	48	54
	9	—	34	24	45		42	47	48
	10	—	—	26	17		45	42	47
	11	—	—	—	13		17	45	42
	12	—	—	—	—		13	17	45
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Houston[4]	PreK	—	—	—	—		—	—	—
	K	—	—	—	24		50	50	50
	1	—	—	—	24		50	50	50
	2	—	—	—	23		25	50	45
	3	—	—	—	24		24	25	45
	4	—	—	—	25		24	25	25
	5	—	—	—	24		24	25	25
	6	47	63	57	57		75	75	75
	7	70	64	74	67		74	75	75
	8	63	68	70	72		74	75	70
	9	33	69	64	—		—	—	—
	10	48	30	68	—		—	—	—
	11	39	42	31	—		—	—	—
	12	30	37	38	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Art and Technology – Houston[4]	PreK	—	—	—	—		—	—	—
	K	—	—	—	50		50	55	40
	1	—	—	—	50		50	50	50
	2	—	—	—	51		50	50	50
	3	—	—	—	50		51	50	50
	4	—	—	—	47		50	60	50
	5	—	—	—	51		47	75	50
	6	—	—	—	53		100	100	75
	7	—	—	—	31		53	100	100
	8	—	—	—	23		30	100	100
	9	—	—	—	—		—	50	100
	10	—	—	—	—		—	—	45
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Excellence – Houston[3]	PreK	—	—	—	—		—	—	—
	K	24	26	46	53		95	100	100
	1	44	47	46	74		95	100	100
	2	43	48	51	74		75	100	100
	3	63	50	50	73		75	75	100
	4	65	76	73	75		75	75	75
	5	46	76	80	100		75	75	75
	6	65	97	110	102		95	125	75
	7	61	81	91	102		95	110	125
	8	20	68	73	98		100	100	110
	9	14	25	70	—		—	—	—
	10	—	18	23	—		—	—	—
	11	—	—	21	—		—	—	—
	12	—	—	—	—		—	—	—

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Excellence – Endeavor[4]	PreK	—	—	—	—		—	—	—
	K	—	—	48	47		50	50	50
	1	—	—	44	49		65	50	50
	2	—	—	41	63		45	75	50
	3	—	—	42	49		63	49	75
	4	—	—	47	56		49	63	49
	5	—	—	47	64		56	49	63
	6	—	—	49	66		100	100	60
	7	—	—	24	48		60	100	100
	8	—	—	23	20		48	61	100
	9	—	—	—	—		—	—	—
	10	—	—	—	—		—	—	—
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Bryan/College Station	PreK	—	—	—	—		—	—	—
	K	19	22	27	21		50	55	40
	1	19	23	26	34		50	50	40
	2	26	22	27	26		34	50	50
	3	24	24	29	25		26	40	50
	4	27	30	28	27		30	26	34
	5	23	27	31	21		27	35	26
	6	26	29	30	35		45	50	50
	7	18	29	24	28		43	50	50
	8	13	18	29	22		28	45	50
	9	—	10	11	22		20	28	43
	10	—	8	7	13		22	22	28
	11	—	—	7	5		13	22	22
	12	—	—	—	2		5	22	22
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Houston Northwest[4]	PreK	—	—	—	—		—	—	—
	K	15	42	56	76		70	75	75
	1	37	48	58	79		76	80	80
	2	38	56	56	78		79	80	79
	3	21	49	50	74		78	80	79
	4	31	48	55	73		74	80	79
	5	22	55	71	72		73	75	78
	6	29	68	79	76		95	100	100
	7	18	48	55	69		76	95	95
	8	12	37	41	47		69	85	85
	9	—	36	31	—		—	—	—
	10	—	—	39	—		—	—	—
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Advancement – Houston[4]	PreK	—	—	—	—		—	—	—
	K	—	—	—	—		—	—	—
	1	—	—	—	—		—	—	—
	2	—	—	—	—		—	—	—
	3	—	—	—	—		—	—	—
	4	—	—	—	—		—	—	—
	5	—	—	—	—		—	—	—
	6	—	—	—	—		—	—	—
	7	—	—	—	—		—	—	—
	8	—	—	—	—		—	—	—
	9	—	—	—	101		125	145	100
	10	—	—	—	86		100	125	145
	11	—	—	—	70		85	100	125
	12	—	—	—	22		70	90	95

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Discovery – Houston[4]	PreK	—	—	—	—		—	—	—
	K	—	—	—	26		45	40	40
	1	—	—	—	27		50	50	40
	2	—	—	—	30		27	50	50
	3	—	—	—	49		30	50	50
	4	—	—	—	69		49	30	50
	5	—	—	—	51		69	49	30
	6	—	—	—	54		95	100	100
	7	—	—	—	22		85	100	100
	8	—	—	—	22		75	85	100
	9	—	—	—	—		—	—	—
	10	—	—	—	—		—	—	—
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Science – Houston[4]	PreK	—	18	—	—		—	—	—
	K	—	24	46	45		75	75	75
	1	—	26	29	64		75	75	75
	2	—	25	54	47		64	75	75
	3	—	26	57	53		47	65	75
	4	—	50	57	55		53	55	64
	5	—	47	78	60		55	60	47
	6	—	49	95	100		100	100	100
	7	—	43	102	101		100	100	100
	8	—	24	57	90		101	100	100
	9	—	—	41	—		—	—	—
	10	—	—	—	—		—	—	—
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Waco	PreK	—	—	—	—		—	—	—
	K	24	20	29	46		50	55	50
	1	27	42	25	46		46	50	50
	2	31	41	46	45		46	65	50
	3	33	47	53	64		45	50	57
	4	30	48	38	63		64	50	50
	5	15	42	59	64		63	75	50
	6	24	53	50	89		98	100	75
	7	16	38	57	63		89	100	100
	8	8	24	41	55		46	100	100
	9	—	18	17	26		49	75	100
	10	—	—	17	14		26	75	75
	11	—	—	—	14		14	65	75
	12	—	—	—	—		14	14	50
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Dallas[4]	PreK	50	27	—	—		—	—	—
	K	39	45	41	50		50	75	50
	1	44	40	52	49		50	75	75
	2	45	51	42	51		49	50	75
	3	46	40	50	48		50	49	50
	4	39	49	48	89		48	51	49
	5	50	47	54	87		89	48	50
	6	69	89	93	121		100	100	100
	7	89	96	103	114		121	100	100
	8	88	71	95	114		114	121	100
	9	52	58	78	92		124	114	121
	10	44	40	52	76		92	124	114
	11	15	29	38	38		76	102	124
	12	—	14	24	38		37	82	92

