

# PRELIMINARY LIMITED OFFERING MEMORANDUM DATED MARCH 27, 2025

NEW ISSUE - BOOK-ENTRY ONLY

NOT RATED

*In the opinion of Ice Miller LLP ("Bond Counsel"), under federal statutes, decisions, regulations, and rulings existing on this date, interest on the Series 2025 Bonds (as herein defined), is excludable from gross income of the owners for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Such exclusion is conditioned on continuing compliance with the Tax Covenants (as hereinafter defined). Bond Counsel is further of the opinion that interest on the Series 2025 Bonds is exempt from present State (as defined herein) personal income taxes. For a more detailed description of such opinions of Bond Counsel, see "TAX MATTERS" and APPENDIX F – "FORM OF BOND COUNSEL OPINION" herein.*

**\$12,730,000\***

## THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA EDUCATION FACILITY REVENUE BONDS (FLAGSTAFF JUNIOR ACADEMY PROJECT) SERIES 2025

**Dated: Date of Delivery**

**Due: June 1, as shown on the inside front cover**

The Industrial Development Authority of the City of Sierra Vista (the "Issuer"), a nonprofit corporation designated as a political subdivision of the State of Arizona (the "State"), will issue its Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025, in the aggregate principal amount of \$12,730,000\* (the "Series 2025 Bonds") pursuant to an Indenture of Trust, to be dated as of April 1, 2025 (the "Indenture"), between the Issuer and UMB Bank, National Association, as trustee (the "Trustee"). The proceeds of the Series 2025 Bonds will be loaned to Flagstaff Junior Academy (the "Borrower"), an Arizona nonprofit corporation and an organization described in Section 501(c)(3) of the Code that is qualified to do business in the State, pursuant to a Loan Agreement, to be dated as of April 1, 2025 (the "Loan Agreement"), between the Issuer and the Borrower. The Borrower currently operates a charter school (the "School") from two campuses located at 306 West Cedar Avenue in Flagstaff, Arizona (the "Elementary School Campus"), serving grades K-5 and 506 South Beaver Street in Flagstaff, Arizona (the "Leased Middle School Campus"), serving grades 6-8, pursuant to a charter contract with the Arizona State Board for Charter Schools as more fully described herein. See APPENDIX A – "THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT" herein. The Borrower will use the proceeds of the Series 2025 Bonds to pay the costs of: (i) financing, refinancing and/or reimbursing the Borrower for the acquisition, operating and equipping of land and/or facilities located at 1800 North Gemini Drive, Flagstaff, Arizona, including the construction of an outdoor recreational field (the "Series 2025 Facilities", also referred to herein as the "Middle School Campus" and, together with the Elementary School Campus, the "Facilities"), to be owned and operated by the Borrower as a 6-8 grade charter school facility, (ii) funding of any required reserves as set forth in the Indenture, (iii) paying capitalized interest, if any, on the Series 2025 Bonds, and (iv) paying certain issuance expenses (collectively, the "Series 2025 Project"). Although the Elementary School Campus will be pledged as security of the Series 2025 Bonds, proceeds of the Series 2025 Bonds will not be used at, or to finance any portion of, the Elementary School Campus. Capitalized terms used and not defined herein shall have the meanings provided in APPENDIX E – "SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS" in this Limited Offering Memorandum.

The Series 2025 Bonds will be payable from the moneys held for the payment thereof by the Trustee under the Indenture, including amounts held in the Debt Service Reserve Fund and Loan Payments to be made by the Borrower under the Loan Agreement. The Series 2025 Bonds will be secured by an assignment and pledge of (i) amounts payable pursuant to the Loan Agreement and the Promissory Note given pursuant thereto, (ii) the Deed of Trust (as defined herein), including an assignment of all rents, revenues and profits of the Facilities, by the Borrower, as trustor, in favor of the Trustee, as beneficiary, subject to certain Permitted Encumbrances (as defined herein), and (iii) certain funds created in the Indenture, including the Debt Service Reserve Fund. Under the Loan Agreement, the Borrower will be required to make Loan Payments from Pledged Revenues (as defined herein) in amounts sufficient to pay debt service on the Series 2025 Bonds, plus certain other payments. See "THE SERIES 2025 BONDS" and "SECURITY FOR THE SERIES 2025 BONDS" herein.

Interest on the Series 2025 Bonds will accrue from the date of delivery thereof and will be payable semiannually on each June 1 and December 1, commencing June 1, 2025\*. **The Series 2025 Bonds will be issued as fully registered bonds in denominations of \$25,000 of principal or any integral multiple of \$5,000 of principal in excess thereof.** The Series 2025 Bonds will initially be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"). Purchases of the Series 2025 Bonds will be made in book-entry-only form. Purchasers of beneficial interests will not receive certificates representing their interest in the Series 2025 Bonds. Payments of principal of and premium, if any, and interest on the Series 2025 Bonds will be made directly to DTC or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2025 Bonds. Disbursement of such payments to DTC's Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of the Participants, as more fully described herein. See APPENDIX H – "BOOK-ENTRY ONLY SYSTEM" in this Limited Offering Memorandum.

The Series 2025 Bonds are subject to mandatory, optional and extraordinary redemption as described herein under "THE SERIES 2025 BONDS - Redemption" herein.

### See Inside Front Cover Page for Maturity Schedule

PAYMENT OF THE PRINCIPAL OF THE SERIES 2025 BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM THE TRUST ESTATE. THE SERIES 2025 BONDS WILL NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE CITY OF SIERRA VISTA, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY ARIZONA CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE CITY OF SIERRA VISTA, OR THE STATE. THE SERIES 2025 BONDS WILL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE INDENTURE, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2025 BONDS AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, EMPLOYEE, COUNSEL, ADVISOR, CONTRACTOR, CONSULTANT OR AGENT OF THE ISSUER OR OF ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, EMPLOYEES, COUNSEL, ADVISORS, CONTRACTORS, CONSULTANTS OR AGENTS, IF ANY, AS SUCH IS EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THE SERIES 2025 BONDS.

Investment in the Series 2025 Bonds involves a significant degree of risk and is speculative in nature as described under "BONDHOLDERS' RISKS" herein and under other sections of this Limited Offering Memorandum. The ability of the Borrower to pay the amounts due under the Loan Agreement is primarily based on moneys to be paid by the State to the Borrower to educate students, and the amount payable is calculated pursuant to a formula based on student enrollment. No assurance can be given that the Borrower will attract sufficient students to the School to achieve the projected student enrollments described herein. The Borrower has no taxing powers. While the Series 2025 Bonds will be secured by certain real and personal property of the Borrower, there is no requirement that the market value of such property equal or exceed the Borrower's obligations under the Loan Agreement. In addition, owners of the Series 2025 Bonds do not have consent rights with respect to the issuance of additional parity bonds under the terms and conditions described herein. Furthermore, it is impossible to predict whether the State Legislature will enact legislation adversely affecting the operation of or funding for charter schools. See "BONDHOLDERS' RISKS" herein.

THE SERIES 2025 BONDS MAY INITIALLY BE SOLD ONLY TO ACCREDITED INVESTORS OR QUALIFIED INSTITUTIONAL BUYERS (EACH AS DEFINED HEREIN), (II) ANY BANK, SAVINGS INSTITUTION OR INSURANCE COMPANY (WHETHER ACTING IN A TRUSTEE OR CUSTODIAL CAPACITY FOR ANY ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER OR ON ITS OWN BEHALF), OR (III) ANY TRUST OR CUSTODIAL ARRANGEMENT OF EACH OF THE BENEFICIAL OWNERS OF WHICH IS AN ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER. SEE "THE SERIES 2025 BONDS – INVESTOR SUITABILITY STANDARDS" HEREIN.

*This front cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read this entire Limited Offering Memorandum to obtain information essential to make an informed investment decision.*

The Series 2025 Bonds are offered, subject to prior sale, when, as and if accepted by the underwriter named below (the "Underwriter") and subject to an opinion as to validity and tax exemption by Ice Miller LLP, Gilbert, Arizona, Bond Counsel, and the approval of certain matters by Mangum, Wall, Stoops & Warden, P.L.L.C., Flagstaff, Arizona, as counsel to the Borrower, Ballard Spahr LLP, Minneapolis, Minnesota, as counsel to the Underwriter, and Slania Law, PLLC, as counsel to the Issuer. It is expected that delivery of the Series 2025 Bonds will be made on or about \_\_\_\_\_, 2025 through the facilities of DTC in New York, New York, against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Series 2025 Bonds. For information with respect to the Underwriter, see "UNDERWRITING" herein.

**RAYMOND JAMES®**

Dated: April \_\_, 2025

\* Preliminary, subject to change.

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

\$12,730,000\*  
THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA  
EDUCATION FACILITY REVENUE BONDS  
(FLAGSTAFF JUNIOR ACADEMY PROJECT)  
SERIES 2025

**MATURITY SCHEDULE**

\$ _____*	____%	Term Bond due June 1, 20____*	Price ____	Yield ____%	CUSIP†: _____
\$ _____*	____%	Term Bond due June 1, 20____*	Price ____	Yield ____%	CUSIP†: _____
\$ _____*	____%	Term Bond due June 1, 20____*	Price ____	Yield ____%	CUSIP†: _____

\*

Preliminary, subject to change.

†

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**Issuer**

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Sierra Vista, Arizona

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**Borrower**

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Flagstaff, Arizona

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**Trustee and Paying Agent**

UMB Bank, National Association  
Austin, Texas

## CAUTIONARY STATEMENTS

THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO, CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET” OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE BORROWER DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR. THE FINANCIAL PROJECTIONS OF THE BORROWER CONTAINED IN APPENDIX J ATTACHED TO THIS LIMITED OFFERING MEMORANDUM ARE NOT HISTORICAL STATEMENTS OF FINANCIAL PERFORMANCE OF THE BORROWER, BUT ARE FORWARD-LOOKING PROJECTIONS OF FUTURE, PROJECTED FINANCIAL PERFORMANCE OF THE BORROWER.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER, THE BORROWER OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION WITH RESPECT TO THE SERIES 2025 BONDS OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL NOT BE ANY OFFER, SOLICITATION, SALE OR DELIVERY OF THE SERIES 2025 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION, SALE OR DELIVERY.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2025 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**The descriptions of the documents in the Limited Offering Memorandum are summaries thereof and reference is made to the actual documents for a complete understanding of the contents of such documents, copies of which are available from Raymond James & Associates, Inc.**

Neither the Trustee nor the Arizona State Board for Charter Schools (the charter authorizer of the Borrower) assume any responsibility for this Limited Offering Memorandum and has not reviewed or undertaken to verify any information contained herein.

The information under APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM” herein has been furnished by The Depository Trust Company and no representation is made by the Issuer, the Borrower or the Underwriter, or any of their counsel or agents, as to the accuracy or completeness of such information.

The order and placement of materials in this Limited Offering Memorandum, including the Appendices, are not deemed to be a determination of relevance, materiality or importance, and this Limited Offering Memorandum, including the Appendices, must be considered in its entirety. The offering of the Series 2025 Bonds is made only by means of this entire Limited Offering Memorandum.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Limited Offering Memorandum.



THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE ISSUER (SOLELY IN CONNECTION WITH THE INFORMATION UNDER THE CAPTIONS “THE ISSUER” AND “LITIGATION – THE ISSUER”), THE BORROWER, AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY AND COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER OR BY THE ISSUER (EXCEPT FOR INFORMATION FURNISHED BY THE ISSUER UNDER THE CAPTIONS “THE ISSUER” AND “LITIGATION – THE ISSUER”). THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING THE ISSUER UNDER THE CAPTIONS “THE ISSUER” AND “LITIGATION – THE ISSUER”, NONE OF THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER AND THE ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE SERIES 2025 BONDS; OR (III) THE TAX STATUS OF THE INTEREST ON THE SERIES 2025 BONDS.

**In making an investment decision, investors must rely on their own examinations of the Borrower, the School and the Series 2025 Facilities and the terms of the offering, including the merits and risks involved. The Series 2025 Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or completeness of this Limited Offering Memorandum. Any representation to the contrary may be a criminal offense.**

The Borrower has covenanted to provide continuing disclosure as described in this Limited Offering Memorandum in APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The Issuer has not, and will not, undertake any responsibilities to provide continuing disclosure with respect to the Series 2025 Bonds and will have no liability to owners of the Series 2025 Bonds with respect to any such disclosures.

The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of its responsibilities to investors pursuant to federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information, except for the information provided by the Underwriter under the captions “MATURITY SCHEDULE,” “SOURCES AND USES OF FUNDS,” “ESTIMATED DEBT SERVICE SCHEDULE,” and “UNDERWRITING.”

The Series 2025 Bonds have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in each.

EACH PURCHASER OF THE SERIES 2025 BONDS MUST BE AN ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER (EACH AS DEFINED HEREIN), (II) ANY BANK, SAVINGS INSTITUTION OR INSURANCE COMPANY (WHETHER ACTING IN A TRUSTEE OR CUSTODIAL CAPACITY FOR ANY ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER OR ON ITS OWN BEHALF), OR (III) ANY TRUST OR CUSTODIAL ARRANGEMENT OF EACH OF THE BENEFICIAL OWNERS OF WHICH IS AN ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER. SEE “THE SERIES 2025 BONDS – INVESTOR SUITABILITY STANDARDS” HEREIN.

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## **LIMITED OFFERING MEMORANDUM**

**\$12,730,000\***

### **THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA EDUCATION FACILITY REVENUE BONDS (FLAGSTAFF JUNIOR ACADEMY PROJECT) SERIES 2025**

#### **INTRODUCTORY STATEMENT**

##### **General**

This Limited Offering Memorandum, which includes the cover pages, inside front cover page and appendices hereto, has been prepared in connection with the original sale and issuance by The Industrial Development Authority of the City of Sierra Vista (the “Issuer”) of \$12,730,000\* aggregate principal amount of its Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”), identified on the inside front cover page hereof. The following is a brief introduction as to certain matters discussed elsewhere in this Limited Offering Memorandum and is qualified in its entirety as to such matters by such discussion and the text of the actual documents described or referenced.

Definitions contained in the text hereof are for ease of reference only and are qualified in their entirety by the definitions in APPENDIX E hereto or the documents with respect to which such terms relate. The Appendices hereto are an integral part of this Limited Offering Memorandum and each potential investor should review the Appendices in their entirety.

The Series 2025 Bonds will be issued pursuant to the Indenture of Trust, to be dated as of April 1, 2025 (the “Indenture”), between the Issuer and UMB Bank, National Association, as trustee (the “Trustee”). Proceeds of the Series 2025 Bonds will be used by the Issuer to fund a loan (the “Loan”) to Flagstaff Junior Academy (the “Borrower”), an Arizona nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), pursuant to the Loan Agreement, to be dated as of April 1, 2025 (the “Loan Agreement”), between the Issuer and the Borrower. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST” and “– THE LOAN AGREEMENT” in this Limited Offering Memorandum.

The Borrower operates one charter school (the “School”) at two campuses in the State of Arizona (the “State”) located at 306 West Cedar Avenue in Flagstaff, Arizona (the “Elementary School Campus”), serving grades K-5, and 506 South Beaver Street in Flagstaff, Arizona (the “Leased Middle School Campus”), serving grades 6-8, pursuant to a renewal charter school contract (the “Charter Contract”), between the Borrower and the Arizona State Board for Charter Schools (the “ASBCS”), with a term from July 1, 2011 through June 30, 2031. The Borrower owns the Elementary School Campus free and clear of any liens or loans, and leases the Leased Middle School Campus pursuant to the “South Beaver Lease”. See APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT – The Leased Middle School Campus” in this Limited Offering Memorandum.

The Borrower has requested that the Issuer issue the Series 2025 Bonds and make the Loan in order for the Borrower to pay the costs of: (i) financing, refinancing and/or reimbursing the Borrower for the acquisition, operating and equipping of land and/or facilities located at 1800 North Gemini Drive, Flagstaff, Arizona, including the construction of an outdoor recreational field (the “Series 2025 Facilities,” also

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\* Preliminary, subject to change.

referred to herein as the “Middle School Campus” and, together with the Elementary School Campus, the “Facilities”), (ii) funding of any required reserves as set forth in the Indenture, (iii) paying capitalized interest, if any, on the Series 2025 Bonds, and (iv) paying certain issuance expenses (collectively, the “Series 2025 Project”). Although the Elementary School Campus will be pledged as security of the Series 2025 Bonds, proceeds of the Series 2025 Bonds will not be used at, or to finance any portion of, the Elementary School Campus. See “SOURCES AND USES OF FUNDS” and “PLAN OF FINANCE” herein and APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT” for additional details. Following the expiration of the South Beaver Lease in June 2025, the Borrower will move students in grades 6-8 from the Leased Middle School Campus to the new Middle School Campus for the commencement of the 2025-2026 school year.

The payments due from the Borrower pursuant to the Loan Agreement (the “Loan Payments”) will be secured by a promissory note, to be dated as of the date of issuance of the Series 2025 Bonds (the “Series 2025 Promissory Note”), to be executed by the Borrower in favor of the Issuer and endorsed by the Issuer to the Trustee and a pledge by the Borrower of Pledged Revenues (as defined below under “SECURITY FOR THE SERIES 2025 BONDS – Pledge of State Payments”).

Pursuant to the Indenture, the Issuer will pledge to the Trustee, for the benefit of the Registered Owners of the Series 2025 Bonds and any additional bonds that may be issued under the Indenture on a parity with the Series 2025 Bonds (the “Additional Bonds” and, together with the Series 2025 Bonds, the “Bonds”), all of its interest in the Loan Agreement and any additional loan agreements that may be entered into with the Borrower in connection with the issuance of Additional Bonds and the Series 2025 Promissory Note and any additional promissory notes that may be executed by the Borrower in favor of the Issuer in connection with the issuance of Additional Bonds (other than certain retained rights, including those relating to indemnification and expense reimbursement payments), to secure payment of the principal of and premium, if any, and interest on the Bonds.

The Series 2025 Bonds will be secured by a first position lien on and security interest in fee title to the Facilities (including both the new Middle School Campus and the Elementary School Campus) pursuant to a Deed of Trust, Security Agreements, Assignments of Rents and Leases, and Fixture Filings, dated as of April 1, 2025 (the “Deed of Trust”), to be executed by the Borrower in favor of the Trustee, as beneficiary, and Pioneer Title Agency, as trustee thereunder, subject to certain “Permitted Encumbrances” described in the Indenture and Deed of Trust. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE DEED OF TRUST” herein.

Proceeds of the Series 2025 Bonds will be disbursed by the Trustee pursuant to the Loan Agreement and the Indenture. The Borrower will make certain representations and covenants in the Loan Agreement related to maintaining the exclusion from gross income for federal income tax purposes of interest on the Series 2025 Bonds.

### **Pledge of State Funds**

Pledged Revenues will include, among other revenues, any and all payments made by the Treasurer of the State to the Borrower pursuant to the Charter Contract with respect to the School that are permitted by State law to be used for the purposes set forth in the Loan Agreement and the Indenture (the “State Payments”). As additional security for the Series 2025 Bonds, the Borrower will irrevocably direct the State Treasurer to make State Payments directly to the Trustee as long as any obligations of the Borrower under the Loan Agreement remain outstanding. See “SECURITY FOR THE SERIES 2025 BONDS – Pledge of State Payments” herein, APPENDIX D – “CHARTER SCHOOLS IN ARIZONA” and APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT.”

