

MASTER STATE AID AGREEMENT

This Agreement, dated as of August 1, 2013, is made by and among the **MICHIGAN FINANCE AUTHORITY**, organized and existing under the laws of the State of Michigan (the "*Authority*"), the **STATE TREASURER OF THE STATE OF MICHIGAN** (the "*State Treasurer*"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association with a corporate trust office in Chicago, Illinois, as trustee (the "*Trustee*").

RECITALS:

WHEREAS, the Authority has entered into certain purchase contracts with the public school academies and strict discipline academies listed in Exhibit A (the "*Governmental Units*");

WHEREAS, the Authority, pursuant to such purchase contracts, the form of which is attached as Exhibit B (the "*Purchase Contracts*"), has agreed to purchase certain municipal obligations (the "*Municipal Obligations*") from the Governmental Units, in the respective principal (also called par) amounts listed in Exhibit A; and

WHEREAS, pursuant to each Governmental Unit's Purchase Contract, each Governmental Unit has pledged certain state school aid payments to be received by such Governmental Unit for the payment of the principal of, and interest on, the Governmental Unit's Municipal Obligation and has directed the State of Michigan to directly transfer to the Trustee payment of a portion of the state school aid payments to be received by the Governmental Unit in an applicable month to satisfy that month's Direct Payment (as defined in the Purchase Contracts) obligation set forth in the Governmental Unit's Purchase Contract (the respective number of monthly Direct Payments required for each Governmental Unit is listed in Exhibit A).

AGREEMENT:

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING AND THE MUTUAL COVENANTS SET FORTH IN THIS AGREEMENT, AND OTHER VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AND IN ACCORDANCE WITH THE PURCHASE CONTRACTS, THE PARTIES TO THIS AGREEMENT AGREE AS FOLLOWS:

Section 1 **General.**

Section 1.1 **Not an Obligation of State or Authorizing Bodies.** Each Governmental Unit has no authority to extend the full faith and credit of its authorizing body identified on Exhibit A (each an “*Authorizing Body*” and collectively the “*Authorizing Bodies*”, or the State of Michigan (the “*State*”) or to create any obligation, direct or indirect, general, special or moral on the part of the Authorizing Body or the State. None of the documents executed in connection with the notes of the Authority to be issued in connection with the transactions described in this Agreement (the “*Notes*”), the Municipal Obligations, and the transactions to which this Agreement relates, creates any pecuniary obligation or liability, direct or indirect, general, special or moral, on the part of the Authorizing Body or the State.

Section 1.2 **The Governmental Units.** The State makes no representations concerning the financial or operating condition of the Governmental Units, any of the facilities of the Governmental Units, or the present or future ability of the Governmental Units to meet their financial obligations, including those under the Municipal Obligations. The State shall have no liability to any party for any action or omission of any Authorizing Body in connection with the revocation, termination, suspension or renewal or failure to renew any charter school contract of any Governmental Unit.

Section 2 **Direction and Transfer of Monthly Direct Payments.**

Section 2.1 **Direction to the State Treasurer.** Subject to Section 3, in accordance with the Purchase Contracts and the attached Consent, Acknowledgment and Authorization of the Authorizing Bodies (the “*Authorization*”), the Authorizing Bodies have requested, and the Authority, pursuant to Section 17a(3) of the School Aid Act of 1979 (1979 PA 94), as amended (the “*School Aid Act*”) requests and directs, the State Treasurer to pay to the Trustee such amounts as described in the Purchase Contracts, which amounts are composed of the portion of state school aid dedicated for distribution to the Governmental Units for the fiscal year ending June 30, 2014, and for which the appropriation authorizing payment has been made under the School Aid Act and which have been assigned or pledged to the Authority by the Governmental Units for payment of their Municipal Obligations pursuant to the Governmental Units’ Purchase Contracts (the “*Direct Payments*”).

Section 2.2 **Allocation Agreement.** Subject to Section 3, on the date the State Treasurer pays state school aid installments to local school districts and intermediate school districts for the fiscal year June 30, 2014, all state school aid payments payable to each Governmental Unit will be deemed to be allocated to its Authorizing Bodies. The State Treasurer recognizes and acknowledges that the full amount of such state school aid payments apportioned and payable to each Governmental Unit is, as of the date of this Agreement, the amount set forth in Item 9 to Schedule I of the applicable Purchase Contracts and the amount of the Direct Payments is as set forth in Item 10 to Schedule I of the applicable Purchase Contracts.