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Innovation – Dallas	PreK	—	—	—	—		—	—	—
	K	—	—	50	50		50	50	25
	1	—	—	45	49		50	50	50
	2	—	—	52	48		49	50	50
	3	—	—	48	52		48	49	50
	4	—	—	48	48		52	48	49
	5	—	—	48	69		48	52	48
	6	—	—	48	59		100	100	52
	7	—	—	25	56		59	100	100
	8	—	—	22	36		56	59	100
	9	—	—	—	24		36	56	50
	10	—	—	—	—		24	36	56
	11	—	—	—	—		—	24	30
	12	—	—	—	—		—	—	20
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Garland	PreK	—	—	—	—		—	—	—
	K	—	—	—	47		45	25	25
	1	—	—	—	48		50	40	25
	2	—	—	—	45		48	50	40
	3	—	—	—	50		45	48	50
	4	—	—	—	47		50	40	48
	5	—	—	—	47		47	50	40
	6	—	—	—	74		95	80	50
	7	—	—	—	26		74	100	80
	8	—	—	—	21		26	74	90
	9	—	—	—	—		21	26	65
	10	—	—	—	—		—	21	26
	11	—	—	—	—		—	—	21
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Fort Worth	PreK	—	—	—	—		—	—	—
	K	26	22	50	24		25	25	25
	1	24	24	26	51		50	50	50
	2	50	23	25	26		51	50	50
	3	49	52	25	26		26	51	50
	4	26	73	52	24		26	26	48
	5	53	65	77	52		27	26	25
	6	69	97	75	73		95	27	25
	7	50	88	101	75		73	100	25
	8	39	55	78	95		69	78	100
	9	20	44	45	66		95	69	72
	10	—	26	41	37		66	95	69
	11	—	—	22	30		37	66	95
	12	—	—	—	20		30	37	66
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Grand Prairie	PreK	—	—	—	—		—	—	—
	K	—	25	35	41		50	50	40
	1	—	46	41	39		50	50	50
	2	—	51	67	51		39	50	50
	3	—	42	54	52		50	39	50
	4	—	47	47	48		51	50	39
	5	—	43	47	48		48	51	50
	6	—	48	83	49		48	68	51
	7	—	32	53	72		49	48	68
	8	—	25	33	48		72	49	48
	9	—	—	22	22		47	72	49
	10	—	—	—	24		22	47	60
	11	—	—	—	—		24	22	47
	12	—	—	—	—		—	24	22

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Euless	PreK	—	—	—	—		—	—	—
	K	—	—	53	54		50	50	50
	1	—	—	49	65		54	50	50
	2	—	—	43	75		65	54	50
	3	—	—	47	66		75	65	54
	4	—	—	49	75		66	75	60
	5	—	—	53	66		75	66	70
	6	—	—	46	62		75	100	66
	7	—	—	22	55		62	100	100
	8	—	—	26	22		55	62	90
	9	—	—	—	28		22	55	60
	10	—	—	—	—		28	22	50
	11	—	—	—	—		—	28	20
	12	—	—	—	—		—	—	25
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Nature and Athletics – Dallas	PreK	—	—	—	—		—	—	—
	K	—	—	—	56		65	75	60
	1	—	—	—	54		75	75	75
	2	—	—	—	55		75	75	75
	3	—	—	—	54		75	75	75
	4	—	—	—	54		75	75	75
	5	—	—	—	54		75	75	75
	6	—	—	—	63		100	100	75
	7	—	—	—	47		75	100	100
	8	—	—	—	25		55	75	90
	9	—	—	—	—		30	55	75
	10	—	—	—	—		—	30	55
	11	—	—	—	—		—	—	30
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Austin[4]	PreK	—	—	—	—		—	—	—
	K	—	—	—	25		75	50	50
	1	—	—	—	20		75	50	50
	2	—	—	—	38		20	75	50
	3	—	—	—	19		38	21	75
	4	—	—	—	19		19	38	21
	5	—	—	—	18		20	50	38
	6	71	47	64	72		90	90	75
	7	66	37	50	71		72	90	90
	8	48	56	39	48		71	72	90
	9	42	37	61	—		—	—	—
	10	31	40	35	—		—	—	—
	11	15	31	31	—		—	—	—
	12	8	15	23	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – North Austin[4]	PreK	—	—	—	—		—	—	—
	K	—	—	—	—		—	—	—
	1	—	—	—	—		—	—	—
	2	—	—	—	—		—	—	—
	3	—	—	—	—		—	—	—
	4	—	—	56	—		—	—	—
	5	—	—	56	75		—	—	—
	6	—	50	71	97		110	100	100
	7	—	45	66	81		97	125	100
	8	—	35	46	76		81	97	125
	9	—	25	54	85		76	86	96
	10	—	—	31	81		85	76	86
	11	—	—	—	45		81	85	63
	12	—	—	—	21		45	81	85