## **Debt Service Reserve Fund**

The Indenture creates a Debt Service Reserve Fund. On the date of issuance of the Series 2025 Bonds, proceeds of the Series 2025 Bonds in an amount equal to \$861,575\*, which is the Series Debt Service Reserve Requirement for the Series 2025 Bonds, will be deposited in the Debt Service Reserve Fund created under the Indenture. Amounts in the Debt Service Reserve Fund will secure the Series 2025 Bonds and any Additional Bonds and may be used by the Trustee to pay principal of and premium, if any, and interest on the Series 2025 Bonds in the event moneys in the Bond Fund are insufficient for such purpose.

There is no guarantee that amounts in the Debt Service Reserve Fund will be sufficient to pay debt service on the Series 2025 Bonds. See “SECURITY FOR THE SERIES 2025 BONDS – Debt Service Reserve Fund” and APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Debt Service Reserve Fund” in this Limited Offering Memorandum.

## **Repair and Replacement Fund**

The Indenture creates a Repair and Replacement Fund, which will not be funded on the Closing Date. Commencing with the June 1, 2026 Scheduled Monthly Payment Date, the Borrower is required to make payments equal to the Repair and Replacement Fund Monthly Deposit (as defined herein) for deposit on each Scheduled Monthly Payment Date to the Repair and Replacement Fund. The Borrower has covenanted in the Loan Agreement to select an Independent Consultant to complete, on or before June 30, 2030, and every fifth anniversary thereafter as long as any Bonds are Outstanding, a Capital Needs Assessment (as defined herein) to determine the Repair and Replacement Fund Contribution amount (as defined herein). Amounts on deposit in the Repair and Replacement Fund may be used for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Facilities in sound condition. Moneys in the Repair and Replacement Fund may be used for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Fund and the Debt Service Reserve Fund related to the Bonds are insufficient. There is no guarantee that amounts in the Repair and Replacement Fund will be available to pay debt service on the Bonds. See “SECURITY FOR THE SERIES 2025 BONDS – Repair and Replacement Fund” and APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Repair and Replacement Fund” in this Limited Offering Memorandum.

## **Purchase and Transfer Restrictions**

EACH INITIAL PURCHASER OF THE SERIES 2025 BONDS IS REQUIRED TO BE AN “ACCREDITED INVESTOR” (WITHIN THE MEANING OF RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AN “ACCREDITED INVESTOR”) OR “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT, A “QUALIFIED INSTITUTIONAL BUYER”), (II) ANY BANK, SAVINGS INSTITUTION OR INSURANCE COMPANY (WHETHER ACTING IN A TRUSTEE OR CUSTODIAL CAPACITY FOR ANY ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER OR ON ITS OWN BEHALF), OR (III) ANY TRUST OR CUSTODIAL ARRANGEMENT OF EACH OF THE BENEFICIAL OWNERS OF WHICH IS AN ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER ((I) THROUGH (III), EACH AN “APPROVED TRANSFEREE”), EXECUTING AN INVESTOR LETTER IN THE FORM ATTACHED HERETO AS APPENDIX I – “FORM OF INVESTOR LETTER.”

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\* Preliminary, subject to change.

THE SERIES 2025 BONDS MAY NOT BE TRANSFERRED EXCEPT IN AUTHORIZED DENOMINATIONS AND TO AN APPROVED TRANSFEREE.

See “THE SERIES 2025 BONDS – Investor Suitability Standards” and “BONDHOLDERS’ RISKS – Secondary Market” and “– Purchases and Transfer Restrictions of Series 2025 Bonds” in this Limited Offering Memorandum.

### **Special Covenants of Borrower**

The Loan Agreement requires the Borrower to maintain certain debt service coverage and days cash on hand levels, and places certain restrictions on the incurrence of additional indebtedness by the Borrower. The Borrower has agreed in the Loan Agreement and the Continuing Disclosure Undertaking (as defined herein) to provide certain periodic financial reports. See “SECURITY FOR THE SERIES 2025 BONDS – Debt Service Coverage Ratio” and “– Days Cash on Hand Requirement” and APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Audits,” “– Financial Records and Statements; Financial Covenants; Reports; Annual Certificate,” and “– Limitations on Additional Indebtedness” in this Limited Offering Memorandum.

### **Forward-Looking Statements**

This Limited Offering Memorandum contains certain statements that are “forward-looking” statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts included in this Limited Offering Memorandum, including without limitation statements that use terminology such as “estimate,” “expect,” “intend,” “anticipate,” “believe,” “may,” “will,” “continue” and similar expressions, are forward-looking statements. These forward-looking statements include, among other things, the discussions related to operation by the Borrower of the School and expectations regarding student enrollment, future operations, revenues, capital resources and expenditures for capital projects. Although the management of the Borrower believes that the assumptions upon which the forward-looking statements contained in this Limited Offering Memorandum 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 also could be incorrect. All phases of the operations of the Borrower involve risks and uncertainties, many of which are outside the control of the Borrower and any one of which, or a combination of which, could materially affect the results of the operations of the Borrower and whether the forward-looking statements ultimately prove to be correct. Factors that could cause actual results to differ from those expected include, but are not limited to, general economic conditions such as inflation and interest rates, both nationally and in the area of the State where the Facilities are located; changes in general business regulation that could adversely impact the operations of the Borrower; unanticipated delays in completion of the Facilities and/or unanticipated cost overruns; the willingness of the State to fund charter school operations at present or increased levels; competitive conditions within the markets of the School, including the acceptance of the education services offered by the Borrower; lower enrollments than projected; unanticipated expenses; the capabilities of the management of the Borrower; changes in government regulation of the education industry or in the State charter school statute; future claims for accidents or other torts at the Facilities and the extent of insurance coverage for such claims; and other risks discussed in this Limited Offering Memorandum. Important factors that could cause actual results to differ materially from the expectations of the Borrower (“cautionary statements”) are disclosed in this Limited Offering Memorandum including in conjunction with the forward-looking statements included in this Limited Offering Memorandum, under “BONDHOLDERS’ RISKS” and in APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT,” APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDING JUNE 30, 2024.”

NO REPRESENTATION OR ASSURANCE CAN BE GIVEN THAT THE BORROWER WILL REALIZE REVENUES IN AMOUNTS SUFFICIENT TO MAKE THE REQUIRED PAYMENTS UNDER THE LOAN AGREEMENT. THE REALIZATION OF FUTURE REVENUES IS DEPENDENT UPON, AMONG OTHER THINGS, THE MATTERS DESCRIBED IN THE FOREGOING PARAGRAPH AND FUTURE CHANGES IN ECONOMIC AND OTHER CONDITIONS THAT ARE UNPREDICTABLE AND CANNOT BE DETERMINED AT THIS TIME. SEE “BONDHOLDERS’ RISKS” HEREIN. THE UNDERWRITER MAKES NO REPRESENTATION AS TO THE ACCURACY OF THE PROJECTIONS CONTAINED IN APPENDIX J HERETO OR AS TO THE ASSUMPTIONS ON WHICH THE PROJECTIONS ARE BASED.

### **Limited Duties of Trustee**

Pursuant to the terms of the Indenture, the Trustee has no duty to investigate or analyze documents, including any reports, financial statements, insurance policies, or other material delivered to the Trustee under the terms of the Indenture or the Loan Agreement and shall only be required to act on such information if the Trustee has actual knowledge of an Event of Default thereunder (and the Trustee is entitled to rely on any written request or certificate executed by an Authorized Representative of the Borrower). Such items include but are not limited to: insurance certificates, Project Fund requisitions, and financial reporting. As a result, the Trustee may only be able to identify and declare an Event of Default in connection with a non-payment under the Loan Agreement.

In addition, the Indenture permits moneys in the Project Fund, Cost of Issuance Fund, Debt Service Reserve Fund, Bond Fund, Repair and Replacement Fund and Rebate Fund to be invested and reinvested by the Trustee in Investment Obligations (as defined therein) only. The Trustee will rely solely on the written direction of the Borrower in investing and reinvesting such moneys, without further investigation or independent determination as to whether such investments constitute Investment Obligations.

See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Duties of the Trustee” in this Limited Offering Memorandum.

### **Miscellaneous**

This Limited Offering Memorandum (including the Appendices hereto) contains descriptions of, among other matters, the Indenture, the Loan Agreement, the Deed of Trust, the Issuer, the Borrower, the School, the Facilities and the Series 2025 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references to documents described herein are qualified in their entirety by reference to such documents, copies of which are available for inspection at the designated corporate trust office of the Trustee.

### **Bondholders’ Risks**

Certain risks associated with an investment in the Series 2025 Bonds are discussed under “BONDHOLDERS’ RISKS.”

## THE ISSUER

*Except for the information under this heading and “LITIGATION – The Issuer,” solely as such information relates to the Issuer, the Issuer has not participated in the preparation of this Limited Offering Memorandum and assumes no responsibility as to the accuracy or completeness of any information in this Limited Offering Memorandum.*

### General

The Issuer is a nonprofit corporation designated a political subdivision of the State incorporated with the approval of the City of Sierra Vista (the “City of Sierra Vista”), pursuant to the provisions of the Constitution of the State and the Act. The Issuer has no taxing power. The Issuer is empowered to issue bonds to provide funds for the financing or refinancing of the costs of the acquisition, construction, improvement, rehabilitation and equipping of a “project,” as defined in the Act, including education facilities for charter schools.

The Issuer is not pledging its general credit. The Issuer does not have the power to pledge the general credit or taxing power of the State or of any political subdivision thereof, including, but not limited to, the City of Sierra Vista.

The Issuer is governed by a Board of Directors selected by the Mayor and City Council of the City of Sierra Vista. The Issuer does not employ any staff to carry out its limited functions; it contracts with independent third parties to do so. The Issuer does not, and will not in the future, monitor the financial condition of the Borrower, the operation of the Facilities or the Series 2025 Project or otherwise monitor payment of the Series 2025 Bonds or compliance with the documents relating thereto. The responsibility for the operation of the Facilities and the Series 2025 Project will rest entirely with the Borrower.

The Series 2025 Bonds are special limited obligations of the Issuer. No recourse by any holder of the Series 2025 Bonds will be had for the payment of the principal, premium, if any, or interest on any of the Series 2025 Bonds or for any claim based thereon or upon any obligation, covenant, or agreement in the Indenture or the Loan Agreement, or against any past, present, or future officer, director, counsel, advisor or agent of the Issuer or any successor thereto, as such, directly or through the Issuer or any successor thereto, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, director, counsel, advisor or agent as such has been expressly waived as a condition of and in consideration of the execution of the Indenture, the Loan Agreement and the issuance of the Series 2025 Bonds.

Under the financing contemplated hereby, other than the limited obligations set forth in the Indenture and the Loan Agreement, the Issuer has no obligations with respect to this financing after the issuance of the Series 2025 Bonds. All payments made pursuant to the Loan Agreement will be made by the Borrower directly to the Trustee for disbursement to the bondholders. Except for monies from the Trust Estate, none of the revenues to pay the Series 2025 Bonds will come from the Issuer and therefore the Issuer’s financial information and status is irrelevant to any investment decision with respect to the Series 2025 Bonds. As a result, no information regarding the Issuer will be provided in regard to any continuing disclosure requirement relating to the Series 2025 Bonds. Neither the Issuer nor its independent contractors have furnished, reviewed, investigated or verified the information contained in this Limited Offering Memorandum, except for the information under this caption and “LITIGATION – The Issuer” as it relates to the Issuer.



## **No Recourse**

PAYMENT OF THE PRINCIPAL OF THE SERIES 2025 BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM THE TRUST ESTATE. THE SERIES 2025 BONDS WILL NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE CITY OF SIERRA VISTA, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY ARIZONA CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE CITY OF SIERRA VISTA, OR THE STATE. THE SERIES 2025 BONDS WILL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE INDENTURE, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2025 BONDS AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, EMPLOYEE, COUNSEL, ADVISOR, CONTRACTOR, CONSULTANT OR AGENT OF THE ISSUER OR OF ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, EMPLOYEES, COUNSEL, ADVISORS, CONTRACTORS, CONSULTANTS OR AGENTS, IF ANY, AS SUCH IS EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THE SERIES 2025 BONDS.

## **THE BORROWER**

The Borrower, an Arizona nonprofit corporation, was incorporated on June 20, 1990. The Borrower also is an organization exempt from federal income taxation pursuant to Section 501(a) of the Code as a result of the application of Section 501(c)(3) of the Code. The Borrower owns, or will own, the Facilities and will, or will continue to, use the Facilities in connection with operation of the School. The Borrower currently leases the Leased Middle School Campus pursuant to the South Beaver Lease as described in further detail in APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT” in this Limited Offering Memorandum. Although the Elementary School Campus will be pledged as security of the Series 2025 Bonds, proceeds of the Series 2025 Bonds will not be used at, or to finance any portion of, the Elementary School Campus.

The Borrower operates the School as a K-8 charter school pursuant to the Charter Contract and the Charter School Act. See APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE CHARTER CONTRACT AND AUTHORIZER” in this Limited Offering Memorandum. The Borrower receives its funding from a combination of State Payments and several State and federal programs, based on student enrollment. See “BONDHOLDERS’ RISKS – Revocation, Non-Renewal or Expiration of Charter”, “– No Taxing Authority/Dependence on State Payments”, “– Funding and Future Changes to Charter School Laws”, and “– Dependence on State Budget” in this Limited Offering Memorandum.

Additional information about the Borrower, including information about the Borrower, the School, the Facilities and the Series 2025 Project, is included in APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT” of this Limited Offering Memorandum.

## PLAN OF FINANCE

The Borrower plans to use the proceeds of the Series 2025 Bonds to finance the Series 2025 Project, including to (i) finance, refinance and/or reimburse the Borrower for the acquisition, operating and equipping of the new Middle School Campus, including the construction of an outdoor recreational field, (ii) fund any required reserves as set forth in the Indenture; (iii) pay capitalized interest on the Series 2025 Bonds, if any; and (iv) pay certain issuance expenses. Although the Elementary School Campus will be pledged as security of the Series 2025 Bonds, proceeds of the Series 2025 Bonds will not be used at, or to finance any portion of, the Elementary School Campus.

Additional details about the Series 2025 Project, the new Middle School Campus, the Elementary School Campus, the School, and the Borrower are included in APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT” of this Limited Offering Memorandum.

## SOURCES AND USES OF FUNDS\*

Following are the expected sources and uses of funds (excluding investment income) associated with the issuance of the Series 2025 Bonds:

<u>Sources of Funds</u>	
Par Amount of Series 2025 Bonds	\$12,730,000
Original Issue Discount	<u>(547,665)</u>
TOTAL SOURCES	\$12,182,335
 <u>Uses of Funds</u>	
Project Fund	\$10,439,575
Debt Service Reserve Fund	861,575
Capitalized Interest	320,280
Costs of Issuance <sup>(1)</sup>	<u>560,905</u>
TOTAL USES	\$12,182,335

<sup>(1)</sup> *Includes Underwriter’s compensation, municipal advisor fees, legal fees and expenses, printing, Trustee fees and Issuer fees.*

*[Remainder of page intentionally left blank]*

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\* *Preliminary, subject to change.*

### ESTIMATED DEBT SERVICE SCHEDULE\*

The following table sets forth, for each year ended June 1, the estimated amounts required to be paid with respect to the Series 2025 Bonds, assuming no prepayment other than for mandatory sinking fund redemptions. Principal of the Series 2025 Bonds will be paid on June 1 of each year, commencing June 1, 2029\*, and interest will be paid semiannually on June 1 and December 1, commencing June 1, 2025\*.

<u>Period ending June 30,</u>	<u>Series 2025 Bonds Principal*</u>	<u>Series 2025 Bonds Interest</u>	<u>Series 2025 Bonds Total Debt Service</u>
2025			
2026			
2027			
2028			
2029	\$115,000		
2030	120,000		
2031	125,000		
2032	135,000		
2033	140,000		
2034	150,000		
2035	155,000		
2036	165,000		
2037	175,000		
2038	185,000		
2039	195,000		
2040	210,000		
2041	220,000		
2042	235,000		
2043	245,000		
2044	260,000		
2045	275,000		
2046	290,000		
2047	305,000		
2048	325,000		
2049	345,000		
2050	365,000		
2051	385,000		
2052	405,000		
2053	430,000		
2054	455,000		
2055	480,000		
2056	510,000		
2057	540,000		
2058	570,000		
2059	605,000		
2060	640,000		
2061	680,000		
2062	720,000		
2063	765,000		
2064	810,000		
<b><u>TOTAL</u></b>	<b><u>\$12,730,000</u></b>		

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\* Preliminary, subject to change.

## THE SERIES 2025 BONDS

### Interest; Payment

The Series 2025 Bonds will be issued in the aggregate principal amount and will bear interest as set forth on the inside front cover page hereof. Interest will be payable semiannually on June 1 and December 1 (each an “Interest Payment Date”) of each year, commencing on June 1, 2025\*. Interest will be calculated on the basis of a 360-day year with 12 months of 30 days.

**The Series 2025 Bonds will be issued in the form of fully registered bonds without interest coupons in denominations of \$25,000 of principal or any integral multiple of \$5,000 of principal in excess thereof.**

The principal of, interest on and premium, if any, on the Series 2025 Bonds shall be payable when due by wire of the Trustee to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such principal, interest and premium, if any, to Participants (as defined in APPENDIX H), which Participants will in turn remit such principal, interest and premium, if any, to the Beneficial Owners (as defined in APPENDIX H) of the Series 2025 Bonds as described herein. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM” in this Limited Offering Memorandum.

In the event the Series 2025 Bonds are not registered in the name of Cede & Co., as nominee of DTC, or another eligible depository as described below, the principal of and premium, if any, on each Series 2025 Bond will be payable only at the designated corporate trust office of the Trustee, as described in the Indenture. Payment of interest on the Series 2025 Bonds will be paid by check or draft mailed on each Interest Payment Date by the Trustee to the Registered Owners of record appearing on the registration books kept by the Trustee as of the applicable Regular Record Date preceding each Interest Payment Date, or upon written request, as provided in the Indenture, of any Registered Owner of at least \$500,000 in aggregate principal amount of Series 2025 Bonds Outstanding, by wire transfer on each Interest Payment Date to the account designated by such registered owner to the Trustee in writing at least ten Business Days prior to the Regular Record Date for any interest payment.

The Registered Owner of any Series 2025 Bond will be the person or persons in whose name or names a Series 2025 Bond is registered on the registration books kept for that purpose by the Trustee in accordance with the terms of the Indenture.

### Investor Suitability Standards

**The Series 2025 Bonds are to be offered and sold only to (i) Accredited Investors or Qualified Institutional Buyers, (ii) any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any Accredited Investor or Qualified Institutional Buyer or on its own behalf), or (iii) any trust or custodial arrangement of each of the beneficial owners of which is an Accredited Investor or Qualified Institutional Buyer (each (i) through (iii), an “Approved Transferee”), executing an investor letter in the form attached hereto as APPENDIX I – “FORM OF INVESTOR LETTER.” The Indenture contains provisions limiting transfers of the Series 2025 Bonds and beneficial ownership interests in the Series 2025 Bonds only to Approved Transferees and requiring that the Authorized Denominations of the Series 2025 Bonds be \$25,000 of principal and any multiple of \$5,000 of principal in excess thereof. In addition, the face of each Series 2025 Bond will contain a legend indicating it may only be registered in the name of, or transferred to, Approved Transferees, and that by acceptance of such Series 2025 Bond, the holder represents that it is an**

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\* Preliminary, subject to change.