Section 2.3. **Transfer by State Treasurer.** On the date the State Treasurer pays state school aid installments to local school districts and intermediate school districts for the fiscal year ending June 30, 2014, the State Treasurer shall transfer to the Trustee all of the applicable month's Direct Payment otherwise to be received by a Governmental Unit, notwithstanding any notice or other communication of any kind to the contrary that he might receive from such Governmental Unit.

Section 2.4 **Application of Direct Payments by Trustee.** The Trustee shall apply each Direct Payment that it receives from the State Treasurer pursuant to Section 2.3 as payment of the Governmental Unit's applicable monthly Direct Payment obligation (including set asides).

Section 3 **Provisions Applicable Upon Default.**

Section 3.1 **Authorization for Intercept and Advance.** Notwithstanding anything to the contrary in Section 2, on any due date for a Municipal Obligation payment (as required by the applicable Purchase Contract), the funds on deposit with the Trustee, together with scheduled future Direct Payments, are insufficient to pay the principal of and interest on the Municipal Obligation when due, then with respect to such Governmental Unit: pursuant to applicable law and the agreement of the Authorizing Body contained in the Consent, Acknowledgment and Authorization, the State Treasurer on behalf of the Authority is authorized (in accordance with applicable law and the applicable Purchase Contract) to intercept and/or advance not to exceed 97% of all state school aid payments which are dedicated for distribution or for which the appropriation authorizing payment has been made under the School Aid Act.

Section 3.2 **Trustee Notice of Nonpayment.** The Trustee agrees that if a Governmental Unit fails to make its scheduled Municipal Obligation payment, then the Trustee will send written notice of such failure to the Authority, the State Treasurer, the applicable Authorizing Body and the Governmental Unit on the next business day, specifying the amount required to pay all principal of and all interest on the Municipal Obligation (the "***Required Amount***"), computed as of such business day.

Section 3.3 **Available Amounts.** The amount of state school aid payable to each Governmental Unit from time to time varies in accordance with applicable law and enrollment at each Governmental Unit. In addition, each Governmental Unit may have entered into, or may in the future enter into, one or more other state aid agreements with the Authority and the State Treasurer providing for the intercept of state school aid with respect to other obligations of such Governmental Unit issued to the Authority on a parity basis with the Municipal Obligation. The parties hereunder agree that the transfer of funds under Section 2.3 and/or intercept and advance under Section 3.1 are limited as a result of such agreements and, therefore, the amount of money available for transfer under Section 2.3 and/or intercept and advance under Section 3.1 may be limited as a result of any such state aid agreements and parity obligations issued by such Governmental Unit to the Authority (capitalized terms having the meanings ascribed to them in the applicable agreements).

Section 3.4 **Transfer by State Treasurer.** The State Treasurer agrees that if he receives a written notice from the Trustee pursuant to Section 3.2 above with respect to a Municipal Obligation, then within five (5) business days, pursuant to Section 17a(3) of the School Aid Act and the applicable Purchase Contract, he shall intercept and/or advance from no more than 97% of all state school aid payments that the Governmental Unit is eligible to receive under the School Aid Act and which have been pledged to the Authority pursuant to the Purchase Contract an amount equal to the Required Amount and transfer such amount to the Trustee to pay the Required Amount. The parties to this Agreement agree that any amounts so intercepted or advanced will be deemed to be allocated to the applicable Authorizing Body for the benefit of the applicable Government Unit.

Section 3.5 **Application of Intercepted and Advanced Funds.** The Trustee shall apply any intercepted or advanced funds that it receives from the State Treasurer pursuant to Section 3.4 and on behalf of the applicable Governmental Unit in the following order: (i) payment of any of the Governmental Unit's Municipal Obligation payment obligations from previous months remaining unpaid; (ii) payment of the Governmental Unit's current and future months' Municipal Obligation payment obligations; and (iii) to the extent in excess of the amount required to make payment in full of the Governmental Unit's Municipal Obligation, distribution of the remainder of the intercepted or advanced funds to the applicable Authorizing Body or as otherwise directed by the Authority.