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Excellence – Austin[4]	PreK	—	—	—	—		—	—	—
	K	—	—	46	46		50	50	45
	1	—	—	51	47		50	50	50
	2	—	—	42	54		47	50	50
	3	—	—	44	47		54	47	50
	4	—	—	51	61		47	54	47
	5	—	—	54	47		61	47	54
	6	—	—	53	65		95	75	47
	7	—	—	40	68		65	100	75
	8	—	—	20	39		68	65	100
	9	—	—	—	23		39	68	65
	10	—	—	—	—		23	39	68
	11	—	—	—	—		—	23	39
	12	—	—	—	—		—	—	23
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Science – Austin[4]	PreK	—	—	—	—		—	—	—
	K	46	51	48	51		50	60	60
	1	49	51	55	50		55	60	60
	2	50	53	47	53		53	55	60
	3	45	49	55	51		51	53	50
	4	43	62	69	73		73	51	53
	5	39	47	65	64		63	73	51
	6	—	65	79	72		100	100	100
	7	—	32	69	61		61	100	100
	8	—	21	31	44		44	61	100
	9	—	—	—	—		—	—	—
	10	—	—	—	—		—	—	—
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – El Paso	PreK	—	—	—	—		—	—	—
	K	44	27	29	24		50	50	50
	1	48	50	35	45		75	50	50
	2	48	60	48	42		75	65	50
	3	42	55	54	52		50	65	65
	4	45	52	58	54		52	50	65
	5	48	53	54	69		51	52	50
	6	71	82	109	91		100	100	65
	7	61	104	81	105		91	100	100
	8	26	78	96	76		105	91	100
	9	22	38	68	76		90	105	91
	10	—	18	32	56		78	88	105
	11	—	—	19	27		56	78	88
	12	—	—	—	18		27	56	78
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Innovation – El Paso	PreK	—	—	—	—		—	—	—
	K	—	—	26	21		85	75	50
	1	—	—	45	44		75	75	75
	2	—	—	30	49		64	75	75
	3	—	—	47	45		42	60	70
	4	—	—	51	53		45	50	55
	5	—	—	51	60		53	50	50
	6	—	—	78	66		100	100	50
	7	—	—	44	68		75	100	100
	8	—	—	41	42		68	95	95
	9	—	—	—	26		47	75	90
	10	—	—	—	—		26	50	70
	11	—	—	—	—		—	26	50
	12	—	—	—	—		—	—	26

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – San Antonio	PreK	—	—	—	—		—	—	—
	K	19	26	49	50		55	50	50
	1	39	40	45	50		65	65	53
	2	33	47	47	50		55	64	65
	3	43	47	62	47		50	50	60
	4	51	53	70	49		47	50	55
	5	41	72	76	74		49	47	50
	6	55	99	109	92		100	100	82
	7	51	75	103	89		92	92	90
	8	22	77	84	80		89	92	85
	9	12	40	72	65		80	89	85
	10	—	17	36	56		65	80	85
	11	—	—	18	22		56	65	75
	12	—	—	—	7		22	56	65
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony School of Innovation – San Antonio	PreK	—	—	—	—		—	—	—
	K	—	—	—	20		50	50	45
	1	—	—	—	20		50	50	50
	2	—	—	—	25		25	50	50
	3	—	—	—	17		17	25	45
	4	—	—	—	30		34	17	25
	5	—	—	—	18		18	34	17
	6	—	—	—	25		75	75	34
	7	—	—	—	13		13	75	65
	8	—	—	—	9		9	13	65
	9	—	—	—	—		—	9	13
	10	—	—	—	—		—	—	9
	11	—	—	—	—		—	—	—
	12	—	—	—	—		—	—	—
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Lubbock	PreK	—	—	—	—		—	—	—
	K	13	26	45	42		50	50	50
	1	30	36	38	44		50	50	50
	2	30	36	42	36		44	50	50
	3	19	35	38	42		36	44	45
	4	22	40	37	37		42	36	44
	5	18	36	46	37		37	42	36
	6	13	31	41	45		75	50	42
	7	11	27	35	38		45	70	50
	8	8	17	18	35		39	50	60
	9	—	11	21	15		35	39	44
	10	—	—	10	19		15	35	39
	11	—	—	—	13		19	15	35
	12	—	—	—	—		13	18	15
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Odessa	PreK	—	—	—	—		—	—	—
	K	—	—	—	41		40	40	40
	1	—	—	—	35		50	50	40
	2	—	—	—	30		45	50	50
	3	—	—	—	24		35	40	50
	4	—	—	—	25		36	35	40
	5	—	—	—	17		40	36	35
	6	—	—	—	27		75	75	36
	7	—	—	—	24		35	75	65
	8	—	—	—	13		30	35	70
	9	—	—	—	—		13	30	35
	10	—	—	—	—		—	13	30
	11	—	—	—	—		—	—	13
	12	—	—	—	—		—	—	—

	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Laredo	PreK	—	—	—	—		—	—	—
	K	—	22	42	28		25	25	25
	1	—	21	45	53		50	45	50
	2	—	43	49	49		53	50	45
	3	—	40	53	48		49	53	45
	4	—	55	67	53		48	49	50
	5	—	43	74	73		53	48	49
	6	—	49	95	99		73	53	48
	7	—	34	67	89		99	65	53
	8	—	37	41	65		89	99	65
	9	—	—	35	41		65	89	99
	10	—	—	—	29		41	65	89
	11	—	—	—	—		29	41	65
	12	—	—	—	—		—	29	41
	Grade	2007-08	2008-09	2009-10	2010-11[3]		2011-12	2012-13	2013-14
Harmony Science Academy – Brownsville	PreK	—	—	—	—		—	—	—
	K	—	19	22	23		25	25	50
	1	—	26	23	22		25	45	25
	2	—	26	27	25		43	45	45
	3	—	44	49	26		25	40	45
	4	—	40	52	49		26	25	43
	5	—	41	49	56		49	26	25
	6	—	39	67	67		75	75	26
	7	—	24	50	63		67	67	75
	8	—	17	29	54		63	67	67
	9	—	—	12	17		49	63	67
	10	—	—	—	12		16	45	63
	11	—	—	—	—		12	16	49
	12	—	—	—	—		—	12	16

(1). Table only includes Charter Schools currently in operation.