Approved Transferee. See “BONDHOLDERS’ RISKS – Purchases and Transfer Restriction of Series 2025 Bonds” herein.

The foregoing limitation will cease to apply (without notice to or consent of any Registered Owner or Beneficial Owner) upon and after receipt by the Trustee from the Borrower of a rating letter by Standard & Poor’s, Fitch or Moody’s indicating that the Series 2025 Bonds are rated “BBB-” or “Baa3,” as applicable, or better. The Trustee will as soon as practicable, but in no event more than ten calendar days, after receipt by the Trustee of such information, notify each Registered Owner that (i) the transfer and ownership restrictions set forth in the Indenture shall be of no further force or effect and (ii) the Authorized Denominations of the Series 2025 Bonds shall be \$5,000 of principal and any multiple thereof.

## Redemption

Mandatory Sinking Fund Redemption. The Series 2025 Bonds maturing June 1, 20\_\_\* will be subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount so to be redeemed plus accrued interest to the redemption date, in accordance with the following schedule:

<b>Mandatory Redemption Date (June 1)</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Date (June 1)</b>	<b>Principal Amount</b>

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† Maturity Date

The Series 2025 Bonds maturing June 1, 20\_\_\* will be subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount so to be redeemed plus accrued interest to the redemption date, in accordance with the following schedule:

<b>Mandatory Redemption Date (June 1)</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Date (June 1)</b>	<b>Principal Amount</b>

†

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† Maturity Date

The Series 2025 Bonds maturing June 1, 20\_\_\* will be subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount so to be redeemed plus accrued interest to the redemption date, in accordance with the following schedule:

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\* Preliminary, subject to change.

<b>Mandatory Redemption Date (June 1)</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Date (June 1)</b>	<b>Principal Amount</b>
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† *Maturity Date*

**Optional Redemption.** The Series 2025 Bonds are subject to redemption at the option of the Issuer (which option shall be exercised upon the written direction of the Borrower from prepayment of the Series 2025 Promissory Note, made by the Borrower pursuant to the Loan Agreement) in whole or in part on any date commencing June 1, 20\_\_\*, at a redemption price (expressed as percentages of principal amount), together with accrued interest to the date fixed for redemption, as follows:

<b>Redemption Dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
June 1, 20__ through May 31, 20__	__%
June 1, 20__ through May 31, 20__	__%
June 1, 20__ and thereafter	__%

In case of optional redemption of the Series 2025 Bonds, the Borrower shall, at least 45 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), deliver a written request to the Issuer and the Trustee notifying the Issuer and the Trustee of such redemption date and of the principal amount of the Series 2025 Bonds to be redeemed and shall, prior to the redemption date, deliver to the Trustee moneys sufficient to pay the redemption price of all Series 2025 Bonds subject to redemption.

**Extraordinary Redemption.** The Bonds of a Series are subject to extraordinary redemption at the expense of the Borrower from the Net Proceeds of any insurance policy or condemnation award and in the event the Facilities or any portion thereof is damaged or destroyed or taken in condemnation proceedings as provided in the Loan Agreement; provided, such Net Proceeds are in excess of \$500,000. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Mandatory Prepayment from Insurance or Condemnation Proceeds.” If called pursuant to the Indenture, such Bonds are callable on the earliest date practicable selected by the Trustee, in whole or in part, from and to the extent of funds on deposit under the Indenture and available for this purpose, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the redemption date, without premium.

**Mandatory Redemption Upon Determination of Taxability.** The Series 2025 Bonds are subject to mandatory redemption as a whole, at their principal amount, plus accrued interest to the date of redemption, plus a premium equal to 3 percent of the principal amount of the Series 2025 Bonds so redeemed, upon the occurrence of a Determination of Taxability; provided, however, that the Trustee shall not redeem Series 2025 Bonds unless the Trustee shall have on deposit moneys in an amount sufficient to pay the principal amount of and the redemption premium on, plus accrued interest on, the Series 2025 Bonds to be redeemed to the date of such redemption. The redemption date shall be the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than six months following the finalization of the Determination of Taxability.

\* *Preliminary, subject to change.*

## **Notice of Redemption**

In every case of redemption, the Trustee shall cause notice of such redemption by mailing by first-class mail a copy of the redemption notice to the Registered Owners of the Series 2025 Bonds designated for redemption, in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 60 nor less than 30 days prior to the redemption date; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Series 2025 Bonds. The Trustee may state that the redemption is conditioned upon receiving from the Borrower, prior to the redemption date, sufficient moneys to redeem such Series 2025 Bonds and that if such money is not so received, no Series 2025 Bonds shall be redeemed.

Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Series 2025 Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Series 2025 Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Series 2025 Bonds or portions thereof to be redeemed.

## **Method of Selecting Bonds**

Unless otherwise specifically stated in the Indenture, if less than all of the Series 2025 Bonds shall be redeemed, the Series 2025 Bonds to be redeemed shall be redeemed in inverse order of maturity. If less than all of the Series 2025 Bonds in a single maturity shall be redeemed, the Series 2025 Bonds to be redeemed shall be selected randomly by lot within such maturity.

## **Amendments to the Bond Documents and the Series 2025 Bonds – Registered Owner Consent**

Under the terms of the Indenture, amendments with respect to certain matters affecting the Series 2025 Bonds may be made upon receipt by the Trustee of the affirmative consent of at least 75 percent of the Registered Owners of Series 2025 Bonds then Outstanding. These matters include, among others: (i) an extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Series 2025 Bond; (ii) the deprivation of the Registered Owner of any Series 2025 Bond then Outstanding of the lien or the priority of the lien created by the Indenture (other than as permitted thereunder when such Series 2025 Bond was initially issued); (iii) a privilege or priority of any Series 2025 Bond or Series 2025 Bonds over any other Series 2025 Bond or Series 2025 Bonds; or (iv) a reduction in the aggregate principal amount of the Series 2025 Bonds, if any, required for consent to such Supplemental Indenture or amendment to the Loan Agreement. Although the Indenture provides for such modifications without the consent of all affected Registered Owners, it does provide that, with respect to these specifically identified matters, such modifications must be made equally and ratably among all Series 2025 Bonds outstanding. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Supplemental Indentures Requiring Consent of Registered Owners” in this Limited Offering Memorandum.

## **Additional Bonds**

Pursuant to the Indenture, the Issuer, at the request of the Borrower, is authorized to issue Additional Bonds only with respect to a Project, secured and payable on a parity basis with the Series 2025 Bonds, provided that, prior to the issuance of any such Additional Bonds, certain terms and conditions have been met. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Additional Bonds” in this Limited Offering Memorandum. The principal of and premium, if any, and interest on any Additional Bonds will be secured

on a parity with the Series 2025 Bonds by the first position lien on and security interest in the Facilities granted by the Borrower pursuant to the Deed of Trust. In connection with the issuance of Additional Bonds, the Borrower also may execute a deed of trust to grant a first position lien on and security interest in any new Facilities to be financed with the proceeds of the Additional Bonds to secure payment of the principal of and premium, if any, and interest on the Bonds.

The Loan Agreement provides similar limitations on the ability of the Borrower to incur Indebtedness on a parity with the Series 2025 Bonds. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Limitations on Additional Indebtedness” in this Limited Offering Memorandum.

### **Ownership**

The person in whose name a Series 2025 Bond is registered may be treated for all purposes as the owner thereof.

## **SECURITY FOR THE SERIES 2025 BONDS**

### **Limited Obligations**

PAYMENT OF THE PRINCIPAL OF THE SERIES 2025 BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM THE TRUST ESTATE. THE SERIES 2025 BONDS WILL NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE CITY OF SIERRA VISTA, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY ARIZONA CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE CITY OF SIERRA VISTA OR THE STATE. THE SERIES 2025 BONDS WILL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE INDENTURE, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2025 BONDS AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, EMPLOYEE, COUNSEL, ADVISOR, CONTRACTOR, CONSULTANT OR AGENT OF THE ISSUER OR OF ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, EMPLOYEES, COUNSEL, ADVISORS, CONTRACTORS, CONSULTANTS OR AGENTS, IF ANY, AS SUCH IS EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THE SERIES 2025 BONDS.

### **Payments Under Loan Agreement; Assignment of Loan Agreement**

The Borrower is required to make Loan Payments under the Loan Agreement and the Series 2025 Promissory Note in amounts that will be sufficient, if paid promptly and in full, to pay when due all principal of and premium, if any, and interest on the Loan and certain ongoing costs. Under the Indenture, the Issuer has assigned its interest in the Loan Agreement (excluding certain retained rights of the Issuer, including



payment of fees, expenses and indemnification) to the Trustee to secure the Series 2025 Bonds. The Trustee is authorized to exercise the unretained rights of the Issuer and enforce the obligations of the Borrower under the Loan Agreement. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST,” and “– THE LOAN AGREEMENT” in this Limited Offering Memorandum.

### **Debt Service Reserve Fund**

On the date of issuance of the Series 2025 Bonds, proceeds of the Series 2025 Bonds in an amount equal to \$861,575\*, which is the Series Debt Service Reserve Fund Requirement for the Series 2025 Bonds, will be deposited in the Debt Service Reserve Fund created under the Indenture. Amounts in the Debt Service Reserve Fund will secure the Bonds and may be used by the Trustee to pay principal of and premium, if any, and interest on the Bonds in the event moneys in the Bond Fund are insufficient for such purpose. On the final maturity date of the Bonds, any moneys in the Debt Service Reserve Fund may be used to pay the principal of and interest on the Bonds on such final maturity date. In the event of the redemption of the Bonds in whole, any moneys in the Debt Service Reserve Fund shall be transferred to the Bond Fund and applied to the payment of the principal of and premium, if any, on the Bonds.

Amounts in the Debt Service Reserve Fund are valued semiannually as provided in the Indenture. The Borrower is required to cure any deficiency in the Debt Service Reserve Fund in not more than one year in substantially equal installments beginning on the Scheduled State Payment Date following such deficiency, and provided that no such installment shall be less than \$5,000. If amounts in the Debt Service Reserve Fund are in excess of the Debt Service Reserve Requirement, such excess amount shall be transferred to the Bond Fund. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Debt Service Reserve Fund” in this Limited Offering Memorandum.

### **Repair and Replacement Fund**

The Indenture creates a Repair and Replacement Fund, which will not be funded on the Closing Date. Commencing with the June 1, 2026 Scheduled Monthly Payment Date, the Borrower is required to make payments equal to the Repair and Replacement Fund Monthly Deposit for deposit on each Scheduled Monthly Payment Date to the Repair and Replacement Fund. The Borrower has covenanted to select an Independent Consultant to complete, on or before June 30, 2030, and every fifth anniversary thereafter as long as any Bonds are Outstanding, a capital needs assessment of the Facilities projecting the Borrower’s capital needs at the Facilities and the total cost thereof over the next succeeding five years (each a “Capital Needs Assessment”). The total projected costs of such capital needs set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Fund, divided by 60, shall be the “Repair and Replacement Fund Contribution” for such five year period; provided, however, that in the event the Borrower pays all or a portion of the cost of a capital need projected in the Capital Needs Assessment from a source of funds other than the Repair and Replacement Fund, as certified in writing by an Authorized Representative of the Borrower to the Trustee, the Repair and Replacement Fund Contribution for the remainder of the applicable five year period shall be decreased by the amount of such projected cost that is paid from such other source of funds divided by the number of Repair and Replacement Fund Contribution payments remaining in the applicable five year period. All calculations of the Repair and Replacement Fund Requirement and the Repair and Replacement Fund Contribution shall be made by the Borrower and shall be certified to the Trustee. The Trustee shall be entitled to rely upon the determination and certifications of the Borrower.

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\* Preliminary, subject to change.

Amounts on deposit in the Repair and Replacement Fund may be used for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Facilities in sound condition, including but not limited to, replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment. Moneys in the Repair and Replacement Fund may be used for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Fund and the Debt Service Reserve Fund related to the Bonds are insufficient. There is no guarantee that amounts in the Repair and Replacement Fund will be available to pay debt service on the Bonds.

“Repair and Replacement Fund Monthly Deposit” means, (i) commencing June 1, 2026, an amount equal to \$1,500, or such lesser amount as may be necessary to reach the Repair and Replacement Fund Requirement, and (ii) commencing July 1, 2030, the Repair and Replacement Fund Contribution.

See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Repair and Replacement Fund” in this Limited Offering Memorandum.

### **Debt Service Coverage Ratio**

Pursuant to the Loan Agreement, by December 1 of each year, commencing December 1, 2025, the Borrower will deliver to the Trustee a certificate of the Borrower or an Accountant of the Borrower showing the Debt Service Coverage Ratio for the Fiscal Year just ended.

If such Debt Service Coverage Ratio certified to the Trustee is below the Debt Service Coverage Ratio Requirement, then, the Borrower will retain, at its own expense, an Independent Consultant to submit a written report and make recommendations with respect to revenues or other financial matters of the Borrower that are relevant to increasing the Debt Service Coverage Ratio to at least the Debt Service Coverage Ratio Requirement. The Borrower shall adopt and follow the recommendations of the Independent Consultant except when an Opinion of Counsel is delivered to the Issuer and the Trustee that the Independent Consultant’s recommendations would violate state or federal law, the educational purpose of the Borrower or the charter policy of the chartering authority. If such Debt Service Coverage Ratio certified to the Trustee is below 1.0 to 1, then an Event of Default shall be deemed to have occurred thereunder.

“Debt Service Coverage Ratio Requirement” is defined in the Loan Agreement as commencing with the Fiscal Year ending June 30, 2026, (i) a Debt Service Coverage Ratio of at least one hundred percent (100%) of the Debt Service Requirement during such Fiscal Year if the Borrower’s unrestricted Days Cash on Hand is at least one hundred (100) Days Cash on Hand; or (ii) a Debt Service Coverage Ratio of at least one hundred ten percent (110%) of the Debt Service Requirement during such Fiscal Year if the Borrower’s unrestricted Days Cash on Hand is less than one hundred (100) Days Cash on Hand. “Debt Service Coverage Ratio” is defined in the Loan Agreement as, for any Fiscal Year, the ratio obtained by dividing the Net Income Available for Debt Service for such Fiscal Year by the Debt Service Requirement for such Fiscal Year.

“Net Income Available for Debt Service” is defined in the Loan Agreement as, for any period of determination thereof, the Pledged Revenues for such period, plus the interest earnings on moneys held in the Debt Service Reserve Fund established under the Indenture minus the total Operating Expenses for such period but excluding (i) any profits or losses that would be regarded as extraordinary items under Generally Accepted Accounting Principles, (ii) gain or loss in the extinguishment of Indebtedness, (iii) proceeds of any Series of Bonds and any other Indebtedness permitted by this Loan Agreement, and (iv) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit

of the Borrower, proceeds of any sale, transfer or other disposition of the Facilities, and any condemnation or any other damage award received by or owing to the Borrower.

The Loan Agreement requires the Borrower to provide 30 days' notice to Bondholders of the engagement of an Independent Consultant as required by the Loan Agreement in connection with the Borrower's (i) failure to meet the Debt Service Coverage Ratio Requirement, (ii) failure to meet the Days Cash on Hand requirement, (iii) disposition of the Facilities, and (iv) the incurrence of Additional Indebtedness, all in accordance with and subject to the Loan Agreement, during which such 30-day period the Bondholders may object to the selection of the Independent Consultant.

### **Days Cash on Hand Requirement**

Pursuant to the Loan Agreement the Borrower has covenanted and agreed that Days Cash on Hand, which shall be tested as of June 30 of each year, commencing June 30, 2025, shall be equal to or greater than 45 days. By December 1 of each year, commencing December 1, 2025, the Borrower will deliver to the Trustee a Certificate of the Borrower or an Accountant of the Borrower stating the Days Cash on Hand for the prior June 30. The foregoing is subject to the qualification that if applicable state or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Borrower to accumulate such level of Days Cash on Hand, then the Borrower shall conform to the then prevailing laws, rules or regulations.

If the Days Cash on Hand for any testing date is less than 45 days (or such lesser amount required by prevailing laws, rules or regulations, as applicable), then, the Borrower will retain, at its own expense, an Independent Consultant to review and analyze the operations and administration of the Borrower, submit to the Trustee and post to EMMA written reports, and make such recommendations as to the operation and administration of the Borrower as such Independent Consultant deems appropriate, including any recommendation as to a revision of the methods of operation of the Borrower. The Borrower shall adopt and follow the recommendations of the Independent Consultant except when an Opinion of Counsel is delivered to the Issuer and the Trustee that the Independent Consultant's recommendations would violate state or federal law, the educational purpose of the Borrower or the charter policy of the chartering authority.

"Days Cash on Hand" is defined in the Loan Agreement as, (i) the sum of cash, cash equivalents, liquid investments, board designated investments, unrestricted marketable securities (valued at the lower of cost or market) of the Borrower, as shown on the audited financial statements of the Borrower for the Fiscal Year, divided by (ii) the quotient of Operating Expenses, as shown on the audited financial statements of the Borrower for such Fiscal Year, divided by 365.

"Operating Expenses" is defined in the Loan Agreement as, fees and expenses of the Borrower, including maintenance, repair expenses, utility expenses, administrative and legal expenses, miscellaneous operating expenses, advertising costs, payroll expenses (including taxes), the cost of materials and supplies used for current operations of the Borrower, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Borrower, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but that are such as may reasonably be expected to be incurred in accordance with Generally Accepted Accounting Principles, all in such amounts as reasonably determined by the Borrower; provided, however, "Operating Expenses" shall not include depreciation, amortization, expenses or other amounts paid into and from the Repair and Replacement Fund or other non-cash expenses or those expenses that are actually paid from any revenues of the Borrower that are not Pledged Revenues, expenses characterized as extraordinary under Generally Accepted Accounting Principles or payments for improvements to the Facilities that are capitalized for accounting purposes.

Upon the Borrower being required to engage an Independent Consultant, the Borrower is required to cause a notice (a "Consultant Notice") of the selection of such Independent Consultant to be filed with

the Trustee who will promptly post notice of such on EMMA. The Borrower will include the following information in each Consultant Notice: (i) the name of its proposed Independent Consultant, and (ii) a brief curriculum vitae of the Independent Consultant describing his/her/its credentials. The Consultant Notice will provide that, unless a Bondholder submits to the Trustee a written objection to the Independent Consultant (an “Objection Notice”) within twenty-one (21) calendar days of the date the Consultant Notice is posted by the Trustee to EMMA (the “Objection Period”), then the Borrower may engage the Independent Consultant for the purpose stated in the Consultant Notice. If holders of a majority in aggregate principal amount of the Outstanding Bonds provide any Objection Notice to the Trustee within the Objection Period, then the Borrower will be required to select an alternate Independent Consultant and post a new Consultant Notice to EMMA with respect to the newly proposed Independent Consultant and the process will repeat, until the Borrower proposes an Independent Consultant that is not objected to by a majority in the aggregate principal amount of the Outstanding Bonds.