Section 4. **Irrevocable Agreement; Termination.** This Agreement shall be irrevocable. This Agreement shall terminate upon payment in full of the Municipal Obligation(s) of the designated Governmental Unit(s) set forth on Exhibit A.

Section 5. **Agreement Not Appropriation or Indebtedness.** This Agreement shall not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district or other governmental unit and shall not be construed as creating an indebtedness of the State of Michigan.

Section 6. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan.

Section 7. **Amendments.** This Agreement may only be amended or revised in writing executed by the parties to this Agreement.


Section 8. **Counterparts Originals.** This Agreement may be executed in one or more counterparts, all of which shall be deemed to be one and the same document. When all parties to this Agreement have executed at least one counterpart, this Agreement shall be binding on all the parties to this Agreement.

Section 9. **Successors and Assigns.** This Agreement shall be binding upon the parties to this Agreement and upon their respective successors. No party to this Agreement may assign this Agreement without the prior written consent of the other parties to this Agreement.

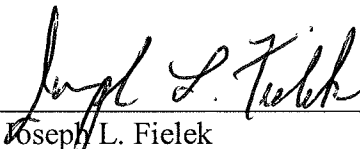
Section 10. **General.** If any provision of this Agreement or any Purchase Contract is inconsistent with the terms of any agreement between the Authorizing Body and a Governmental Unit, the provisions of this Agreement or the Purchase Contract, respectively, shall be controlling with respect to the obligation of the Governmental Unit to pay its Municipal Obligation in accordance with its terms and the terms of the Purchase Contract and the right of the Authority and the Trustee to receive transferred state aid payments pursuant to this Agreement. The Authority is a purchaser of the Municipal Obligation for value and without notice of defect or adverse claims. The Governmental Unit has represented and warranted that it has issued its Municipal Obligation in accordance with applicable law and in substantial compliance with the legal requirements governing it, that it has received substantial consideration for the purchase of its Municipal Obligation, and that the purpose for which the Municipal Obligation is issued is one for which it has power to issue the Municipal Obligation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in the spaces set forth below.

**STATE TREASURER
STATE OF MICHIGAN**

By: 
Joseph L. Fielek
Title: Director, Bureau of State and
Authority Finance

MICHIGAN FINANCE AUTHORITY

By: 
Joseph L. Fielek
Title: Executive Director

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee**

By: 
Its: Authorized Representative

**EXHIBIT A
TO
STATE AID AGREEMENT**

LIST OF PURCHASE CONTRACTS

Public School Academy Revenue Notes, Series 2013B-1

<u>Governmental Unit</u>	<u>Authorizing Body</u>	<u>Par Amount of Municipal Obligation</u>	<u>Number of Direct Payments</u>
Academy for Business and Technology	Eastern Michigan University	\$ 975,000	11
Academy for International Studies	Central Michigan University	276,000	11
Academy of Warren	Bay Mills Community College	465,000	11
ACE Academy	Central Michigan University	447,000	11
Advanced Technology Academy	Lake Superior State University	1,800,000	11
Arts Academy in the Woods	Macomb Intermediate School District	342,000	11
Arts and Technology Academy of Pontiac	Bay Mills Community College	475,000	11
Benton Harbor Charter School	Ferris State University	800,000	11
Bridge Academy	Ferris State University	1,412,000	11
Byron Center Charter School	Grand Valley State University	110,000	11
Casa Richard Academy	Wayne RESA	245,000	11
Central Academy	Central Michigan University	878,000	11
Commonwealth Community Development Academy	Eastern Michigan University	200,000	11
Conner Creek Academy East	Ferris State University	1,489,000	11
Creative Montessori Academy	Wayne RESA	300,000	11
Detroit Community Schools, A Public School Academy	Saginaw Valley State University	600,000	11
Detroit Edison Public School Academy	Oakland University	900,000	11
Detroit Innovation Academy	Central Michigan University	403,000	11
Detroit Leadership Academy	Central Michigan University	839,000	11
Detroit Service Learning Academy	Lake Superior State University	670,000	11
Dr. Charles Drew Academy	Central Michigan University	454,000	11
The Dream Academy	Bay Mills Community College	300,000	11
El-Hajj Malik El-Shabazz Academy	Central Michigan University	250,000	11
Escuela Avancemos!	Grand Valley State University	50,000	11
Faxon Language Immersion Academy	Grand Valley State University	50,000	11
Four Corners Montessori Academy	Oakland University	250,000	11
Frontier International Academy	Bay Mills Community College	815,000	11
Gaudior Academy	Eastern Michigan University	343,000	11
GEE Edmonson Academy	The School District of the City of Detroit	808,000	11
GEE White Academy	The School District of the City of Detroit	606,000	11