(2) Certain projected enrollment figures require (i) new construction or classroom expansion to be funded with proceeds of the Series 2011 Bonds, or (ii) new construction or classroom expansion which the Borrower contemplates will be financed in the future.

(3) For 2010–11, data presented is as of October 22, 2010.

(4) Prior to the 2010–11 academic year, students in grades K–12 were either enrolled or planned to be enrolled at each of the noted Charter Schools. Beginning in 2010–11, however, the Borrower designated a specific Charter School in each of the Houston, Austin and Dallas areas to serve grades 9–12, while the remaining schools in each area serve only grades K–8. Historical enrollment at each of the noted schools is shown as if the present structure had existed since the 2007–08 academic year.

The maximum capacities of the Borrower's existing facilities (as described in **Table 1**, above) limit the Borrower's maximum enrollment. Once the Projects are complete, the Borrower will have the capacity to accommodate up to _____ students. The TEA Waiver permits the Borrower to open future campuses by simply providing TEA with 60 days written notice prior to the opening of the new campus indicating the location of the new schools and the enrollment size. No further approval from the TEA is required.

Waiting List

After the lotteries described above, and once all remaining slots are filled, students are placed on a waiting list in the order in which their names are selected. If there are additional students who apply after the lottery has been conducted, they are added to the waiting list in the order in which their applications are received. Each year, students wishing to enroll must reapply, a new lottery is conducted, and a new waiting list prepared. The Borrower currently maintains waiting lists on a campus-by-campus basis.

TABLE 7: WAITING LIST DATA		
Charter Name/Campus Name	**Enrollment for 2010–11[1]**	**# on Waiting List[1]**
Harmony Science Academy (Houston)		
1. Harmony Science Academy High School – Houston	389	269
2. Harmony School of Innovation – Houston	587	1,965

3. Harmony School of Ingenuity – Houston	500	1,151
4. Harmony Science Academy – Beaumont	487	120
5. Harmony Science Academy – Houston	340	651
6. Harmony School of Art and Technology – Houston	406	884
Harmony School of Excellence		
1. Harmony School of Excellence – Houston	751	2,249
2. Harmony School of Excellence – Endeavor	462	672
3. Harmony Science Academy – Bryan/College Station	281	170
4. Harmony Science Academy – Houston Northwest	644	1,020
5. Harmony School of Advancement – Houston	279	143
6. Harmony School of Discovery – Houston	350	1,032
Harmony School of Science – Houston		
1. Harmony School of Science – Houston	615	2,720
2. Harmony School of Science High School – Houston	N/A	N/A
Harmony Science Academy (Waco)		
1. Harmony Science Academy – Waco	589	338
2. Harmony Science Academy – Dallas	967	1,227
3. Harmony School of Innovation – Dallas	491	800
4. Harmony Science Academy – Garland	405	427
5. Harmony School of Business – Dallas	N/A	N/A
Harmony Science Academy (Fort Worth)		
1. Harmony Science Academy – Fort Worth	599	1,751
2. Harmony Science Academy – Grand Prairie	494	1,719
3. Harmony Science Academy – Euless	568	1,419
4. Harmony School of Nature and Athletics – Dallas	462	1,579
5. Harmony School of Innovation – Fort Worth	N/A	N/A
Harmony Science Academy (Austin)		
1. Harmony Science Academy – Austin	330	147
2. Harmony Science Academy – North Austin	561	180
3. Harmony School of Excellence – Austin	497	261
4. Harmony School of Science – Austin	519	1,002
5. Harmony School of Political Science and Communication	N/A	N/A
Harmony Science Academy (El Paso)		
1. Harmony Science Academy – El Paso	735	862
2. Harmony School of Innovation – El Paso	474	467
3. Harmony School of Nature and Athletics – Houston	N/A	N/A
Harmony Science Academy (San Antonio)		
1. Harmony Science Academy – San Antonio	731	1,194
2. Harmony School of Innovation – San Antonio	177	149
Harmony Science Academy (Lubbock)		
1. Harmony Science Academy – Lubbock	403	65
2. Harmony Science Academy – Odessa	236	25
Harmony Science Academy (Laredo)		
1. Harmony Science Academy – Laredo	627	874
2. Harmony Teacher Academy – Houston	N/A	N/A
Harmony Science Academy (Brownsville)		
1. Harmony Science Academy – Brownsville	414	230
2. Harmony School of Language – Houston	N/A	N/A
TOTALS	**16,370**	**27,762**

(1) Excludes additional campuses the Borrower intends to open in El Paso and San Antonio in the 2012–13 school year.

Student Retention

The following table shows the number of the Borrower's students (aggregate, for all campuses) at the beginning of the 2009–10 school year which the Borrower retained as of the beginning of the 2010–11 school year.

TABLE 8: STUDENT RETENTION DATA			
	Beginning of 2009–10	**Beginning of 2010–11**	**Percentage**
Number of Students	12,342	9,922(1)	80%

(1) Does not include students that graduated.

Competing Schools

The Charter Schools face constant competition for students with public schools, private schools and other charter schools and there can be no assurance that they will continue to attract and retain the number of students that are needed to generate sufficient revenues for the Borrower to make payments representing debt service on the Bonds. See **"RISK FACTORS – Competition for Students."**

Student Performance

The Student Assessment Division of the TEA manages and oversees the development, administration, scoring, and analysis of the State's assessment program. The State-wide assessment program includes the Texas Assessment of Knowledge and Skills ("*TAKS*") and the Texas English Language Proficiency Assessment System ("*TELPAS*").