### **Deed of Trust**

The Bonds will be secured by a first position lien on and security interest in fee title to the Facilities pursuant to the Deed of Trust, to be executed by the Borrower in favor of the Trustee, as beneficiary, and Pioneer Title Agency, as trustee thereunder, subject to certain “Permitted Encumbrances” described in the Deed of Trust and the Indenture. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE DEED OF TRUST” herein.

### **Pledge of State Payments**

The Borrower has entered into the Charter Contract with the ASBCS, which governs its charter school operations and permits the Borrower to receive State Payments for the School as described below. Under the Loan Agreement, the Borrower will pledge and grant a security interest in the Pledged Revenues in order for the Borrower to meet its obligations under the Loan Agreement and the Series 2025 Promissory Note. “Pledged Revenues” are defined in the Indenture as, to the extent permitted by law, all revenues, rentals, fees, third-party payments, receipts or other income of the Borrower, including the rights to receive such revenues and the proceeds thereof (including without limitation rights to payment intangibles relating thereto) (each subject to Permitted Encumbrances), all as calculated in accordance with Generally Accepted Accounting Principles, including, without limitation, State Payments (whether paid to the Borrower or to the Trustee on behalf of the Borrower), proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets of the Borrower, whether now or hereafter owned, held or possessed by the Borrower; and, to the extent permitted by the terms thereof and by law, all gifts, grants, bequests, donations and contributions (including income and profits therefrom).

The primary source of Pledged Revenues will consist of State Payments received by the Borrower for the School. State Payments consist of moneys statutorily owed to the Borrower under Arizona Revised Statutes Section 15-185(B) that are permitted to be used for the purposes set forth in the Loan Agreement and the Indenture. See APPENDIX D – “CHARTER SCHOOLS IN ARIZONA – State Funding” herein for additional information concerning how the amount of State Payments is calculated at the time of offering of the Series 2025 Bonds. On or before each Scheduled State Payment Date, the Trustee will calculate the amounts due from the Borrower under the Loan Agreement, deduct such amount from the State Payments received from the State Treasurer (to the extent there are sufficient State Payments), deposit that amount into the appropriate funds under the Indenture and, within two (2) business days of receipt, return any remaining State Payments to the Borrower. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST” and “– THE LOAN AGREEMENT” in this Limited Offering Memorandum.

## Defeasance

Upon certain terms and conditions specified in the Indenture, including provision for the payment of the Series 2025 Bonds, the Series 2025 Bonds or portions thereof will be deemed to be paid and shall no longer be secured by or entitled to the benefits of the Indenture or the Deed of Trust. In that case, the Series 2025 Bonds will be secured solely by the cash and securities deposited with the Trustee for such purpose. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Discharge of Indenture” in this Limited Offering Memorandum.

## BONDHOLDERS’ RISKS

*Investment in the Series 2025 Bonds involves a significant degree of risk and is speculative in nature. Anyone considering investing in the Series 2025 Bonds should carefully examine this Limited Offering Memorandum, including the Appendices hereto. **INVESTMENT IN THE SERIES 2025 BONDS SHOULD BE UNDERTAKEN ONLY BY PERSONS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME SUCH RISK. THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET FORTH IN THIS LIMITED OFFERING MEMORANDUM, BEFORE MAKING AN INVESTMENT DECISION.***

*This discussion of risk factors is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.*

## Cautionary Statements Regarding Forward-Looking Statements in this Limited Offering Memorandum

When used in this Limited Offering Memorandum and in any continuing disclosure by the Borrower in press releases and in oral statements made with the approval of an authorized executive officer of the Borrower, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or forecasted. The Borrower cautions readers not to place undue reliance on any such forward-looking statements. The Borrower advises readers that certain factors could affect the financial performance of the Borrower and could cause the actual results of the Borrower for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

## General

The Series 2025 Bonds are special limited obligations of the Issuer. They are secured by and payable solely from funds payable by the Borrower under the terms and conditions of the Loan Agreement as described herein. The management of the Borrower believes, based upon present circumstances (i.e., the executed Charter Contract, current and projected enrollment, student demand and levels of State Payments), that the Borrower will generate sufficient Pledged Revenues to meet its obligations under the Loan Agreement; however, the Charter Contract may be terminated or not renewed, or the basis of the assumptions utilized by the Borrower’s management to formulate this belief may otherwise change. NO REPRESENTATION OR ASSURANCE CAN BE MADE THAT THE BORROWER WILL CONTINUE TO GENERATE SUFFICIENT PLEDGED REVENUES TO MEET ITS OBLIGATIONS.

## **Revocation, Non-Renewal or Expiration of Charter**

Charter contracts in Arizona are granted for an initial period of 15 years from July 1 of the first year of operation of the charter school, although the term could be changed to a shorter term. In addition, the ASBCS may elect to revoke a charter contract upon the failure of the charter school to meet academic standards and/or a breach of one or more provisions of the charter contract. After the initial 15-year term, charters may be renewed for a term of 20 years.

The Charter Contract between the Borrower and the ASBCS, is scheduled to expire June 30, 2031. See APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE CHARTER CONTRACT AND AUTHORIZER” in this Limited Offering Memorandum. In accordance with the Charter School Act, the ASBCS is required to review the Charter Contract every five years, with the next such review scheduled for 2026 and may revoke the Charter Contract if it determines the Borrower has breached one or more provisions of the Charter Contract. See APPENDIX D – “CHARTER SCHOOLS IN ARIZONA – Key Elements in the Charter School Statutes – *Charter Term; Nonrenewal or Revocation of a Charter (A.R.S. Sections 15-183I and 15-183J)*” in this Limited Offering Memorandum. While the Borrower’s management does not anticipate any non-renewal or revocation of the Charter Contract, there can be no assurance that the ASBCS will renew, and will not revoke, the Charter Contract.

## **No Taxing Authority/Dependence on State Payments**

The Borrower has no taxing authority and is substantially dependent upon the State to continue to provide funding for public education, including charter school funding. The obligation of the State to make State Payments or otherwise provide funds to the Borrower is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds are not allocated and available for the continuance of a charter school contract, the Charter Contract may be terminated by the ASBCS at the end of the period for which funds are available. No liability shall accrue to the ASBCS in such event, and the State shall not be obligated or liable for any future payments or any damages as a result of such termination. In certain circumstances, the State also may withhold a portion of the payments otherwise due a charter school if the charter school does not comply with applicable State laws and regulations. In the event the State were to withhold the payment of moneys from the Borrower for any reason – even a reason that is ultimately determined to be invalid or unlawful – it is possible that the Borrower would be forced to cease operations.

## **Funding and Future Changes to Charter School Laws**

The State Legislature has amended the Charter School Act a number of times since it was first enacted in 1994. Past and future amendments to the Charter School Act may adversely affect the Borrower in various ways, including without limitation, by withholding a percentage of the State Payments if the School is deemed not to be in compliance with the Charter Contract or the Charter School Act or State and federal laws; by decreasing the charter terms from 15 or 20, as applicable, years to some other shorter term; by requiring a State body to make an assessment of the School’s effectiveness every year; by limiting the number of students for which State funds are available; by mandating new facilities or programs that may increase costs beyond projections; by reducing the maximum amount payable by the State for students enrolled at the School; by revising the relative responsibilities between public schools and the State for financing schools (including charter schools); or by eliminating the authority for State-supported charter schools.

In addition, the State Legislature must appropriate funds for public education – including District Schools (as defined in APPENDIX D – “CHARTER SCHOOLS IN ARIZONA” herein) and charter schools – each year, and it may not appropriate sufficient funds to enable the Borrower to pay the debt service on the Series 2025 Bonds and meet budgeted expenses. Similarly, the State allocation per student

may be reduced or may not keep pace with expenses such that the aggregate State Payments to the Borrower are inadequate to allow the Borrower to make Loan Payments to pay debt service on the Series 2025 Bonds, and operating expenses for the School. If the State Payments are insufficient, the Borrower may be unable to make the Loan Payments as and when required and, in turn, debt service on the Series 2025 Bonds, and operating expenses for the School.

Changes in regulatory enforcement or administrative procedures, whether related to charter schools or business in general, also may adversely affect the Borrower, and such changes may be material. By way of example, in a 2006 clarification of Arizona law, the Superior Court of Arizona held that, after permitting a mandatory period of 90 days to correct problems associated with a notice to revoke a charter contract, the ASBCS has the authority, within its administrative guidelines, to revoke a charter contract even if the charter school has corrected the problems giving rise to the notice to revoke.<sup>1</sup> Similar or different changes in regulatory enforcement or administrative procedures could materially impact charter schools, including the School. See also “Risks Related to Federal Policy Changes” below.

### **Dependence on State Budget**

State payments for charter schools are a component of, and rely upon, the State’s budget. In past years, the State Legislature has considered budget cutting measures related to education and State payments, including “rollovers” to delay payment from one fiscal year to the next; freezing per-pupil funding; delaying or eliminating an assortment of programs that do not affect all schools (such as supplemental funding for math and science); rollbacks of increases in the weight assigned to kindergarten student counts; rolling back a previously approved 1 percent discretionary base level funding increase changing the timing of student counts from 100 days to 140 days; and including K-12 education in across-the-board percentage spending reductions. It is uncertain what budget balancing measures, if any, will be taken in future years or how they might impact charter schools, and there can be no assurance that any final measures adopted by the State Legislature will not include reductions in K-12 education spending, including reductions in State payments to charter schools. Additionally, there is no assurance that current levels of spending for K-12 education will not be decreased in future legislative sessions.

In addition, a portion of the Borrower’s revenues for the School comes from restricted State allocations identified as “Classroom Site Funds” and “Instructional Improvement Funds.” The State revenues supporting these two funds are generated, at least in part, from Transaction Privilege (sales) Tax receipts. When consumer spending is down relative to its higher collection years, the State revenues generated from taxes related to such spending are reduced. Accordingly, the amount of Classroom Site Funds and Instructional Improvement Funds allocated to schools, including charter schools, has decreased in certain years. There is no way to determine if State revenues generated from sales taxes will improve, stabilize or decrease. However, changes in such State revenues, and the allocation of Classroom Site Funds and Instructional Improvement Funds, will impact the Borrower and such impact may be material and adverse.

See APPENDIX D – “CHARTER SCHOOLS IN ARIZONA – Charter School Finance” in this Limited Offering Memorandum for additional information concerning historical annual appropriations by the State of State Payments and how the amount of State Payments is calculated at the time of offering of the Series 2025 Bonds.

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<sup>1</sup> *Rolling Hills Charter School v. Arizona State Board for Charter Schools*, LC2005-000430. (Decision filed March 22, 2006, Superior Court of Arizona, Maricopa County, Arizona.)

## **Key Management**

The creation of, and the philosophy of teaching in, charter schools generally may initially reflect the vision and commitment of a few key persons on the board of directors and/or the upper management of the charter school (“Key Directors/Managers”). Loss of such Key Directors/Managers, and the inability of the Borrower to find comparable qualified replacements, could adversely affect any of the operations or financial results of the Borrower. See APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – GOVERNANCE; ADMINISTRATION; AND FACULTY – Board of Directors,” and “– Administration” in this Limited Offering Memorandum for more information regarding the management team of the Borrower.

## **Reliance on Financial Projections**

Payment by the Trustee of principal of and interest due on the Series 2025 Bonds is dependent upon receipt of Loan Payments by the Trustee from the Borrower. The ability of the Borrower to make Loan Payments when due is dependent on State Payments to be received by the Borrower as payment for educating students. See “FINANCIAL PROJECTIONS”, APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – BUDGET; ACCOUNTING; DEBT – Summary of Financial Statements and Projections” and APPENDIX J – “BORROWER’S FINANCIAL PROJECTIONS” in this Limited Offering Memorandum.

The projections of revenues and expenditures prepared by management of the Borrower in APPENDIX J – “BORROWER’S FINANCIAL PROJECTIONS” are based upon assumptions made by the Borrower’s management regarding enrollment and contribution amounts. SUCH PROJECTIONS DO NOT CONSTITUTE A “CERTIFIED FINANCIAL FORECAST” PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. No assurance can be given that the results described in the projections will be achieved, or that there has been no change in underlying considerations since the date of this Limited Offering Memorandum. The Borrower does not intend to update the projections and, accordingly, there are risks inherent in using the projections in the future as they become outdated. The projections are only for the years ending June 30, 2025 through June 30, 2030, and do not cover the entire period during which the Series 2025 Bonds may be outstanding.

No guarantee can be made that the projections will correspond with the results actually achieved in the future because there is no assurance that the actual events will correspond with the assumptions made by the Borrower’s management. For example, the projections make certain assumptions as to enrollment increases during the forecast period. See “FINANCIAL PROJECTIONS,” APPENDIX J – “BORROWER’S FINANCIAL PROJECTIONS,” and APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – BUDGET; ACCOUNTING; DEBT – Summary of Financial Statements and Projections” in this Limited Offering Memorandum. Inevitably, the actual future operations and financial condition of the Borrower will differ from those projected and actual future events and conditions will differ from those assumed by the Borrower’s management. Such differences may be material and adverse. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of changes in demographic trends, insufficient enrollment, changes in State or federal funding of education or otherwise) and local and general economic conditions.

## **Income and Property Tax Exemption**

Under present federal and State law, regulations and rulings, the income and revenue of nonprofit, 501(c)(3) qualified exempt organizations are exempt from federal and state income tax, except for any unrelated business income as defined in the Code. The Borrower is an Arizona nonprofit corporation and has received a determination letter from the Internal Revenue Service (“IRS”) stating that it is a 501(c)(3)



qualified tax-exempt organization. Under present State law and rulings, buildings and the property appurtenant thereto that are owned by a nonprofit corporation are exempt from property taxes levied by political subdivisions of the State, beginning on the date that the nonprofit corporation acquires ownership of such property and buildings, so long as the property and buildings are used for educational purposes and not used or held for profit (although such property is subject to special assessments for local improvements to the property). The Borrower has submitted an affidavit as to exemption eligibility to the Coconino County Assessor to establish that the Series 2025 Facilities are exempt from the payment of property taxes. However, such laws, regulations and rulings are subject to change, and no assurance can be given that any future change in exempt status would not have a materially adverse effect on the Borrower. The financial projections contained herein have been prepared with the assumptions outlined in this paragraph.

### **Economic and Other Factors**

Future economic and other factors may adversely affect the revenues and expenses of the Borrower and, consequently, the ability of the Borrower to make payments under the Loan Agreement. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the School at optimum levels for each grade level; decreases in the level of State Payments or other student enrollment-based funding by the State; decline in the ability of the Borrower and its management to provide education desired and accepted by the population served; economic developments in the affected service area, including inflation and interest rates; decline of the reputation of the School; revocation of the Charter Contracts; competition from other educational institutions, including other charter schools, private schools and District Schools (as defined below); lessened ability of the Borrower to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Charter School Act; future claims for accidents or other torts at the School or environmental enforcement actions with respect to environmental conditions at the Series 2025 Facilities and the extent of insurance coverage for such claims (see “Risks of Real Estate Investment – Environmental Risks” below); and the occurrence of natural disasters, such as floods (see “- Risks of Real Estate Investment – Climate Change and Natural Disasters” below); and acts of civil unrest and terrorism.

### **U.S. Immigration Policy Reform**

In his first term, President Trump implemented several proposals designed to significantly overhaul the existing United States immigration policy, including, among others, tripling the ranks of Immigration and Customs Enforcement agents, building an expanded wall along the southern United States border, the rescission of former President Obama’s 2012 Deferred Action for Childhood Arrivals program, and increased deportation of undocumented immigrants. Former President Biden’s administration discontinued or paused many of these policies previously enacted during the first Trump administration.

During the 2024 presidential election and his second term, President Trump has proposed or implemented policies advancing those from his first term, including increased deportations of undocumented immigrants, expanded workplace raids, border wall expansion, and modifications or elimination of birthright citizenship. It is unclear at this time which currently enacted policies will remain in place and for how long, and how both currently enacted and proposed policies will ultimately be implemented by the applicable federal agency. Accordingly, there can be no assurance whether any proposed or enacted policies will have a material impact on enrollment at the School or the School’s Operations and, in turn, Pledged Revenues available for the Borrower to make the payments required under the Loan Agreement, and, in turn, to pay the debt service on the Series 2025 Bonds. See also “Risks Related to Federal Policy Changes” below.

## **Factors Associated with Education**

There are a number of factors affecting schools in general, including the School, that could have an adverse effect on the financial position of the Borrower and the ability of the Borrower to make the payments required under the Loan Agreement. These factors include, but are not limited to, increased costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the work force of the Borrower with consequent impact on wage scales and operating costs of the Borrower; the inability to attract a sufficient number of students; federal requirements to provide services to special education students; unfavorable changes to existing statutes pertaining to the powers of the Borrower and legislation or regulations that may affect program funding; decline of the reputation of the School, the faculty or student body, either generally or with respect to certain academic or extracurricular areas; and disruption of the operations of the Borrower by real or perceived threats against the School, the employees or the students. The Borrower cannot assess or predict the ultimate effect of these factors on the operations of the Borrower or financial results of operations. See also “Risks Related to Federal Policy Changes” below.

### **Competition for Students; School Choice Initiatives**

The Borrower will receive State Payments based on student enrollment at the School. The School will compete for students with traditional public schools, private schools and other charter schools. There can be no assurance that the Borrower will attract and retain the number of students at the School that are needed to produce the Pledged Revenues that are necessary to pay the debt service on the Series 2025 Bonds. Other charter, public and private schools are located in close proximity to the School. See APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – COMPETING SCHOOLS” in this Limited Offering Memorandum for information regarding other schools in the service area of the School.

As further described in APPENDIX D – “CHARTER SCHOOLS IN ARIZONA – Charter School Finance - Empowerment Scholarship Account Program” hereto, House Bill 2853 (“HB 2853”) was passed into law in 2022, which expanded the State’s Empowerment Scholarship Accounts program (the “ESA”) originally enacted in 2011. The ESA allows parents to opt their children out of public district or charter schools and receive a portion of their public funding deposited into an account for defined, but multiple, uses, including private school tuition, online education, education therapies, private tutoring or future educational expenses. The Governor has called for the repeal of HB 2853, although no legislation has been proposed to limit a portion of or repeal HB 2853 in its entirety. The effects of HB 2853 on the Borrower cannot be determined at this time, including any change in enrollment or funding if were to be repealed.

An Initial Executive Order (as defined in “– Risks Related to Federal Policy Changes” below) states that it is the policy of the Trump administration “to support parents in choosing and directing the upbringing and education of their children.” The Initial Executive Order directs the Secretary of Education to issue guidance regarding how states can use Federal formula funds to support K-12 educational choice initiatives and to include education freedom as a priority in discretionary grant programs. It is uncertain how the Initial Executive Order will be implemented by the U.S. Department of Education and other Federal agencies, and what effect it may have on school choice initiatives in Arizona, such as funding for charter schools and school voucher initiatives.