Public School Academy Revenue Notes, Series 2013B-1

<u>Governmental Unit</u>	<u>Authorizing Body</u>	<u>Par Amount of Municipal Obligation</u>	<u>Number of Direct Payments</u>
George Washington Carver Academy	School District of the City of Highland Park	\$ 757,000	11
Global Heights Academy	Grand Valley State University	326,000	11
Grand Blanc Academy	Eastern Michigan University	450,000	11
Grattan Public School Academy	Saginaw Valley State University	330,000	11
Hanley International Academy	Grand Valley State University	800,000	11
The Public School Academies of Detroit (Henry Ford Academy: School for Creative Studies)	Grand Valley State University	684,000	11
Highland Park Public School Academy	School District of the City of Highland Park	1,700,000	11
Innocademy	Lake Superior State University	225,000	11
Jalen Rose Leadership Academy	Central Michigan University	660,000	11
Marshall Academy	Ferris State University	545,000	11
Merritt Academy	Saginaw Valley State University	900,000	11
Michigan School for the Arts	Oakland University	250,000	11
Mildred C. Wells Academy	Bay Mills Community College	200,000	11
Multicultural Academy	Bay Mills Community College	300,000	11
Muskegon Heights Public School Academy	Muskegon Heights School District	2,000,000	11
New Beginnings Academy	Central Michigan University	50,000	11
NorthPointe Academy	School District of the City of Highland Park	776,000	11
Northridge Academy	Ferris State University	250,000	11
Oakland International Academy	Saginaw Valley State University	750,000	11
Plymouth Educational Center Charter School, Inc.	Central Michigan University	1,850,000	11
Rutherford Winans Academy	The School District of the City of Detroit	345,000	11
Taylor International Academy	Central Michigan University	785,000	11
The New Standard Academy	Saginaw Valley State University	800,000	11
Three Oaks Public School Academy	Bay Mills Community College	376,000	11
Trillium Academy	Central Michigan University	440,000	11
University Yes Academy	Bay Mills Community College	1,000,000	11
Vista Meadows Academy	Bay Mills Community College	287,000	11
Voyageur Academy	Ferris State University	1,000,000	11
West Michigan Academy of Environmental Science	Central Michigan University	450,000	11
West Village Academy	Central Michigan University	752,000	11
Weston Preparatory Academy	Oakland University	275,000	11
William C. Abney Academy	Grand Valley State University	400,000	11
Woodland Park Academy	Central Michigan University	420,000	11

Public School Academy Revenue Notes, Series 2013B-2 (Federally Taxable)

<u>Governmental Unit</u>	<u>Authorizing Body</u>	<u>Par Amount of Municipal Obligation</u>	<u>Number of Direct Payments</u>
Academic and Career Education Academy	Midland County ESA	\$ 46,000	11
Aisha Shule/W.E.B. Dubois Preparatory Academy	The School District of the City of Detroit	151,000	11
American International Academy	Lake Superior State University	500,000	11
Bay County Public School Academy	Bay Mills Community College	300,000	11
Bingham Arts Academy	Bay Mills Community College	110,000	11
Capstone Academy Charter School	The School District of the City of Detroit	222,000	11
Eman Hamilton Academy	The School District of the City of Detroit	300,000	11
Grand Traverse Academy	Lake Superior State University	3,400,000	11
Michigan Mathematics and Science Academy	Grand Valley State University	406,000	11
Morey Public School Academy	Central Michigan University	284,000	11
W-A-Y Academy Detroit	Lake Superior State University	405,000	11

**EXHIBIT B
TO
STATE AID AGREEMENT**

FORM OF PURCHASE CONTRACT

See Attached.

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