Texas Assessment of Knowledge and Skills ("*TAKS*")

TAKS measures a student's mastery of the State-mandated curriculum, the Texas Essential Knowledge and Skills ("*TEKS*"). TAKS is administered for the following:

- Grades 3-9 reading (grades 3-6 for the Spanish version of TAKS);
- Grades 3-10 and exit level mathematics (grades 3-6 for the Spanish version);
- Grades 4 and 7 writing (grade 4 for the Spanish version);
- Grade 10 and exit level English Language Arts;
- Grades 5, 8, 10, and exit level science (grade 5 for the Spanish version); and
- Grades 8, 10, and exit level social studies.

TAKS includes an accommodated form called TAKS-Accommodated for students served by special education who meet the eligibility requirements for certain specific accommodations. TAKS also includes an alternate assessment called TAKS-Modified for students receiving special education services who meet certain participation requirements and for whom TAKS is not appropriate. TAKS also includes an alternate assessment called TAKS-Alternate based on alternate academic achievement standards designed for students with significant cognitive disabilities who meet the participation requirements.

Student performance on the TAKS tests is categorized into achievement levels "Did Not Meet Standard," "Met Standard," and "Commended Performance." The following tables provide data comparing the percentage of the Borrower's students who have "Met Standard" (which by definition includes students who have also achieved "Commended Performance") as compared to the State.

TABLE 9: TEXAS ASSESSMENT OF KNOWLEDGE AND SKILLS (ENGLISH) PERCENTAGE OF STUDENTS WHO "MET STANDARD" IN 2010

Charter Name/Campus Name	Reading/ELA	Writing	Social Studies	Mathematics	Science
Harmony Science Academy – Houston					
1. Harmony Science Academy High School – Houston[1]	94	99	99	86	88
2. Harmony School of Innovation – Houston	94	96	99	88	87
3. Harmony School of Ingenuity – Houston	92	86	99	83	75
4. Harmony Science Academy – Beaumont	89	94	94	82	84
5. Harmony Science Academy – Houston[1]	94	99	99	86	88
6. Harmony School of Art and Technology – Houston	N/A	N/A	N/A	N/A	N/A
Harmony School of Excellence					
1. Harmony School of Excellence – Houston	99	99	99	99	[98]
2. Harmony School of Excellence – Endeavor	94	92	99	93	93

3. Harmony Science Academy – Bryan/College Station	90	89	99	80	92
4. Harmony Science Academy – Houston Northwest	96	99	99	96	97
5. Harmony School of Advancement – Houston	N/A	N/A	N/A	N/A	N/A
6. Harmony School of Discovery – Houston	N/A	N/A	N/A	N/A	N/A
Harmony School of Science – Houston					
1. Harmony School of Science – Houston	98	99	98	95	95
2. Harmony School of Science High School	N/A	N/A	N/A	N/A	N/A
Harmony Science Academy (Waco)					
1. Harmony Science Academy – Waco	97	88	98	93	97
2. Harmony Science Academy – Dallas	94	96	99	93	90
3. Harmony School of Innovation – Dallas	96	97	99	96	96
4. Harmony Science Academy – Garland	N/A	N/A	N/A	N/A	N/A
5. Harmony School of Business – Dallas	N/A	N/A	N/A	N/A	N/A
Harmony Science Academy (Fort Worth)					
1. Harmony Science Academy – Fort Worth	97	99	99	93	93
2. Harmony Science Academy – Grand Prairie	91	89	99	92	94
3. Harmony Science Academy – Euless	95	95	99	94	96
4. Harmony School of Nature and Athletics – Dallas	N/A	N/A	N/A	N/A	N/A
5. Harmony School of Innovation – Fort Worth	N/A	N/A	N/A	N/A	N/A
Harmony Science Academy (Austin)					
1. Harmony Science Academy – Austin	93	98	99	91	[89]
2. Harmony Science Academy – North Austin	94	90	99	92	91
3. Harmony School of Excellence – Austin	90	88	99	87	88
4. Harmony School of Science – Austin	92	96	99	94	93
Harmony Science Academy (El Paso)					
1. Harmony Science Academy – El Paso	90	88	99	84	87
2. Harmony School of Innovation – El Paso	93	85	99	77	81
3. Harmony School of Nature and Athletics – Houston	N/A	N/A	N/A	N/A	N/A
Harmony Science Academy (San Antonio)					
1. Harmony Science Academy – San Antonio	94	92	99	81	86
2. Harmony School of Innovation – San Antonio	N/A	N/A	N/A	N/A	N/A
Harmony Science Academy (Lubbock)					
1. Harmony Science Academy – Lubbock	87	90	83	81	84
2. Harmony Science Academy – Odessa	N/A	N/A	N/A	N/A	N/A
Harmony Science Academy (Laredo)					
1. Harmony Science Academy – Laredo	95	94	99	90	86
2. Harmony Teacher Academy – Houston	N/A	N/A	N/A	N/A	N/A
Harmony Science Academy (Brownsville)					
1. Harmony Science Academy – Brownsville	85	83	96	81	80
2. Harmony School of Language – Houston	N/A	N/A	N/A	N/A	N/A
STATE OF TEXAS	90	93	95	84	83

Source: the Borrower, from information made available by the Texas Education Agency.
(1) These Charter Schools previously existed as a single school and share common scores for previous years.

Accountability Ratings

The State's accountability system assigns ratings to every campus and district in the public education system each year. In most cases, the State assigns one of four rating labels, ranging from lowest to highest: Academically Unacceptable, Academically Acceptable, Recognized, and Exemplary. The State may also assign

"Not Ranked: Other" under certain circumstances, generally in cases where there is insufficient data to rate the school or campus. To determine the rating label, the State evaluates indicators of performance including assessment results on the State standardized assessment instruments as well as longitudinal completion rates and annual dropout rates. Generally, campuses and districts earn ratings by having performance that meets standards or by demonstrating sufficient improvement toward the standards. In addition to evaluating performance for all students, the performance of individual groups of students is held to the rating criteria. The student groups are defined to be the major ethnic groups and the group of students designated as economically disadvantaged. All of the evaluated groups must meet the criteria for a given rating category in order to earn that label.