States are increasingly considering and, in some states, enacting legislation that would expand the educational choices for its residents beyond the traditional public school system. Charter schools are one example of such options. As charter schools become more commonplace, and as existing charter schools demonstrate a track record of providing an attractive educational choice, the number of charter schools may increase, which could lead to increased competition for existing charter schools, such as the School. In

addition, other education choice initiatives, including but not limited to a voucher system, whereby the state or local school district provides a voucher (typically for a fixed dollar amount) which a student's parents can use to pay tuition at private, independent (including faith-based) schools have been implemented or are being considered in a number of states, including the State. The Borrower cannot determine the specific impact the expansion of the voucher program or the implementation of other education choice alternatives in the State might have on the operation or financial performance of the Borrower or the School.

See also "Risks Related to Federal Policy Changes" below.

### **Cyber Security**

The services and systems of the Borrower may be critical to operations or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, students and others. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of the Borrower's or other third-party data or systems; theft of sensitive, regulated, or confidential data including personal information and intellectual property; the loss of access to critical data or systems; service or system disruptions or denials of service.

### **Campus Security**

Schools are generally subject to risks related to campus security, including but not limited to bullying, abuse, and, in extreme cases, physical violence. While the Borrower anticipates that the Facilities will be secure, instances of breaches of campus security in the future may have a materially adverse effect on the Borrower's operations of the School and/or the Borrower's or the School's reputation, and may result in litigation, any of which could adversely affect the Borrower's financial condition and its ability to make payments under the Loan Agreement representing debt service on the Series 2025 Bonds. The Loan Agreement requires the Borrower to obtain cybersecurity insurance coverage.

### **Risks of Real Estate Investment**

General. Development, ownership and operation of real estate, such as the Facilities, involves certain risks, including the risk of adverse changes in general economic and local conditions, including population decreases; uninsured losses; operating deficits and mortgage foreclosure; lack of attractiveness of the property to students/parents; cyclical nature of the real estate market; adverse changes in neighborhood values; and adverse changes in zoning laws, other laws and regulations and real property tax rates (to the extent such taxes are applicable to the Facilities). Such losses also include the possibility of fire or other casualty or condemnation. If the Facilities, or any portion thereof, were not available during the period of restoration, such unavailability could adversely affect the ability of the Borrower to make Loan Payments and pay debt service on the Series 2025 Bonds. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage or other funding may render the sale or refinancing of the Facilities difficult or unattractive.

Construction Risks. As of March 25, 2025, the construction of the new Middle School Campus is approximately 92% complete. Upon completion of sidewalks, landscaping, and field work, the Borrower anticipates receipt of the certificate of occupancy for the Middle School Campus by June 30, 2025. The Borrower has covenanted in the Loan Agreement to obtain the certificate of occupancy for the Middle School Campus by August 1, 2025. There can be no assurance that the construction of the Series 2025 Facilities will be timely completed, or that it can be completed for the cost estimated by the Borrower as described in this Limited Offering Memorandum. The construction of any project such as the Middle School Campus is subject to the risks of cost overruns, non-completion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor

strife, delays in and shortages of materials, weather conditions, fire and casualty. While Borrower's management believes there to be minimal risk in the timing of completion of the Middle School Campus, there cannot be any assurance that the Borrower will have funds necessary to pay any increased costs of the Middle School Recreational Field, whether due to actual costs in excess of estimates, or material cost overruns.

The Borrower's management does not believe that any such increased costs or delays in the completion of the Middle School Recreational Field will adversely affect the amount and timing of the receipt of revenues of the Series 2025 Project. Certain information regarding the Contractor, the Owner's Representative and the Construction Contract are set forth in APPENDIX A – "THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT – Acquisition of the New Middle School Campus" and "– The Middle School Recreational Field" in this Limited Offering Memorandum.

Risk Related to Gas Line Easement. The southeast corner of the administrative building on the new Middle School Campus encroaches on a natural gas utility easement (the "Utility Easement"), which explicitly prohibits the construction, installation or placement of any building or structure on or over the Utility Easement. The Utility Easement is dated November 18, 2024 and was granted by CSDC, the seller of the Middle School Campus, to UNS Gas, Inc. The title company has agreed to issue a "forced removal" endorsement (ALTA 28) to insure against the forced removal of the administrative building due to the southeast corner of the administrative building encroaching over the Utility Easement. There are not currently any utilities located in the Utility Easement. In the unlikely event that the utility company were to seek to enforce the Utility Easement, there could be costs and time for the Trustee and the Borrower to seek remedy under the forced removal coverage.

Limitations of Appraisals. Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the values shown in APPENDIX A – "THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT – Appraisals" represent reliable estimates of what the Facilities would bring in liquidation following an Event of Default.

Damage, Destruction or Condemnation. Although the Borrower will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement and the Deed of Trust, there can be no assurance that any portion of the Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the School, as a result of damage or destruction to all or a portion of the Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Facilities, or any portion thereof, is damaged or destroyed, or is taken in a condemnation proceeding, the proceeds of insurance or any such condemnation award for the Facilities, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Facilities or to redeem Series 2025 Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Facilities, or any portion thereof, or to redeem Series 2025 Bonds will be sufficient for that purpose, or that any remaining portion of the Facilities will generate revenues sufficient to pay the expenses of the School and the debt service on the Series 2025 Bonds remaining outstanding.

Environmental Risks. There are potential risks relating to liabilities for environmental hazards with respect to the ownership of any real property. If hazardous substances are found to be located on a property, owners of such property may be held liable for costs and other liabilities related to the removal of such substances, which costs and liabilities could exceed the value of the Facilities or any portion thereof. See APPENDIX A – "THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE

FACILITIES AND THE SERIES 2025 PROJECT – Environmental Reports” herein for specific details and recommendations related to the Facilities. In the event unknown environmental conditions are discovered in the future or environmental enforcement actions are initiated, the Borrower could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the sites of the Facilities, or any portion thereof. It is unknown what effect, if any, these environmental conditions could have on the operation of or enrollment at the School. In addition, under certain environmental statutes, in the event an enforcement action is initiated, a lien could be attached to the Facilities, or a portion thereof, that would adversely affect the Borrower’s ability to generate Pledged Revenues from the operation of the School at the Facilities sufficient to meet its obligations under the Loan Agreement and the debt service requirements on the Series 2025 Bonds. In the event of a foreclosure on the Deed of Trust, the Borrower may be held liable for costs and other liabilities relating to hazardous substances, if any, on the Series 2025 Facilities, or any portion thereof, on a strict-liability basis, and such costs might exceed the value of such property. At the request of the Borrower, Phase I Environmental Site Assessments were conducted with respect to the site of the Facilities. See APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT – Environmental Reports” in this Limited Offering Memorandum for information on the environmental assessments.

Climate Change and Natural Disasters. The State, and in particular the mountain west region where the School is located, is susceptible to the effects of extreme weather events and natural disasters, including floods, droughts, mud slides, fires and rain events, which could result in damage to the Facilities and resulting negative economic impacts on the Borrower. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage the School, or the local infrastructure that provides essential services to the School. The economic impacts resulting from such extreme weather events could include a loss of property values, a decline in revenue base, and escalated recovery costs. There can be no assurances given that a future extreme weather event driven by climate change will not adversely affect the operations of the Borrower or the School at the Facilities.

### **Reserve Fund**

The Indenture has established the Debt Service Reserve Fund for payment of principal and interest due to the Registered Owners of the Bonds to the extent Pledged Revenues are insufficient to make such payments. Although the Borrower believes such reserve to be reasonable, and anticipates that Pledged Revenues will be sufficient to cover the debt service on the Series 2025 Bonds, there is no assurance that funds reserved and future Pledged Revenues will be sufficient to cover debt service on the Series 2025 Bonds.

### **Determination of Taxability**

If a Determination of Taxability were to occur, the Series 2025 Bonds would be subject to mandatory redemption, as a whole at the principal amount thereof, plus accrued interest thereon to the date of redemption, plus a three percent (3%) premium. Under the Indenture, the corresponding redemption date will be the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than six months following the finalization of the Determination of Taxability. See “THE SERIES 2025 BONDS – Redemption –Mandatory Redemption Upon Determination of Taxability” herein. The IRS has authority to audit tax-exempt bonds, and has indicated in public statements and pronouncements that it intends to enforce compliance with statutory and regulatory provisions related to tax-exempt bonds by simultaneously pursuing bondowners, borrowers and issuers. No assurance can be given that the IRS will not examine the Series 2025 Bonds. If the Series 2025 Bonds are examined, it may have an adverse impact on their marketability and price. The tax-exempt status for federal income tax

purposes of interest on the Series 2025 Bonds depends on continued compliance by the Borrower with certain covenants relating generally to restrictions on use of the Series 2025 Facilities, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with such covenants could cause interest on the Series 2025 Bonds to become subject to federal income taxation retroactive to the date of issuance of the Series 2025 Bonds.

### **Taxation of the Series 2025 Bonds**

Purchasers of the Series 2025 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property and casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security benefits, are advised to consult their tax advisors as to the tax consequences of purchasing or owning Series 2025 Bonds.

The interest on the Series 2025 Bonds may be includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Series 2025 Bonds for a variety of reasons. The exclusion from gross income is dependent upon, among other things, compliance with certain restrictions regarding investment of Series 2025 Bond proceeds and continuing compliance by the Borrower with the Loan Agreement and the Tax Agreement under which enforcement remedies available to the Issuer and the Trustee are limited. See “TAX MATTERS” herein.

If interest on the Series 2025 Bonds becomes includable in gross income for federal income tax purposes, the market for and value of the Series 2025 Bonds could be adversely affected. Moreover, there can be no assurance that the presently advantageous provisions of the Code, or the rules and regulations thereunder, will not be retroactively adversely amended or modified, thereby resulting in the inclusion in gross income of the interest on the Series 2025 Bonds for federal income tax purposes. While no such legislation has been adopted, the elimination of tax-exempt bonds, or elements thereof, has been discussed as part of broader 2025 tax reform efforts, and there can be no assurance that Congress would not adopt legislation applicable to the Series 2025 Bonds or to the Borrower and that the Series 2025 Facilities would be able to comply with any such future legislation in a manner necessary to maintain the tax-exempt status of the Series 2025 Bonds. The Borrower is required to use best efforts to comply with federal income tax law requirements in order to maintain the tax-exempt status of the Series 2025 Bonds to the extent that any such other requirements are made applicable to the Series 2025 Facilities. There is no assurance, however, that the Borrower would be able to comply with any such other requirements.

In his first term, President Trump implemented several proposals designed to significantly overhaul existing United States tax policy, including, among others, proposals to reduce corporate tax rates, modify individual tax rates, eliminate many deductions, repeal the alternative minimum tax applicable to corporations, and eliminate advance refundings of tax-exempt bonds. Although the federal tax code retained previously existing law applicable to private activity bonds, like the Series 2025 Bonds, there can be no assurance that future tax reform will not repeal the laws governing private activity bonds. It is unclear at this time which currently enacted policies will remain in place and for how long, and how both currently enacted and proposed policies will ultimately be implemented by the Internal Revenue Service or any other federal agency. Accordingly, there can be no assurance whether any such changes to the tax code related to private activity bonds will have a material adverse effect on the market value of the Series 2025 Bonds and the ability of holders to sell such Series 2025 Bonds in the secondary market. See also “BONDHOLDERS’ RISKS – Risks Related to Federal Policy Changes” in this Limited Offering Memorandum.

In addition, from time to time there are legislative proposals in the United States Congress and the State legislature that, if enacted, could alter or amend the federal and State income tax matters with respect to the Series 2025 Bonds, adversely affect the market value or liquidity of the Series 2025 Bonds, impact

the Borrower's income tax status. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment or the status of tax exempt entities. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or liquidity of the Series 2025 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Series 2025 Bonds or the market value or liquidity thereof would be impacted thereby. Purchasers of the Series 2025 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Purchasers of the Series 2025 Bonds should be aware that future legislative actions (including federal income tax reform), as soon as 2025, may retroactively affect such investors' federal, state or local tax liability. In all such events, the market value of the Series 2025 Bonds may be impacted and the ability of holders to sell the Bonds in the secondary market may be reduced.

### **Risks Related to Federal Policy Changes**

On January 29, 2025, President Donald Trump issued an executive order titled Expanding Educational Freedom and Opportunity for Families (the "Initial Education Executive Order"). The Initial Education Executive Order states that it is the policy of the Trump administration "to support parents in choosing and directing the upbringing and education of their children." The Initial Education Executive Order directs the Secretary of Education to issue guidance regarding how states can use Federal formula funds to support K-12 educational choice initiatives and to include education freedom as a priority in discretionary grant programs. It is uncertain how the Initial Education Executive Order will be implemented by the U.S. Department of Education and other Federal agencies, and what effect it may have on school choice initiatives in Arizona, such as funding for charter schools and school voucher initiatives.

President Trump has issued various other executive orders since taking office on January 20, 2025, purporting to restrict the use of federal funding on policies and programs that do not align with the Trump administration's policies. As an example, on January 29, 2025, President Trump issued an executive order intended to eliminate federal funding for certain curriculum, including what the executive order terms instruction "based on gender ideology and discriminatory equity ideology." It is uncertain what impact, if any, such executive orders will have on federal funding for charter schools, including the School.

On March 20, 2025, President Donald Trump issued an additional Executive Order (the "DOE Executive Order") directing Education Secretary Linda McMahon to begin the process of significantly downsizing the federal Department of Education with the ultimate goal of abolishing the federal Department of Education. The action of President Trump in the DOE Executive Order is unprecedented and, therefore, the ultimate effects of the DOE Executive Order are unknown and highly fluid. The DOE Executive Order will very likely be subject to litigation at the federal court level, some of which may be protracted, and ultimately end at the U.S. Supreme Court. In addition, Congress will likely be required to take legislative action if the federal Department of Education is ultimately to be abolished.

### **Additional Bonds**

The Borrower may receive one or more loans from the proceeds of Additional Bonds, secured on a parity basis with the Series 2025 Bonds, under the terms and conditions described herein. See APPENDIX E – "SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – Additional Bonds" in this Limited Offering Memorandum.

## **Incurrence of Additional Indebtedness**

The Loan Agreement permits the Borrower to incur additional indebtedness secured by the Facilities or the Pledged Revenues upon compliance with the provisions thereof. The incurrence of such additional indebtedness could increase the economic burden on the Borrower and thereby adversely affect the ability of the Borrower to pay debt service on the Series 2025 Bonds. In addition, in connection with the incurrence of additional indebtedness, the Borrower may secure repayment of the additional indebtedness with a deed of trust on the Facilities that would be on parity with the Deed of Trust that secures the Series 2025 Bonds. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Limitations on Additional Indebtedness” in this Limited Offering Memorandum.

## **Limited Recourse Debt/Limited Security**

The obligations of the Borrower under the Loan Agreement are non-recourse in nature to officers and directors of the board of directors of the Borrower. The obligations of the Borrower under the Loan Agreement are absolute and unconditional. Should the Borrower be unable to meet its obligations under the Loan Agreement, the Trustee’s remedies will be limited to foreclosure upon the Deed of Trust and recovery against the funds and accounts held by the Trustee (other than the Rebate Fund) pursuant to the Indenture.

## **Legal Opinions**

The various legal opinions to be delivered concurrently with the delivery of the Series 2025 Bonds will express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein on the date thereof. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

In addition, such opinions will be qualified as to the enforceability of the various legal instruments by, among others, limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors’ rights generally.

## **Cancellation of Contracts**

Pursuant to Arizona Revised Statutes Section 38-511, public agencies such as the Issuer may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the public agency if any person significantly involved in the initiating, negotiating, securing, drafting or creating of the contract on behalf of the public agency is, at any time while the contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter thereof. The cancellation becomes effective when written notice from the governing body of the public agency is received by all other parties to the contract unless the notice specifies a later time. The Issuer is a party to several contracts that are material to the payment of the Series 2025 Bonds, including the Indenture and the Loan Agreement. Exercise of a remedy under Arizona Revised Statutes Section 38-511 would adversely affect the Registered Owners of the Series 2025 Bonds.

## **Inability or Delay in Liquidating the Facilities at an Adequate Sale Price**

An Event of Default gives the Trustee the right to possession of, and the right to sell, the Facilities pursuant to a foreclosure sale under the Deed of Trust. Each of the Facilities has been or will be constructed for use as a school and may not be readily adaptable and marketable for other uses. Furthermore, while the



Borrower considers the locations of the Facilities to be desirable for its purposes, there can be no assurance that potential purchasers will consider the locations desirable for their particular purposes. Accordingly, there can be no assurance that the sale of the Facilities could be accomplished rapidly, or at all. Any sale of the Facilities may require compliance with the laws of the State. Such compliance may be difficult, time-consuming and/or expensive. Any delays in the ability of the Trustee to foreclose under the Deed of Trust could result in delays in the payment of the Series 2025 Bonds. Further, attempts to foreclose under the Deed of Trust or to obtain other remedies under the Deed of Trust, the Indenture, the Loan Agreement or any other documents relating to the Series 2025 Bonds may be met with protracted litigation and/or bankruptcy proceedings, which could cause delays, and a court may decide not to order specific performance of covenants contained in such documents.

In addition, in the event of a sale of the Facilities or any portion thereof, the potential use of the Facilities and the number of potential users that may be interested in purchasing the Facilities or any portion thereof could be limited, and thus affect the sale price. As more fully described in APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT – Appraisals,” the Borrower has received appraisals of the Facilities. As mentioned above under “– Risks of Real Estate Investment - Limitations of Appraisals,” the appraisals represent an opinion of value as of their respective dates and provide no assurance as to the price the Trustee might receive in a sale following foreclosure under the Deed of Trust. There is no requirement that the value of the Facilities equal or exceed the Loan to the Borrower.

Under certain circumstances and conditions, the Elementary School Campus may be sold or disposed of, and the net proceeds of such sale or other disposition applied either (A) to the purchase of replacement facilities of substantially similar function and substantially equivalent value (provided that such replacement facilities are made part of the security for the Promissory Notes issued under the Loan Agreement) and made subject to the Deed of Trust, or (B) to the payment of redemption price of the Promissory Notes or other Indebtedness in a principal amount set forth in the documents evidencing such other Indebtedness, as applicable. See APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE OF TRUST – SPECIAL COVENANTS – Consolidation, Merger, Sale or Conveyance” in this Limited Offering Memorandum.

No assurance can be given that any of the Facilities can be sold or leased now or in the future at the amounts appraised or greater, and for the above-described reasons and others, no assurance can be made that the amount realized upon any sale or lease of any of the Facilities will be sufficient to pay and discharge the Borrower’s obligations under the Loan Agreement or to pay debt service on the Series 2025 Bonds in full when due. In particular, there can be no representation that the cost of the Facilities constitutes a realizable amount upon any forced sale thereof.

### **Potential Effects of Bankruptcy**

If the Borrower was to file a petition for relief (or if a petition was filed against it as debtor) under the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq., as amended, or other similar laws that protect creditors, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the property of the Borrower, as the debtor. If the bankruptcy court so ordered, the debtor’s property and revenues could be used for the benefit of the Borrower, as debtor, despite the claims of its creditors (including the owners of the Series 2025 Bonds).

In a bankruptcy proceeding, the Borrower could file a plan for the adjustment of its debts that modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the Series 2025 Bonds). The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan.