TABLE 10: ACCOUNTABILITY RATINGS

Charter Name/Campus Name	2008–09 Rating	2009–10 Rating
Harmony Science Academy (Houston)	**Exemplary**	**Exemplary**
1. Harmony Science Academy High School – Houston	Exemplary(1)	Recognized(1)
2. Harmony School of Innovation – Houston	Exemplary	Exemplary
3. Harmony School of Ingenuity – Houston	N/A	**[Recognized]**
4. Harmony Science Academy – Beaumont	Acceptable	Acceptable
5. Harmony Science Academy – Houston	Exemplary(1)	Recognized(1)
6. Harmony School of Art and Technology – Houston	N/A	N/A
Harmony School of Excellence	**Exemplary**	**Exemplary**
1. Harmony School of Excellence – Houston	Exemplary	Exemplary
2. Harmony School of Excellence – Endeavor	N/A	Exemplary
3. Harmony Science Academy – Bryan/College Station	Recognized	Acceptable
4. Harmony Science Academy – Houston Northwest	Exemplary	Exemplary
5. Harmony School of Advancement – Houston	N/A	N/A
6. Harmony School of Discovery – Houston	N/A	N/A
Harmony School of Science – Houston	**Exemplary**	**Exemplary**
1. Harmony School of Science – Houston	Exemplary	Exemplary
2. Harmony School of Science High School – Houston	N/A	N/A
Harmony Science Academy (Waco)	**Recognized**	**Exemplary**
1. Harmony Science Academy – Waco	Recognized	Exemplary
2. Harmony Science Academy – Dallas	Exemplary	Exemplary
3. Harmony School of Innovation – Dallas	N/A	Exemplary
4. Harmony Science Academy – Garland	N/A	N/A
5. Harmony School of Business – Dallas	N/A	N/A
Harmony Science Academy (Fort Worth)	**Exemplary**	**Exemplary**
1. Harmony Science Academy – Fort Worth	Exemplary	Exemplary
2. Harmony Science Academy – Grand Prairie	Exemplary	Exemplary
3. Harmony Science Academy – Euless	N/A	Exemplary
4. Harmony School of Nature and Athletics– Dallas	N/A	N/A
5. Harmony School of Innovation – Fort Worth	N/A	N/A
Harmony Science Academy (Austin)	**Recognized**	**Exemplary**
1. Harmony Science Academy – Austin	Recognized	Exemplary
2. Harmony Science Academy – North Austin	Recognized	Recognized
3. Harmony School of Excellence – Austin	N/A	Exemplary
4. Harmony School of Science – Austin	Exemplary	Exemplary
5. Harmony School of Political Science and Communication	N/A	N/A
Harmony Science Academy (El Paso)	**Recognized**	**Recognized**
1. Harmony Science Academy – El Paso	Recognized	**[Exemplary]**
2. Harmony School of Innovation – El Paso	N/A	Recognized
3. Harmony School of Nature and Athletics – Houston	N/A	N/A
Harmony Science Academy (San Antonio)	**Recognized**	**Recognized**
1. Harmony Science Academy – San Antonio	Recognized	Recognized
2. Harmony School of Innovation – San Antonio	N/A	N/A
Harmony Science Academy (Lubbock)	**Exemplary**	**Recognized**

1. Harmony Science Academy – Lubbock	Exemplary	Recognized
2. Harmony Science Academy – Odessa	N/A	N/A
Harmony Science Academy (Laredo)	**Acceptable**	**Exemplary**
1. Harmony Science Academy – Laredo	Acceptable	Exemplary
2. Harmony Teacher Academy – Houston	N/A	N/A
Harmony Science Academy (Brownsville)	**Exemplary**	**Recognized**
1. Harmony Science Academy – Brownsville	Exemplary	Recognized
2. Harmony School of Language – Houston	N/A	N/A

Source: the Borrower, from information made available by the Texas Education Agency.

(1) These Charter Schools previously existed as a single school and share common accountability ratings for previous years.

AYP Status

Under the accountability provisions of Title I of the Elementary and Secondary Education Act, as reauthorized by the No Child Left Behind Act of 2001 ("*NCLB*"), all public school campuses, school districts, and the State are evaluated for Adequate Yearly Progress ("*AYP*"). Districts, campuses, and the State are required to meet AYP criteria on three measures: Reading/Language Arts, Mathematics, and either Graduation Rate (for high schools and districts) or Attendance Rate (for elementary and middle/junior high schools).

Materials published by the TEA's Office of Assessment, Accountability and Data Quality, *Preliminary 2010 AYP Results by District Name*, indicate the Charter Schools subject to evaluation have met AYP in each of the past three years. If a campus, district, or state that is receiving Title I, Part A funds fails to meet AYP for two consecutive years, that campus, district, or state is subject to certain requirements such as offering supplemental education services, offering school choice, and/or taking other corrective actions. Failure by any of Charter Schools to meet the requirements of NCLB in the future could have a material adverse effect on the Borrower and its ability to generate revenues necessary to make payments representing debt service on the Bonds. See "**RISK FACTORS – Compliance with No Child Left Behind Act of 2001.**"

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Financial and Operations Information

Statement of Financial Position for the Years Ended August 31, 2010, 2009 and 2008

The following is derived from the Borrower's audited financial statements for fiscal years 2010, 2009 and 2008.

Balance Sheet

Assets:	FYE 2010 TOTAL	FYE 2009 TOTAL	FYE 2008 TOTAL
Assets			
Cash	$ 48,728,333	$ 17,000,816	$ 30,761,550
Receivables	8,009,434	3,165,176	2,651,777
Other receivables	145,006	2,194,925	1,063,892
Land	20,555,463	10,271,230	7,200,014
Building and improvements	134,434,722	54,064,118	23,760,334
Equipment and furniture	4,485,429	3,843,031	1,615,136
Accumulated depreciation	(10,254,934)	(5,438,997)	(2,818,574)
Deposits	437,949	480,792	370,994
Other assets	3,356,211	2,463,047	3,312,165
Total Assets	$ 209,897,614	$ 88,044,138	$ 67,917,288
Liabilities:			
Liabilities			
Accounts payable	$ 13,252,045	$ 2,206,684	$ 1,684,338
Accrued liabilities	36,250	702,992	779,308
Interest payable	3,525,359	155,794	157,647
Wages payable	1,626,621	1,950,070	1,318,896
Capital lease payable	89,489	334,020	550,036
Bond payable net of discount	148,938,970	59,619,212	59,969,667
Notes payable	16,417,711	12,438,415	-
Total Liabilities	$ 183,886,444	$ 77,407,187	$ 64,459,892
Net Assets			
Unrestricted	8,740,641	7,938,414	3,457,396
Temporarily restricted	17,270,529	2,698,538	-
TOTAL NET ASSETS	$ 26,011,170	$ 10,636,952	$ 3,457,396
TOTAL LIABILITES AND NET ASSETS	$ 209,897,614	$ 88,044,139	$ 67,917,288

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Statements of Activities for the Years Ended August 31, 2010, 2009 and 2008

The following is derived from the Borrower's audited financial statements for fiscal years 2010, 2009 and 2008.

Statement of Activities

REVENUES AND OTHER SUPPORT	FYE 2010 TOTAL	FYE 2009 TOTAL	FYE 2008 TOTAL
Federal grants	$ 12,271,978	$ 4,873,979	$ 4,223,718
State and local grants	93,033,195	58,920,686	37,347,003
Donations	238,439	3,818,927	1,578,705
Interest income	48,125	-	852,299
Other income	6,290,483	3,851,404	2,468,124
Net assets released from restrictions	-	-	-
Total Revenues	$ 111,882,221	$ 71,464,996	$ 46,469,849
EXPENSES			
Program services			
Total expenses	$ 96,508,001	$ 66,212,274	$ 46,377,822
	$ 96,508,001	$ 66,212,274	$ 46,377,822
Change in net assets	$ 15,374,220	$ 5,252,722	$ 92,027
Net assets, beginning of year	10,636,950	5,384,230	3,365,369
Net assets, ending of year	$ 26,011,170	$ 10,636,952	$ 3,457,396

Audited Financial Information

Audited financial statements for the Borrower for the fiscal years 2010, 2009, and 2008 are included herein as **APPENDIX A**. The Borrower has not sought or obtained the consent of its auditors for inclusion of the audited financial statements in this Official Statement.

Debt Summary

Below is a list of the outstanding debt obligations of the Borrower as of its fiscal year ended August 31, 2010.

TABLE 11: DEBT SUMMARY

Type of Debt	Original Amount	Outstanding Amount[1]
Series 2007 Notes	$ 29,995,000	$ 28,860,000
Series 2008 Notes	31,055,000	30,755,000
Series 2010 Notes	90,000,000	90,000,000
Equipment Note[2]	7,500,000	**[7,500,000]**
Note dated 06/15/2009	4,290,000	4,066,033
Note dated 06/15/2009	2,110,000	1,851,076
Note dated 08/05/2009	6,650,000	6,200,602
Note dated 12/28/2009	4,300,000	4,300,000
TOTAL	$175,900,000	$173,532,711

[1] As of August 31, 2010. See also "**APPENDIX C – FINANCIAL STATEMENTS.**"
[2] The Borrower will use a portion of the proceeds of the Bonds to refund this note. Prior to the delivery of the Series 2011 Notes, the Borrower intends to issue the Bridge Note in the amount of $12,900,000 and to use a portion of the proceeds of the Bonds to refinance such note.

Conflicts Policy

The Borrower's bylaws prohibit the Borrower from making any loan to a director or officer of the Borrower. The Borrower is also prohibited from borrowing money from or otherwise transacting business with a member, director, officer, or committee member of the Borrower unless the transaction is described fully in a legally binding instrument and is in the best interests of the Borrower. The Borrower is further prohibited from borrowing money from or otherwise transacting business with a directors, officer, or committee member of the Borrower without full disclosure of all relevant facts and without the approval of the Board of Directors, not including the vote of any person having a personal interest in the transaction. Additionally, the Board of Directors is subject to the conflict of interest provisions set forth in Section 12.1054 of the Texas Education Code, as amended.

The Borrower's bylaws also prohibit contracts and transactions that would result in denial of its tax exemption under the Code. The Code and related Treasury Regulations contain provisions governing "excess benefit" transactions (as set forth in Section 4958 of the Code). Those provisions provide for penalty taxes and, in extreme cases, revocation of 501(c)(3) status, for, among other things, above fair market value transactions with "disqualified persons." Loss of tax-exempt status by the Borrower could result in loss of tax exemption for federal income tax purposes of interest on the Bonds. See "**RISK FACTORS – Loss of Tax-Exempt Status.**"

Fundraising

The Borrower receives donations in support of its mission from a variety of individuals and organizations. While many donors give one time gifts, other donors have committed funds on a per school basis and provide ongoing support. The table below shows the amount of support the Borrower received and/or has pledges to receive from its donors in the years shown.

TABLE 12: FUNDRAISING DATA	
2005–06	$ 466,667
2006–07	1,400,000
2007–08	2,712,500
2008–09	4,612,500
2009–10	1,818,935
2010–11	1,904,548*
Total	$ 12,915,150

*Collected through _____, 2011.

The Borrower's supporters have included:

- Communities Foundation of Texas
- Michael & Susan Dell Foundation
- Bill & Melinda Gates Foundation
- BP p.l.c.
- KBR, Inc.