## **Enforcement of Remedies**

The remedies available to the Trustee or the Registered Owners of the Series 2025 Bonds upon an Event of Default under the Indenture, the Loan Agreement or the Deed of Trust are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Indenture, the Loan Agreement and the Deed of Trust may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2025 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the sovereign powers of the State and the constitutional powers of the United States of America, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

## **Bond Audits**

IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Series 2025 Bonds may be, from time to time, subject to audits by the IRS. The management of the Borrower believes that the Series 2025 Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the interest on the Series 2025 Bonds, as described under the caption “TAX MATTERS” herein. No ruling with respect to the tax-exempt status of the interest on the Series 2025 Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts and are not guarantees. There can be no assurance that an audit of the Series 2025 Bonds will not adversely affect the tax-exempt status of the interest on the Series 2025 Bonds.

## **Secondary Market**

There is no guarantee that a secondary trading market will develop for the Series 2025 Bonds. Consequently, prospective bond purchasers should be prepared to hold their Series 2025 Bonds to maturity or prior redemption. Subject to applicable securities laws and prevailing market conditions, the Underwriter intend, but are not obligated, to make a market in the Series 2025 Bonds.

## **Purchases and Transfer Restrictions of Series 2025 Bonds**

As described under the heading “THE SERIES 2025 BONDS – Investor Suitability Standards” herein, the Series 2025 Bonds are to be sold (including in secondary market transactions) only to Approved Transferees. The Indenture contains provisions limiting transfers of the Series 2025 Bonds (except under certain limited circumstances described herein) to Approved Transferees. The face of each Series 2025 Bond will contain a legend to the effect that such Series 2025 Bond can only be transferred to and owned by Approved Transferees. The Series 2025 Bonds will be issued in minimum denominations of \$25,000 or any integral multiple of \$5,000 in excess thereof. In light of these restrictions, purchasers should not expect that there will be an active secondary market for the Series 2025 Bonds.

## **Failure to Provide Ongoing Disclosure**

The Borrower will execute and deliver the Continuing Disclosure Undertaking in connection with the issuance of the Series 2025 Bonds. Failure to comply with the Continuing Disclosure Undertaking in the future may adversely affect the liquidity of the Series 2025 Bonds and their market price in the secondary market. See “CONTINUING DISCLOSURE” and APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” in this Limited Offering Memorandum.

## **COVID-19 and Future Pandemics or Epidemics**

The recent COVID-19 pandemic and actions taken by federal, State and local governments in response thereto, have materially adversely affected, and the outbreak of any future pandemics or epidemics and the actions taken in response thereto may further impact, travel, commerce and financial markets globally. Such pandemics or epidemics may have material impact on global, regional and local economic conditions as well as on the education landscape in general, and may adversely affect the financial condition and operations of the Borrower.

The full impact of COVID-19 continues to evolve. While stay-at-home orders, social distancing guidelines, masking guidelines, and travel restrictions have been largely revoked, and the emergency declaration expired May 11, 2023, future variants of the virus or other pandemics may have adverse impacts on the economy and financial markets. Accordingly, no assurance can be given that the Borrower's finances, budget, operation or student enrollment will not be further adversely affected by the COVID-19 pandemic or other health emergencies. The State's finances may materially be adversely affected by COVID-19 or other health emergencies, which could affect the amount or timing of State aid appropriated to public schools, including charter schools such as the Borrower. While the calculation of State appropriations for education purposes is independent of the level of revenue collected by the State, the amount of State funds dedicated to education each year is a substantial part of the State budget. See "BONDHOLDERS' RISKS – Funding and Future Changes to Charter School Laws", "– Dependence on State Budget", and APPENDIX D – "CHARTER SCHOOLS IN ARIZONA – Charter School Finance" in this Limited Offering Memorandum.

## **Conclusion**

Each prospective investor should carefully examine this Limited Offering Memorandum, and the Appendices hereto, and such investor's own financial condition in order to make a judgment as to whether the Series 2025 Bonds are an appropriate investment for such investor.

## **ENFORCEABILITY OF OBLIGATIONS**

On the date of delivery of the Series 2025 Bonds, Ice Miller LLP, Gilbert, Arizona, Bond Counsel, will deliver its opinion, dated the delivery date, to the effect that the Series 2025 Bonds are valid and legally binding on the Issuer and are enforceable in accordance with their respective terms. A draft of the opinion is included in APPENDIX F – "FORM OF BOND COUNSEL OPINION" of this Limited Offering Memorandum. Mangum, Wall, Stoops & Warden, P.L.L.C., Flagstaff, Arizona, as counsel to the Borrower will deliver its opinion that the Borrower Documents are valid and legally binding agreements of the Borrower and are enforceable in accordance with their respective terms. Slania Law, PLLC, Tucson, Arizona, as counsel to the Issuer will deliver its opinion that the Issuer Documents are valid and legally binding agreements of the Issuer. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by laws, decisions and equitable principles affecting remedies and by bankruptcy or insolvency or other laws, decisions and equitable principles affecting creditors' rights generally.

While the Series 2025 Bonds are secured or payable pursuant to the Indenture, the Loan Agreement, the Series 2025 Promissory Note and the Deed of Trust, the practical realization of payment from any security will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly, the remedies specified in the above documents may not be readily available or may be limited.

## LEGAL MATTERS

Legal matters incident to the issuance and sale of the Series 2025 Bonds and with regard to the tax-exempt status of interest on the Series 2025 Bonds under existing laws are subject to the legal opinion of Ice Miller LLP, Gilbert, Arizona, as Bond Counsel. See APPENDIX F – “FORM OF BOND COUNSEL OPINION” in this Limited Offering Memorandum. Certain legal matters will be passed on for the Borrower by its counsel, Mangum, Wall, Stoops & Warden, P.L.L.C., Flagstaff, Arizona, and for the Issuer by its counsel, Slania Law, PLLC, Tucson, Arizona.

The legal fees paid to Bond Counsel, as well as certain of the other foregoing firms, for services rendered in connection with the issuance of the Series 2025 Bonds are contingent upon the actual sale and delivery of the Series 2025 Bonds.

The legal opinions express the professional judgment of counsel rendering them, but are not binding on any court or other governmental agency and are not guarantees of a particular result.

## TAX MATTERS

### State Taxation

In the opinion of Ice Miller LLP, Bond Counsel, under existing State statutes, regulations, judicial decisions and rulings, interest on the Series 2025 Bonds is exempt from present State personal income taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2025 Bonds under the laws of the State or any other state or jurisdiction.

### Federal Tax Exemption of the Series 2025 Bonds

*General.* In the opinion of Ice Miller LLP, Bond Counsel, under federal statutes, decisions, regulations, and rulings existing on this date, interest on the Series 2025 Bonds is excludable from gross income of the owners for federal income tax purposes pursuant to Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. This opinion is conditioned on continuing compliance by the Issuer and the Borrower with certain covenants contained in the Loan Agreement and the Tax Agreement as further described below (the “Tax Covenants”). Failure to comply with the Tax Covenants could cause interest on the Series 2025 Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issuance of the Series 2025 Bonds. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2025 Bonds. See APPENDIX F — “FORM OF BOND COUNSEL OPINION” attached hereto for the substantially final form of approving opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2025 Bonds as a condition to the exclusion from gross income of interest on the Series 2025 Bonds for federal income tax purposes. The Issuer will covenant not to take any action, within its power and control, nor fail to take any action with respect to the Series 2025 Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2025 Bonds pursuant to Section 103 of the Code (collectively, “Tax Covenants”). The Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the Series 2025 Bonds establish procedures to permit compliance with the requirements of the Code. It is not an event of default under the Loan Agreement if interest on the Series 2025 Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Series 2025 Bonds.

Although Bond Counsel has rendered an opinion on the federal and state tax matters above, the accrual or receipt of interest on the Series 2025 Bonds may otherwise affect Registered Owners of the Series 2025 Bonds federal or state tax liability. The nature and extent of these other tax consequences will depend upon such Registered Owners' of the Series 2025 Bonds particular tax status and such Registered Owners' of the Series 2025 Bonds other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, "S" corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2025 Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2025 Bonds should consult their own tax advisors with regard to other tax consequences of owning the Series 2025 Bonds.

*Original Issue Discount.* The initial public offering price of certain of the Series 2025 Bonds (collectively, "Discount Bonds") may be less than the principal amount payable at maturity as set forth on page (i) of this Limited Offering Memorandum. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on page i of this Limited Offering Memorandum (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on June 15 and December 15 (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

*Amortizable Bond Premium.* The initial public offering price of certain Series 2025 Bonds (the “Premium Bonds”) may be greater than the principal amount payable at maturity or call date as set forth on page (i) of this Limited Offering Memorandum. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the “Bond Premium”). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner’s basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity or call). The amount of amortizable Bond Premium will be computed on the basis of the owner’s yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax exempt securities are found at Section 75 of the Code. Dealers in tax exempt securities are urged to consult their own tax advisors concerning treatment of Bond Premium.

## **NO RATING**

The Series 2025 Bonds are not rated. Neither the Borrower nor the Issuer has made or contemplates making application to any rating agency for the assignment of a rating to the Series 2025 Bonds.

## **UNDERWRITING**

The Series 2025 Bonds will be purchased by Raymond James & Associates, Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Series 2025 Bonds for a purchase price of \$[ ] which amount represents the principal amount of \$[ ], [plus/minus] [net] original issue [premium/discount] of \$[ ], less the Underwriter’s discount of \$[ ], subject to the terms of a bond purchase agreement among the Issuer, the Borrower and the Underwriter (the “Bond Purchase Agreement”). The Bond Purchase Agreement provides that the Underwriter shall purchase all Series 2025 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial offering prices set forth on the inside front cover page hereof may be changed from time to time by the Underwriter. The Borrower has agreed under the Bond Purchase Agreement to indemnify the Underwriter and the Issuer against certain liabilities, including certain liabilities under federal and state securities laws. The Borrower has also agreed that nothing in the Bond Purchase Agreement or elsewhere shall be construed to require the purchase of any Additional Bonds by the Underwriter or to require the Underwriter to provide financing for additional facilities, or to entitle the Underwriter to purchase any Additional Bonds or provide such financing.

## **CONTINUING DISCLOSURE**

Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Exchange Act (“Rule 15c2-12”), imposes continuing disclosure obligations on the issuers of certain state and municipal securities, or an obligated person for whom financial or operating data is presented in the final offering document, to permit participating underwriters to offer and sell the issuer’s securities. In order to comply with the requirements of Rule 15c2-12, the Borrower will enter into a continuing disclosure undertaking, dated the date of the initial delivery of the Series 2025 Bonds (the “Continuing Disclosure Undertaking”). See APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” in this Limited Offering Memorandum. The Borrower has not previously been subject to a continuing disclosure undertaking.

The Borrower has engaged Choice Advisors LLC to act as dissemination agent to ensure compliance with the Continuing Disclosure Undertaking. The Borrower also has: (i) assigned the responsibility for continuing disclosure obligations to specific individuals, (ii) provided those individuals with current and continuing additional training related to continuing disclosure, and (iii) implemented policies and procedures that are designed to avoid late filings. The Borrower is committed to compliance with its continuing disclosure obligations and expects to comply fully with its obligations under the Continuing Disclosure Undertaking.

## **RELATIONSHIPS AMONG THE PARTIES**

In connection with the issuance of the Series 2025 Bonds, the Underwriter is being represented by Ballard Spahr LLP, Ice Miller LLP is acting as Bond Counsel, and Slania Law, PLLC is acting as counsel to the Issuer. In other transactions not related to the Series 2025 Bonds, each of these law firms have acted as bond counsel or represented the Underwriter or its affiliates, in capacities different from those described under “LEGAL MATTERS,” and there will be no limitations imposed as a result of the issuance of the Series 2025 Bonds on the ability of any of these firms to act as bond counsel or represent any of these parties in any future transactions.

Flaghomes Real Estate assisted CSCDPC Flagstaff Junior Academy, the seller of the Middle School Campus (“CSDC”), with the acquisition of the Middle School Site. Jerome Naleski, a real estate agent with Flaghomes Real Estate at the time of CSDC’s purchase of the Middle School Site and president of the Board (defined in Appendix A), initially represented the Borrower in the preparation and negotiation of the original purchase contract for the Middle School Site, which was assigned to CSDC for CSDC’s purchase of the vacant land. Mr. Naleski waived his agent’s commission from the sale in support of the project and recused himself from all related Board decisions. See APPENDIX A – “THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT – Acquisition of the New Middle School Campus” and “– GOVERNANCE; ADMINISTRATION; AND FACULTY – Board of Directors – *Jerome Naleski, President*” in this Limited Offering Memorandum.

Potential purchasers of the Series 2025 Bonds should not assume that any of the Issuer, the Borrower, the Underwriter or its counsel has not previously engaged in, is not currently engaged in or will not, after the issuance of the Series 2025 Bonds, engage in other transactions with each other or with any affiliates of any of them, and no assurances can be given that there are or will be no past or future relationship or transactions between or among any of these parties or these attorneys or law firms.

## **LITIGATION**

### **The Issuer**

As of the date hereof, there is no litigation pending (as to which the Issuer has received service of process) or, to the actual knowledge of the Issuer, overtly threatened in writing, directly against the Issuer affecting the existence of the Issuer or the title of any officers of the Issuer to their respective offices, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or any proceedings of the Issuer with respect to the issuance or sale of such Series 2025 Bonds, or the pledge or application of any monies or security for the Series 2025 Bonds

### **The Borrower**

No action, suit, proceeding or investigation at law or in equity, before or by any court, governmental agency or public board or body is pending or, to the knowledge of the Borrower, overtly threatened, affecting the validity of the Indenture, the Loan Agreement or the Deed of Trust or contesting the corporate existence or powers of the Borrower or that is otherwise material to the business or operations of the Borrower.

## **AUDITED FINANCIAL STATEMENTS**

The consolidated audited financial statements of the Borrower and Children's House (the "Preschool") for the fiscal year ending June 30, 2024 are included in this Limited Offering Memorandum as APPENDIX B. The audited financial statements have been audited by Fester & Chapman, PLLC (the "Auditor"), independent certified public accountant, to the extent and for the period indicated in its report thereon and are included herein with the knowledge. The Auditor has not been requested to review this Limited Offering Memorandum and has not done so. The audited financial statements of the Borrower included in APPENDIX B hereto for the Fiscal Year ended June 30, 2024, are the most recent audited financial statements available for the Borrower. Such financial statements speak only as of that date and do not report any changes that might have occurred since June 30, 2024. The Borrower is not aware of any facts that would make such financial statements misleading or of any material change in the financial condition of the Borrower as of the date of this Limited Offering Memorandum.

Copies of audits are available upon request from the Underwriter prior to issuance of the Series 2025 Bonds and copies of audits and any available interim financial statements are available from the Borrower after issuance of the Series 2025 Bonds.

## **UNAUDITED FINANCIAL STATEMENTS**

The unaudited interim financial statements of the Borrower for the School and the Preschool for the eight-month period ended February 28, 2025 are contained in APPENDIX C. The unaudited interim financial statements contained in APPENDIX C have been prepared by the Borrower's management and have not been audited, reviewed or examined by any independent accounting firm. See APPENDIX C – "UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE BORROWER FOR THE EIGHT-MONTH PERIOD ENDING FEBRUARY 28, 2025" in this Limited Offering Memorandum.



## **FINANCIAL PROJECTIONS**

The Borrower's management has prepared the budget projection and related assumptions included in APPENDIX J to this Limited Offering Memorandum (the "Financial Projection"). The Financial Projection is based on the assumptions made by management of the Borrower as to, among other things, future enrollment levels, future costs and future revenues. The Financial Projection is for the fiscal years of the Borrower ending June 30, 2025 through June 30, 2030. The Financial Projection, including the "Summary of Financial Statements and Projections" under "BUDGET; ACCOUNTING; DEBT" in Appendix A should be read in their entirety.

The Financial Projection is based on various assumptions that represent only the beliefs of the Borrower's management as to the most probably future events and are subject to material uncertainties. No assurances can be given that the Borrower will, in fact, be able to generate sufficient revenue and attain the enrollment levels as stated in the Financial Projection, and variations from the Financial Projection for each of such matters should be expected to occur. Accordingly, the operations and financial condition of the Borrower in the future will inevitably vary from those set forth in the Financial Projection, and such variance may be material and adverse. See "BONDHOLDERS' RISKS – Reliance on Financial Projections" in this Limited Offering Memorandum.

The Borrower has not assumed any responsibility after the issuance of the Series 2025 Bonds to update the Financial Projection or to provide any financial forecasts or projections in the future. The Underwriter and the Issuer have made no independent inquiry as to the assumptions on which the Financial Projection is based and assume no responsibility therefor. See APPENDIX J – "BORROWER'S FINANCIAL PROJECTIONS" in this Limited Offering Memorandum.

## **MISCELLANEOUS**

The Borrower has furnished the information in this Limited Offering Memorandum relating to itself, the School and the Facilities and has reviewed the information related to the plan of financing and related documents and information. The Issuer has furnished only the information in this Limited Offering Memorandum under the headings "THE ISSUER" and "LITIGATION – The Issuer." The Underwriter has furnished the information in this Limited Offering Memorandum with respect to the initial offering prices of the Series 2025 Bonds and the information under the caption "UNDERWRITING."

All quotations from, and summaries and explanations of, the Act, the Indenture, the Loan Agreement, the Deed of Trust and other documents referred to herein do not purport to be complete, and reference is made to said law and documents for full and complete statements of their provisions. Such documents are on file and available for inspection at the office of the Trustee. All references herein to the Series 2025 Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Limited Offering Memorandum shall not be construed as constituting an agreement with any purchaser of any Series 2025 Bond. The cover pages, the inside front cover page, introductory statement and the Appendices attached hereto are part of this Limited Offering Memorandum.

ANY STATEMENTS MADE IN THIS LIMITED OFFERING MEMORANDUM INVOLVING MATTERS OF OPINION OR OF ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT, AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES WILL BE REALIZED.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING THE ISSUER CONTAINED UNDER THE HEADINGS “THE ISSUER” AND “LITIGATION – THE ISSUER”, NONE OF THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER, AND THE ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE SERIES 2025 BONDS; OR (III) THE FEDERAL INCOME TAX STATUS OF THE INTEREST ON THE SERIES 2025 BONDS OR THE STATE INCOME TAX STATUS OF THE SERIES 2025 BONDS.

The Borrower has approved the information contained herein.

FLAGSTAFF JUNIOR ACADEMY,  
an Arizona nonprofit corporation

By: \_\_\_\_\_

Executive Director

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**APPENDIX A**

**THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT**

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## APPENDIX A

### THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT

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## APPENDIX A

### THE BORROWER, THE SCHOOL AND THE SERIES 2025 PROJECT

#### INTRODUCTION

Flagstaff Junior Academy (the “Borrower”), is an Arizona nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenues Code of 1986, as amended (the “Code”) that is qualified to do business in the State of Arizona (the “State”). The Borrower was incorporated on June 20, 1990 and is organized pursuant to Title 15, Chapter 1, Article 8 of the Arizona Revised Statutes (the “Charter School Act”). The Borrower received its IRS determination letter on January 4, 1991.

The Borrower operates one charter school (the “School”) at two campuses in the City of Flagstaff, Arizona (the “City”), located at 306 West Cedar Avenue (the “Elementary School Campus”), serving grades K-5, and 506 South Beaver Street (the “Leased Middle School Campus”), serving grades 6-8, pursuant to a renewal charter school contract (the “Charter Contract”), between the Borrower and the Arizona State Board for Charter Schools (the “ASBCS” or the “Authorizer”), with a term of twenty years, expiring June 30, 2031. See “THE CHARTER CONTRACT AND THE AUTHORIZER” in this Appendix A. The School’s enrollment cap is 500 students, and the School currently serves an aggregate of approximately 352 students in grades K-8 as of February 25, 2025. The Borrower’s enrollment plans include total increased enrollment to 422 students in grades K-8 by the 2029-2030 school year. See “ENROLLMENT AND DEMOGRAPHICS – Future Enrollment Projections” in this Appendix A. The School operates within the boundaries of the Flagstaff Unified School District (“FUSD”). See “THE SCHOOL’S MISSION AND HISTORY – History” in this Appendix A.

The Borrower owns the Elementary School Campus free and clear of any liens or loans, and currently leases the Leased Middle School Campus pursuant to the South Beaver Lease (defined below). Following the expiration of the South Beaver Lease in June 2025, the School will move students in grades 6-8 from the Leased Middle School Campus to the new Middle School Campus (as defined and described below) for the commencement of the 2025-2026 school year.

An affiliate of the Borrower, Flagstaff Junior Academy Children’s House (the “Children’s House”), an Arizona for-profit corporation, operates a preschool and pre-kindergarten program (the “Preschool”) from the Elementary School Campus for children ages 3 through 5, which serves as a feeder to the School, as well as the Before and After Care Program (as defined below). See “CURRICULUM AND EXTRACURRICULAR ACTIVITIES – Preschool Program,” “- Before and After Care Program,” and “STATE AID PAYMENTS AND OTHER REVENUES – Children’s House Reimbursement” in this Appendix A.

The proceeds of the Series 2025 Bonds (as defined in the forepart of the Limited Offering Memorandum) will be used by the Borrower to: (i) finance the acquisition of a new charter school facility consisting of five single-story modular buildings totaling approximately 15,370 square feet along with a parking lot, outdoor areas, foot paths, and landscaping, and construction of an outdoor recreational field and two ramadas, located on approximately 6 acres in the City with an address of 1800 North Gemini Drive, Flagstaff, AZ (the “Middle School Campus” and, together with the Elementary School Campus, the “Facilities”), from which the School will serve grades 6-8 commencing with the 2025-2026 school year; (ii) fund any required reserves as set forth in the Indenture, (iii) pay capitalized interest, if any, on the Series 2025 Bonds, and (iv) pay certain issuance expenses (collectively, the “Series 2025 Project”). Proceeds of the Series 2025 Bonds will not be used at, or to finance any portion of, the Elementary School Campus. Capitalized terms used and not defined herein shall have the meanings provided in APPENDIX E – “SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS” in this Limited Offering Memorandum.

*Unless otherwise noted, data about the Borrower, the School, the Children’s House and the Preschool is sourced from the Borrower’s own internal records.*

## **THE CHARTER CONTRACT AND AUTHORIZER**

### **Charter Contract**

The School currently operates pursuant to the Charter Contract between the Borrower and ASBCS. ASBCS has been the authorizer of the School since July 20, 1996. The current term of the Charter Contract is for a term of twenty years, effective July 1, 2011 through June 30, 2031.

The Borrower believes that the School is in substantial compliance with all contractual provisions and requirements of the Charter Contract, as well as all relevant laws (including the Charter School Act), ordinances, and regulations. The Borrower has not received any notice of noncompliance from any agency which would affect its ability to enter into the transactions contemplated by the Series 2025 Bonds or the Loan Agreement.

### **Authorizer**

In Arizona, the process of obtaining charter school sponsorship includes the development of a charter application, a review of the application by ASBCS and final approval by ASBCS to operate. ASBCS is responsible for oversight of the School and for the ongoing oversight of the Schools' fiscal management and academic acceptability. The initial term of each Arizona charter contract is 15 years from July 1 during the year the school first commences operation. The Charter Contract may be renewed for successive 20-year periods if ASBCS deems that the School is in compliance with its Charter Contract and State law. If not renewed, the Charter Contract will expire as noted in the paragraph above.

ASBCS currently authorizes the School to educate a total of 500 students between the Elementary School Campus and the Leased Middle School Campus. The Charter Contract provides that, upon notice to ASBCS and receipt of standard regulatory approval in the form of a "Member Campus Amendment," the School may move the middle school to a different site within 5 miles of the Elementary School Campus. The new Middle School Campus is only 1.1 miles away from the main Elementary School Campus so can be moved under a standard Member Campus Amendment request. The Member Campus Amendment request is straightforward and involves submitting documents to ASBCS such as proof of insurance, certificate of occupancy, and fire marshal inspection report. The Borrower has notified ASBCS of the anticipated move of grades 6-8 to the new Middle School Campus for the 2025-2026 school year and will complete the Member Campus Amendment request once the certificate of occupancy and other documents are ready for the regulatory approval process. Further, enrollment limits may be increased upon notification to and acceptance by ASBCS. It is ASBCS's policy to accept such requests so long as the requesting charter school is not an "underperforming" school and is otherwise in compliance with its contractual obligations. The School has never been "underperforming" and has always maintained compliance with its contractual obligations. Consequently, while the Borrower is not currently seeking an enrollment increase in connection with the Series 2025 Project, the Borrower does not anticipate any issue with enrollment increases under the Charter Contract going forward.

ASBCS may revoke or not renew a charter contract if a charter school (i) violates its charter contract; (ii) violates local, State, or federal law; (iii) violates applicable accounting or reporting requirements; or (iv) causes conditions that threaten the health, safety, or welfare of its students, its staff, or the general public. To knowledge of Borrower's management, the School is not in violation of any such requirements. While Borrower's management believes that the School enjoys a good relationship with ASBCS and does not anticipate non-renewal or revocation of the Charter Contract, there can be no assurance that ASBCS will not revoke or fail to renew the Charter Contract. See "BONDHOLDERS' RISKS – Revocation, Non-Renewal or Expiration of Charter" in this Limited Offering Memorandum.

*[The remainder of this page is intentionally left blank.]*

## **THE FACILITIES AND THE SERIES 2025 PROJECT**

### **The Series 2025 Project**

The Series 2025 Project consists of (i) the Borrower's acquisition of the new Middle School Campus, and construction of the Middle School Recreational Field (as defined below); (ii) fund any required reserves as set forth in the Indenture, (iii) pay capitalized interest, if any, on the Series 2025 Bonds, and (iv) pay certain issuance expenses. Proceeds of the Series 2025 Bonds will not be used at, or to finance any portion of, the Elementary School Campus. See "SOURCES AND USES OF FUNDS" in this Limited Offering Memorandum.

The Series 2025 Bonds will be secured by a first position lien on and security interest in the Facilities, including the new Middle School Campus and the Elementary School Campus. See "SECURITY FOR THE SERIES 2025 BONDS – Deed of Trust" and APPENDIX E – "SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS – THE DEED OF TRUST" in this Limited Offering Memorandum.

### **The New Middle School Campus**

The Borrower will use a portion of the proceeds of the Series 2025 Bonds to finance the acquisition of the new Middle School Campus, consisting of five single-story modular buildings totaling approximately 15,370 square feet, containing 16 classrooms, administrative offices, a library, an outdoor boulder classroom, along with a parking lot and drop-off/pick-up lane, outdoor areas, including the Middle School Recreational Field, foot paths, and landscaping located on approximately 6 acres atop McMillan Mesa in the City, with an address of 1800 North Gemini Drive, Flagstaff, AZ, from which the Borrower will operate the School, serving student in grades 6-8. Following the termination of the South Beaver Lease in June 2025, the School will move students in grades 6-8 from the Leased Middle School Campus to their permanent home at the new Middle School Campus for the commencement of the 2025-2026 school year.

The School prides itself on offering unique, hands-on learning opportunities to students, and the new Middle School Campus will more fully allow the School to embrace its experiential learning philosophy for students in grades 6-8. With direct connection to the Flagstaff Urban Trail System and proximity to Buffalo Park and other outdoor spaces, the new Middle School Campus on McMillan Mesa is an ideal setting for students to take their learning beyond classroom walls. At the new Middle School Campus students will be able to conduct citizen science projects, participate in mindful meditation, and create environmental art all on location at the new Middle School Site (defined herein). The School's mountain bike class and club will be able to enjoy trail rides that start right on campus and gardening class and club will have extensive space to plant and grow. The School's food forest project is designed to provide middle school students at the School with experience planting, growing, and maintaining a self-sustaining garden comprised of fruit trees, shrubs, and pollinator attracting plants. The new Middle School Campus will offer students a blank slate to cultivate a resilient garden and gathering area that will provide food to be shared with the School and local community and lessons that enhance understanding of the natural environment and importance of nurturing green spaces. See "CURRICULUM AND EXTRACURRICULAR ACTIVITIES – Middle School Pedagogical Practices" and "– Extracurricular Activities" below for more details on the School's transition from traditional Montessori to experiential curriculum and extracurricular activities.

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Below is an image and an overhead site plan of the new Middle School Campus. See “Acquisition of the New Middle School Campus” below for additional images of the Middle School Campus.

**Image of the New Middle School Campus**



*Source: The Borrower.*

**Overhead Site Plan Rendering of the New Middle School Campus**



*Source: The Borrower.*

Moving grades 6-8 to the new Middle School Campus will allow for a safe and conducive learning environment for students and staff. The Leased Middle School Campus and the Original Middle School Campus (defined below) consisted of old buildings lacking modern technology and facilities. The new Middle School Campus will improve accessibility and allow for a more integrated campus experience for students, faculty, and families, and provide an environment that more closely aligns with the School's values.

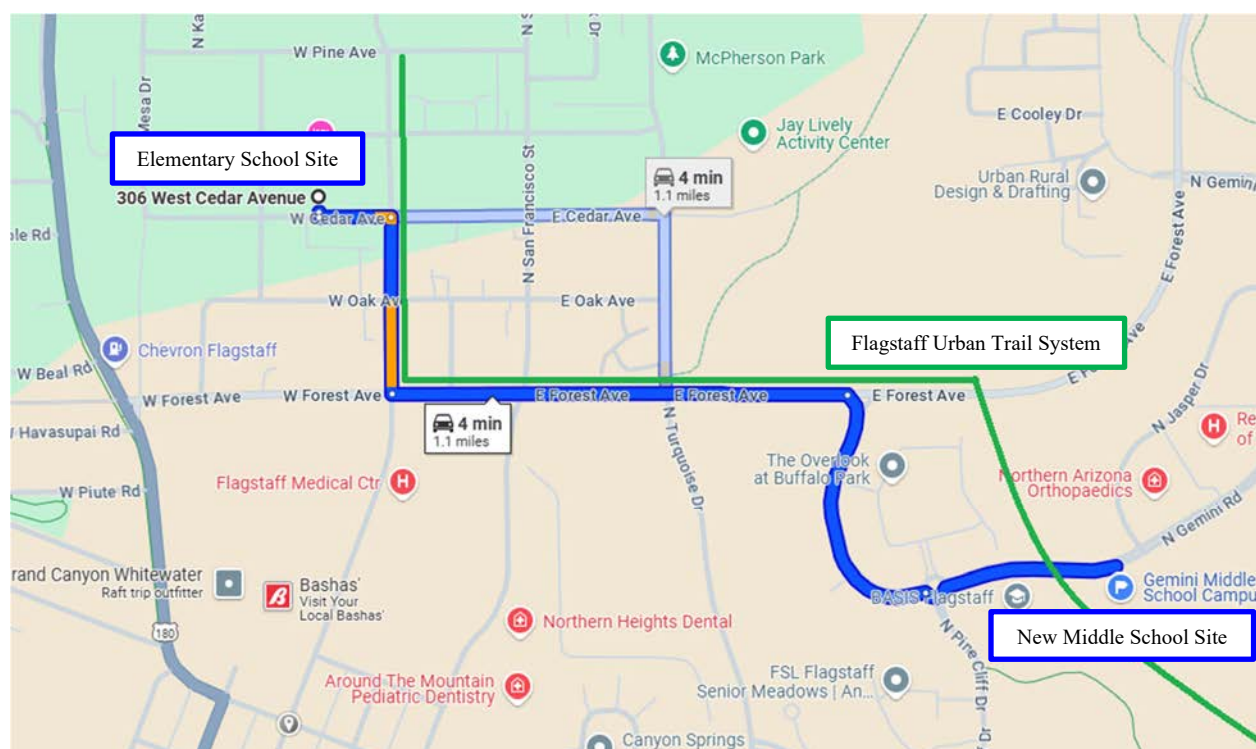
The new Middle School Campus will have capacity to serve 275 students, plus staff members, to enhance learning opportunities and accommodate student growth in response to demand for the School and overall growth in the City. See "Growth and Demographics in the City of Flagstaff" below. Borrower's management projects that the move to the Middle School Campus will allow for a total increased enrollment at the School of approximately 422 students by the 2029-2030 school year. See "ENROLLMENT AND DEMOGRAPHICS – Future Enrollment Projections" in this Appendix A.

The Borrower has acquired most of the furniture, fixtures and equipment ("FF&E") needed to furnish the new Middle School Campus. A portion of the FF&E is in storage, saved from the Original Middle School Campus, a portion is in use at the Leased Middle School Campus. The Borrower has budgeted approximately \$40,000 for the additional FF&E needed for the new Middle School Campus.

The site of the new Middle School Campus (the "Middle School Site"), includes space for a future gymnasium, an additional instructional building, and more parking. The plans for the addition of a future gymnasium, an additional instructional building, and expanded parking are in the long-term vision and planning stage. Currently, there are no immediate plans for financing or borrowing to support these projects. The timing and financing for these future developments will be assessed as part of the Borrower's ongoing long-term capital fundraising efforts.

*[The remainder of this page is intentionally left blank.]*

Historically, the proximity of the Elementary School Campus and the middle school campus has varied depending on the location of the middle school building. The Borrower's hope in securing a property close to the Elementary School Campus was to be able to re-establish the connections across campuses that existed prior to temporarily moving to the Leased Middle School Campus. The new Middle School Campus is ideally situated to serve the Borrower's growing student population and enhance accessibility for families. Its proximity to the site of the Elementary School Campus (the "Elementary School Site") will allow for seamless integration and operational efficiency. The Middle School Site is located approximately 1.1 miles from the Elementary School Site as shown on the map below, and approximately 2.8 miles from the site of the existing Leased Middle School Campus. The proximity of the new Middle School Site to the Elementary School Site will allow students to walk between campuses for events, mentoring opportunities and collaboration. The route students can take to walk or bike between the Facilities follows the Flagstaff Urban Trail System and has only one larger road crossing with a traffic light that has a clearly delineated crosswalk. The approximate Flagstaff Urban Trail System route between the Facilities is shown in green on the map below



Source: Google Maps

The location of the new Middle School Campus will enhance community engagement by providing a central hub for school events, workshops, and extracurricular activities. Additionally, the location is ideal for enhancing community relationships and access to outdoor educational opportunities.

See also "SERVICE AREA" and "COMPETING SCHOOLS" in this Appendix A.

### Acquisition of the New Middle School Campus

The Borrower, as tenant, entered into a Lease with Option to Purchase, effective November 27, 2023 (the "CSDC Lease"), with CSDPC Flagstaff Junior Academy ("CSDC"), a Delaware limited liability company, an unrelated third party, and subsidiary of Charter School Development Corporation. As required by the CSDC Lease, CSDC has acquired the Middle School Site for use as a public charter school campus and has contracted with various third parties for the construction and improvement of the Middle School Campus.

In accordance with the CSDC Lease, at the closing of CSDC's purchase of the Middle School Site, the Borrower contributed \$1,541,016 towards CSDC's purchase of the Middle School Site and costs of construction of



the new Middle School Campus (collectively, the “Borrower’s Contribution”). See “BUDGET; ACCOUNTING; DEBT – Commitments and Other Liabilities” in this Appendix A. Flaghomes Real Estate assisted in CSDC’s acquisition of the Middle School Site. Jerome Naleski, a real estate agent with Flaghomes Real Estate at the time of CSDC’s purchase of the Middle School Site and president of the Board (defined below), initially represented the Borrower in the preparation and negotiation of the original purchase contract for the Middle School Site, which was assigned to CSDC for purchase of the vacant land. Mr. Naleski waived his agent’s commission from the sale in support of the project and recused himself from the related Board decisions.

In accordance with the CSDC Lease, CSDC separately contracted with general contractor, Loven Contracting (the “Contractor”) pursuant to a construction contract (the “Construction Contract”), and with architect (APMI Architecture) for the construction and design of the new Middle School Campus. CSDC contracted with Aries Buildings, out of Colorado, for the construction and installation of the buildings, which will showcase sustainable structures that meet stringent energy codes as set forth by the State, ensuring the greatest energy efficiencies. Landscaping on the Middle School Site is being completed by Colwell Shelor Landscape Architecture, contracted through CSDC. Construction of the new Middle School Campus commenced on August 19, 2024. As of March 25, 2025, the construction of the new Middle School Campus is approximately 92% complete. Upon completion of sidewalks, landscaping, and field work, the Borrower anticipates receipt of the certificate of occupancy for the Middle School Campus by June 30, 2025. The Borrower has covenanted in the Loan Agreement to obtain the certificate of occupancy for the Middle School Campus by August 1, 2025. See “BONDHOLDERS’ RISKS – Risks of Real Estate Investment – Construction Risks” in this Limited Offering Memorandum.

Below and on the following page are images of the new Middle School Campus as of March 25, 2025, followed by a classroom layout plan. See “The New Middle School Campus” above for an additional image of the Middle School Campus.

**Image the New Middle School Campus as of March 25, 2025**



*Source: The Borrower.*



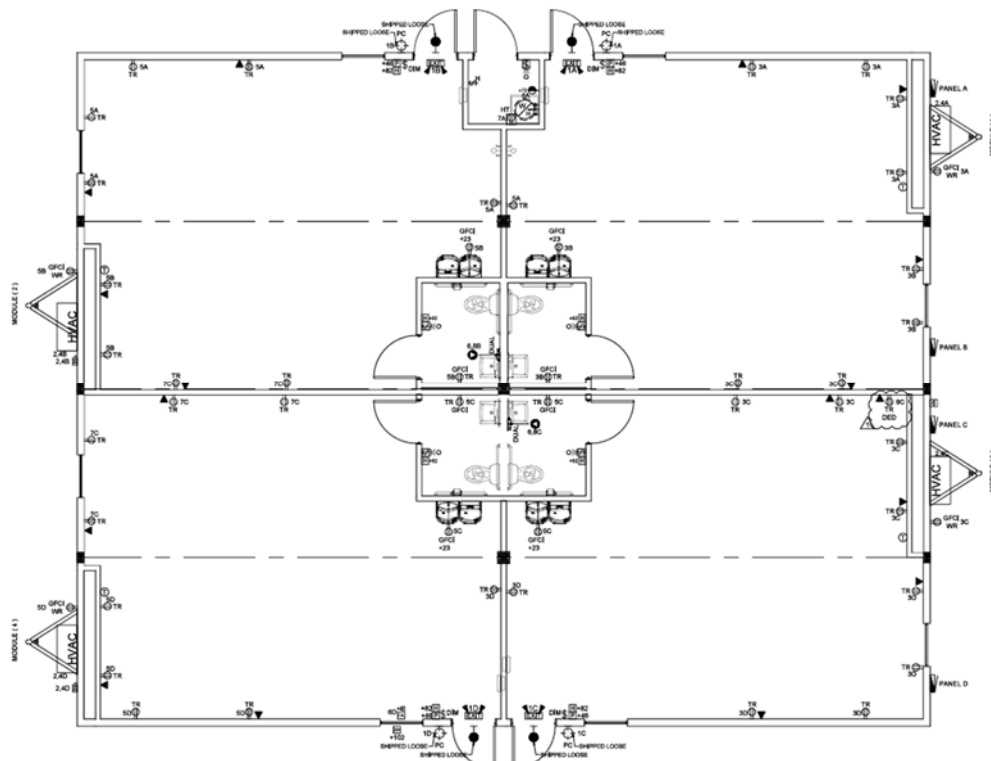
*Source: The Borrower.*



*Source: The Borrower.*



## Classroom Layout Plan for the New Middle School Campus



Source: *The Borrower*.