The Borrower expects these gifts, donations and grants to continue at some rate. However, there can be no assurance that projections of these revenues will be realized or will not decrease, which would adversely affect the Borrower's capital improvements and expansion plans.

Insurance Coverage

In the Master Indenture, the Borrower has covenanted at all times following completion of any Related Project (as defined therein) to keep and maintain such Related Project insured against such risks and in such amounts with such deductible provisions as are customary in connection with the operation of facilities of the type and size comparable to the Related Project and consistent with the requirements of State law, all as further described in the Master Indenture. Additionally, the Borrower has covenanted to review each year the insurance carried by the Borrower with respect to the Borrower and the Related Project and, to the extent feasible, to carry insurance insuring against the risks and hazards described in the previous sentence to the same extent that other entities comparable to the Borrower and owning or operating facilities of the size and type comparable to the Related Project carry such

insurance. At least once every two years, the Borrower has convenanted to retain an Independent Insurance Consultant (as defined in the Master Indenture) for the purpose of reviewing the insurance coverage of, and the insurance required for, the Borrower and the Related Project and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to the Borrower and the Related Project. The insurance requirements of the Master Indenture shall be deemed modified or superseded as necessary to conform with the recommendations contained in said report to the extent the report recommends additional or increased coverage.

The Borrower last engaged an Independent Insurance Consultant to conduct a review of the Borrower's insurance coverage as of _____. The Borrower currently maintains property insurance, commercial general liability insurance, commercial automotive insurance, and educator's legal liability insurance through the The Hartford Insurance Group, an A.M. Best "A" rated carrier (the "*Policy*"). The aggregate coverage amounts for the Borrower's real and personal property under the Policy are $99,840,261 and $10,448,000, respectively. The commercial general liability and educator's legal liability coverage under the Policy are each limited to $1 million per occurance and $2 million aggregate. The commercial automotive insurance under the Policy has a coverage limit of $1 million per accident. The Policy also insures against certain equipment breakdown and terrorism events.

Projected Revenues and Expenditures

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

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

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

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TABLE 13: HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Cosmos Foundation (Harmony School System)

Proforma Forecast*

Statement of Revenue & Expenditures

(as of 12/9/2010)

	Audited 2007-2008	Audited 2008-2009	Actual 2009-2010	Projected* 2010-2011	Projected* 2011-2012	Projected* 2012-2013	Projected* 2013-2014
Grade Levels	K-12	K-12	K-12	K-12	K-12	K-12	K-12
Enrollment	4,654	7,827	12,342	16,370	19,405	22,035	22,450
Average Daily Attendance	4,514	7,592	11,972	15,879	18,823	21,374	21,777
Revenue							
Local (Interest Inc., Grants, Gifts, Other)*	$ 4,899,127	$ 10,665,180	$ 12,747,884	$ 5,238,400	$ 6,209,600	$ 7,051,200	$ 7,184,000
State Funding	37,347,003	55,925,837	89,733,816	114,328,080	135,524,520	153,892,440	156,790,800
Federal Funding*	4,223,718	4,873,979	10,727,440	11,131,176	13,194,897	14,983,229	15,265,419
Sub Total Revenue				130,697,656	154,929,017	175,926,869	179,240,219
Anticipated Direct Subsidy*	NA	NA	NA	3,613,109	3,724,914	3,724,914	3,724,914
TOTAL REVENUE	$ 46,469,848	$ 71,464,996	$ 113,209,140	$ 134,310,765	$ 158,653,931	$ 179,651,783	$ 182,965,133
Expenditures							
Payroll Costs	$ 23,625,055	$ 32,090,898	$ 44,355,624	$ 58,039,942	$ 68,205,120	$ 77,350,208	$ 78,806,876
Buildings' Leases	4,211,360	6,209,085	8,253,713	10,365,350	10,427,542	10,464,038	10,490,198
Supplies & Materials	3,988,060	5,493,809	6,960,491	7,750,000	8,000,000	8,250,000	8,500,000
Other Operating Costs	10,253,934	17,103,885	19,800,000	25,500,000	26,250,000	27,000,000	27,500,000
Debt Service*	2,394,081	2,352,498	3,564,221	17,322,503	21,133,683	21,184,045	21,178,014
Depreciation and Amortization	1,905,333	2,962,173	4,472,844	6,738,748	6,772,442	6,789,300	6,789,300
Less Depreciation	(1,601,829)	(2,539,948)	(3,266,500)	(3,953,000)	(4,035,000)	(4,080,000)	(4,080,000)
TOTAL EXPENSES	$ 44,775,994	$ 63,672,400	$ 84,140,393	$ 121,763,543	$ 136,753,787	$ 146,957,591	$ 149,184,388
Net Revenues without Anticipated Direct Subsidy	$ 1,693,854	$ 7,792,596	$ 29,068,747	$ 8,934,113	$ 18,175,230	$ 28,969,278	$ 30,055,831
Net Revenues with Anticipated Direct Subsidy	NA	NA	NA	$ 12,547,222	$ 21,900,144	$ 32,694,192	$ 33,780,745
Revenue Available for Debt Service without Anticipated Direct Subsidy	$ 4,087,935	$ 10,145,094	$ 32,632,968	$ 26,256,616	$ 39,308,913	$ 50,153,323	$ 51,233,845
Revenue Available for Debt Service with Anticipated Direct Subsidy	NA	NA	NA	$ 29,869,725	$ 43,033,827	$ 53,878,237	$ 54,958,759
Max Annual Debt Service*	$ 4,562,850	$ 4,562,850	$ 14,045,641	$ 21,184,045	$ 21,184,045	$ 21,184,045	$ 21,178,014
Debt Coverage without Anticipated Direct Subsidy	0.896	2.223	2.323	1.239	1.856	2.368	2.419
Debt Coverage with Anticipated Direct Subsidy	NA	NA	NA	1.410	2.031	2.543	2.595

** Preliminiary, Subject to Change*

This information has been prepared by Cosmos Foundation.