The initial term of the CSDC Lease commenced November 30, 2023 (the date that CSDC closed on the acquisition of the Middle School Site), and will expire on the date of issuance of the Series 2025 Bonds in connection with the Borrower's exercise of its right to purchase CSDC interest in the Middle School Campus (the "Purchase Option") pursuant to the CSDC Lease. In compliance with the purchase option requirements of the CSDC Lease, the Borrower provided CSDC written notice of the Borrower's intent to exercise the Purchase Option on February 10, 2025 (the "Purchase Option Notice") and the Borrower and CSDC will enter into an Agreement of Sale and Exercise of Purchase Option prior to the date of issuance of the Series 2025 Bonds (the "Purchase Agreement") for \$10,439,575 (the "Purchase Price"). The Purchase Agreement requires CSDC to pay to the Borrower \$500,000 at Closing (the "Holdback Amount"), as a return of earnest money previously paid by the Borrower under the Lease. The Holdback Amount will be held in escrow by Pioneer Title Agency (the "Title Company") under a holdback agreement (the "Holdback Agreement"), subject to release to the Borrower upon satisfaction of certain conditions. The Borrower will use such return of earnest money to complete construction of the Middle School Recreational Field and related improvements described under "– The Middle School Recreational Field" below. See also "SOURCES AND USES OF FUNDS" in this Limited Offering Memorandum. Upon the date of Purchase Option closing, which will be the date of issuance of the Series 2025 Bonds, the CSDC Lease will terminate and the Borrower will have no further obligations thereunder.

The Borrower has carefully evaluated Series 2025 Project, including the acquisition of the Middle School Campus, to ensure alignment with the School's mission, educational goals, and long-term sustainability.

### The Middle School Recreational Field

Prior to the date of issuance of the Series 2025 Bonds, CSDC will add the Middle School Recreational Field to the scope of the Construction Contract. On the date of issuance of the Series 2025 Bonds, CSDC which will assign the Construction Contract to the Borrower, and 22Beacon, Inc., a District of Columbia nonprofit corporation and an affiliate of CSDC (the "Owner's Representative") will enter into an owner's representative agreement with the Borrower pursuant to which the Owner's Representative will oversee the completion of the Middle School Recreational Field.

The Borrower will work with the Contractor and the Owner's Representative to complete the construction of a 45' long by 95' wide outdoor recreational field and two 30' long by 45' wide ramadas and monument signage on the southeast corner of the Middle School Campus Site (the "Middle School Recreational Field"). Borrower's Management and the Owner's Representative estimate a total cost of approximately \$500,000 for the Middle School Recreational Field, inclusive of design, permitting, Owner's Representative Fees, and other fees. The Borrower's intent is to have such improvements completed prior to the commencement of the 2025-2026 school year. The Borrower will draw from the Holdback Amount to pay the costs of constructing the Middle School Recreational Field.

See also "STATE AID PAYMENTS AND OTHER REVENUES – Fundraising" below, for more information on the Borrower's plans to fund a portion of the Middle School Recreational Field from the GeoFamily Pledge (as defined and described below).

### **The Leased Middle School Campus**

The Borrower currently leases the Leased Middle School Campus pursuant to a Facilities License Agreement, dated January 1, 2025 (the "South Beaver Lease"), between the Arizona Board of Regents for and on behalf of Northern Arizona University ("NAU") and the Borrower. The Leased Middle School Campus, consists of approximately 28,000 square feet of space in an NAU building located at 506 South Beaver Street in the City, on the very north edge of campus and formerly housed the FUSD's South Beaver School. The South Beaver Lease term will expire on June 30, 2025, at which time any of the Borrower's operations and remaining FF&E at the Leased Middle School Campus will be relocated to the new Middle School Campus.

The Borrower will continue to operate from the Leased Middle School Campus through the end of the 2024-2025 school year, and following the termination of the South Beaver Lease, move to the new Middle School Campus to serves students in grades 6-8 from at the start of the 2025-2026 school year.

The Borrower will have three months of overlap between the date of issuance of the Series 2025 Bonds and the expiration of the South Beaver Lease, during which the Borrower will be require to pay rent under the South Beaver Lease. The first interest payment on the Series 2025 Bonds is due June 1, 2025\*, which will be paid from capitalized interest on deposit in the Bond Fund. See "SOURCES AND USES OF FUNDS" and "ESTIMATED DEBT SERVICE SCHEDULE" in the forepart of this Limited Offering Memorandum.

### **The Elementary School Campus**

The main Elementary School Campus, located at 306 West Cedar Avenue, serves students in grades K-5 pursuant to its Charter Contract. The Elementary School Campus is located within a residential neighborhood just north of the Flagstaff Medical Center. The Elementary School Campus consists of eight classrooms, a main front office, and five smaller office spaces used for administrative purposes, counseling, speech and occupational therapies. In addition to the indoor spaces, the Elementary School Campus has two outdoor play areas. The first main play area is for older students and features a turf field, large play structure, and swings. The second, smaller play area is for Preschool and kindergarten students and includes: a main play structure, a sandbox, a playhouse, teeter-totter, swings, rocking toys, and a perimeter path for bicycling. The campus also has a main courtyard play area with basketball hoops, 4-square, and a Peace Pole. The Elementary School Campus courtyard doubles as a space for Friday Community Meetings, "PAW Draws," community celebrations, Family Movie Nights, and talent shows. The courtyard is adjacent to a lunch ramada, and both spaces combined provide a central gathering space for students and families alike. Finally, the Elementary School Campus features a student-run garden and greenhouse. The Children's House also operates the Preschool from the Elementary School Campus, serving three- and four-year old students through the Preschool program, which feeds into the School's kindergarten program and always has a significant waitlist. See "ENROLLMENT AND DEMOGRAPHICS – Future Enrollment Projections" and " – Preschool Enrollment – Preschool Waitlist by Grade Level" below for current waitlist date for the School and Preschool.

The Borrower acquired the Elementary School Campus in July 1994, paid off the mortgage in 2022, and now owns the Elementary School Campus free and clear of all liens or loans.

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\* Preliminary, subject to change.

## Images of the Elementary School Campus



*Source: The Borrower.*



*Source: The Borrower.*





*Source: The Borrower.*

Although no proceeds of the Series 2025 Bonds will be used at, or to finance any portion of, the Elementary School Campus, the Trustee, on behalf of bondholders, will have a first priority lien on and security interest in the Facilities, including both the Elementary School Campus and the Middle School Campus, as part of the Mortgaged Property under the Deed of Trust to secure the Series 2025 Bonds. See “SECURITY FOR THE BONDS – Deed of Trust” in forepart of this Limited Offering Memorandum.

## **Environmental Reports**

In connection with the Series 2025 Project, EBI Consulting (the “Environmental Consultant”) prepared (i) a Phase I Environmental Site Assessment, dated March 17, 2025 (the “Middle School Site Assessment”) with respect to the new Middle School Site, and (ii) a Phase I Environmental Site Assessment, dated March 17, 2025 (the “Elementary School Site Assessment” and together, the “Site Assessments”) with respect to the Elementary School Site.

In the Site Assessments, the Environmental Consultant did not identify any recognized environmental conditions (“RECs”), controlled recognized environmental conditions (“CRECs”), historical recognized environmental conditions (“HRECs”), significant data gaps or de minimis conditions.

The Environmental Consultant noted two business environmental risks related to the presence of asbestos-containing material (“ACM”) and a potential for lead-based paint (“LBP”) at the Elementary School Campus. The Environmental Consultant clarified that the presence of ACM and potential presence of LBP were not RECs, noting that (i) all ACM were observed to be in good condition and not expected to pose a health and safety concern to the occupants of the Elementary School Campus at the time of the Elementary School Site Assessment and (ii) that the painted surfaces observed appeared to have had new paint applied within the past 10 years and were in generally good condition with no significant chipping or peeling paint observed at the time of the Elementary School Site Assessment. The Environmental Consultant recommended the Borrower (i) conduct a comprehensive asbestos inspection prior to significant renovation or demolition of the Elementary School Campus buildings and (ii) develop and implement (a) an Asbestos Operations and Maintenance Plan and (b) Lead-Based Paint Operations and Maintenance Plan for the Elementary School Campus to provide the procedures and guidelines that, when used during facility cleaning, maintenance, and general operations, will minimize human exposure to asbestos fibers and lead, as applicable, and

minimize release of asbestos fibers and lead, as applicable, to the environment. The Borrower is engaging the Environmental Consultant to prepare the recommended operations and maintenance plans for the Elementary School Campus and, while no significant renovation or demolition of the Elementary School Campus is planned at this time, conduct a comprehensive asbestos inspection prior to any such renovation or demolition.

The Environmental Consultant did not recommend any further assessments for the Middle School Site or the Elementary School Site.

See “BONDHOLDERS’ RISKS – Risks of Real Estate Investment – Environmental Risks” in the forepart of this Limited Offering Memorandum.

## Appraisals

In connection with the issuance of the Series 2025 Bonds, KS Appraisal, LLC, Mesa, Arizona (the “Appraiser”) was engaged to perform appraisals of the Facilities. The Appraiser prepared an appraisal for the Elementary School Campus, dated March 26, 2025, and an appraisal for the new Middle School Campus, dated March 26, 2025 (together, the “Appraisals”). The valuations contained in the Appraisals do not contain the Middle School Recreational Field, or any personal property, fixtures, furniture or equipment or intangibles.

The Appraiser’s opinions of value for the Facilities are set forth below.

Value Conclusions			
Facilities	Valuation Date	Fee Simple Interest Appraised	Appraised Value
Elementary School Campus	March 10, 2025	Market Value “As Is”	\$2,500,000
Middle School Campus	March 10, 2025	Market Value “As Is”	\$9,790,000
	May 1, 2025	Prospective Market Value “Upon Completion”	\$9,990,000

The valuations indicated in the Appraisals represent only the opinion of the Appraiser as of the date of such Appraisal. The Appraiser has not been engaged to update or revise the Appraisals since the dates thereof. Prospective purchasers of the Series 2025 Bonds should note that there may be a difference between the actual value of the Facilities and the amount of the Series 2025 Bonds, and that difference may be material and adverse to Bondholders. In particular, it cannot presently be determined with certainty what the value of the Facilities would be in the event of foreclosure under the Deed of Trust.

See “BONDHOLDERS’ RISKS – Risks of Real Estate Investment – Limitations of Appraisals” in the forepart of this Limited Offering Memorandum.

## Growth and Demographics in the City of Flagstaff

The City of Flagstaff is situated in a mountainous region at an elevation of 7,000 feet. At the base of the San Francisco Peaks, the City is known for its proximity to such Arizona attractions as the Grand Canyon, Wupatki National Monument, Sunset Crater, Walnut Canyon, Oak Creek Canyon and Meteor Crater.

According to the U.S. Census Bureau, the 2025 projected population for the City is 77,812, which assumes an annual rate of change of 0.8%, approximately 17.7% of which is school aged (under 18). The City’s population increased approximately 16.63% from 2010-2020 and had variable growth from 2020-2024 averaging about 0.8% per year, decreasing slightly after the COVID-19 pandemic.

*[The remainder of this page is intentionally left blank.]*

According to Flagstaff MSA Indicator Data published in Arizona's Economy by the University of Arizona's Eller college of Management, historic population data for Coconino County and the City of Flagstaff from 2019 through 2023 are as follows:

**Coconino County and City of Flagstaff Population Growth 2019-2023**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Coconino County</b>	146,611	145,97	147,434	149,647	150,722
% Change from Year Prior	1.1%	-0.6%	1.2%	1.5%	0.7%
<b>City of Flagstaff</b>	77,584	77,305	76,960	78,664	79,705
% Change from Year Prior	2.3%	-0.4%	-0.4%	2.2%	1.3%

According to U.S. Census Bureau estimates as of July 1, 2024, there were estimated to be approximately 27,815 households in the City and the median household income in the City was estimated to be approximately \$68,041. A demographic summary report published by the City in April 2023 reported an 18.6% increase in total households from 2000 to 2010 and a projected 1.0% increase in total households from 2021 to 2026.

According to the University of Arizona Economic and Business Research Center First Quarter 2024 Arizona Economic Forecast Update, published March 2024 (the "University of Arizona Forecast") and utilized by the Appraiser, housing affordability remained low in Arizona with high house prices and increased mortgage interest rates. The University of Arizona Forecast notes a decline in Arizona housing permit activity in 2023 overall, but according to the City Flagstaff, the City saw permit issuance growth of 53.4% in 2023 compared to the previous year. According to the City's Monthly Statistic Reports, the City issued building permits for 736 housing units in 2023, 491 housing units in 2024 and 10 housing units as of February 28, 2025. According to the University of Arizona Forecast, Arizona remains a competitive destination, particularly relative to the major markets in California.

The economy of the City is based primarily on government (the City serves as county seat for Coconino County (the "County")), small and medium-sized manufacturing, the service industry, trade and tourism. As the home of Northern Arizona University ("NAU"), the City is a center of educational, governmental and scientific employment and is becoming a center for research and development as well as the distribution and manufacturing of high technology products. The location of the City at the junction of Interstates 40 and 17, plus the close proximity of seven national parks and monuments, makes tourism a major source of employment and a strong contributor to the revenue base of the City. In addition, the City serves as the major trade and service center for a wide area of northern Arizona.

According to the City, the major employers include NAU, W.L. Gore & Associates Manufacturing, Flagstaff Medical Center Healthcare, the FUSD, the County, the City, Arizona Snowbowl Recreation, Little America Hotel Hospitality, Coconino Community College, and Nestle Purina Manufacturing. According to the Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, as of December 2024, the City had a seasonally adjusted unemployment rate of approximately 2.9% (a decrease of 0.3 from December 2023), as compared to the seasonally adjusted unemployment rate of the State and the United State of America, 3.8% and 4.1%, respectively, in December 2024 from 4.2%.

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## THE SCHOOL'S MISSION AND HISTORY

### Vision

The School has adopted the following Vision Statement:

- *Educating the whole child through academics, experiential excellence, and community.*

### Mission

The School has adopted the following Mission Statement:

- *An academic and exploratory experience that includes data-driven teaching practices, inclusive education and individual guidance to the development of independence.*
- *An environment that promotes self-esteem and a desire for excellence as well as one that instills responsibility and community.*
- *An atmosphere that encourages parents and families to become part of their child's school experience and education.*

### History

The School is a free public charter school that has served students in grades K-8 in the Flagstaff community for almost 30 years. The Borrower initially opened as a small, private school in 1990 and converted to a K-8 tuition-free public charter school in 1996, opening the School for the 1996-1997 school year. The Borrower began with a group of dedicated parents and educators who rented space from a local church to hold classes for students. The School started as a traditional Montessori school serving students in grades pre-k-6. The Elementary School Campus on 306 West Cedar in the City has been the permanent home of the School's elementary school for over 20 years. Students in grades 6-8 were first served by the School from a facility that held approximately 50 students but in 2012, the School moved grades 6-8 to an unused public middle school building, FUSD's former Flagstaff Middle School facility located at 755 N. Bonito Street in the City (the "Original Middle School Campus"). The Borrower leased the Original Middle School Campus from FUSD under a series of one-year leases for over more than ten years, and in April of 2024, when the Original Middle School Campus became unavailable due to FUSD construction plans, grades 6 -8 were temporarily moved to the Leased Middle School Campus until completion of the new Middle School Campus.

The move to the larger Leased Middle School Campus also included the shifting of 5<sup>th</sup> grade students from the Elementary School Campus to the Leased Middle School Campus, leaving Pre-K-4<sup>th</sup> grade students at the Elementary School Campus. The School's enrollment in grades 6- 8 expanded significantly with the move to the larger Leased Middle School Campus and is now approximately 212 students as of February 25, 2025. The School moved 5<sup>th</sup> grade students back to the Elementary School Campus for the 2024-2025 school year to increase capacity for the 6-8 grade cohorts at the Leased Middle School Campus. Prior to the 2023-2024 school year, middle school grade-level cohorts averaged 42-48 students. Now in just two short years, the middle school grade-level cohorts range from 60-82. The School currently offers elementary grades K-5 at the Elementary School Campus and traditional middle school grades, 6-8, at the temporary Leased Middle School Campus. The Borrower has a strong history of employing and retaining talented and dedicated staff, many of whom have been with the Borrower between 15 and 25 years (see "GOVERNANCE; ADMINISTRATION; AND FACULTY – Teacher Retention – Teacher Tenure" in this Appendix A).

Over the years, the School has pivoted from a traditional Montessori approach but has maintained a Montessori inspired philosophy that incorporates experiential education. The School's utilization of multi-age classrooms provides mentorship opportunities for older students to guide and model for younger students and allow students to explore academics within their individual level more fluidly than having one grade per classroom. The School encourages students to find their passions and promotes values of respect, effort, safety, and citizenship. School administration and staff believe that hands-on projects that allow students to find solutions to real world problems create the best opportunities for meaningful learning. In addition to facilitating student learning through

doing, School teachers strive to create positive, supportive, and genuine connections with each student. School staff facilitate a variety of single multi-day learning experiences to places like the Grand Canyon, Lowell Observatory, Museum of Northern Arizona, Catalina Island Marine Institute, Washington D.C., and San Juan and Verde River trips. The Borrower is looking forward to the new Middle School Site that perfectly aligns with the School's mission and provides even greater possibilities for project and place-based learning with opportunities for community partnerships with neighbors, including the Highgate Senior Living Center. See "CURRICULUM AND EXTRACURRICULAR ACTIVITIES" for more details on the School's transition from traditional Montessori to its current Montessori inspired experiential education approach.

Children's House, an affiliate of the Borrower, was formed in June 2001 and has provided a solid academic foundation beginning in the Preschool program for children ages 3 to 6 since 2001. Children's House operates the Preschool from the Borrower's Elementary School Campus and is firmly rooted in the traditional Montessori philosophy and practices. The Preschool program feeds into the School's kindergarten program at the Elementary School Campus.

### **Recognitions**

- First School in Arizona to establish a school-wide Climate Action Plan
- Coconino County Rookie Teacher of the Year Nominee 2023
- Coconino County Teacher of the Year Nominee 2022
- Sustainable Economic Development Initiative Northern Arizona ("SEDI") Teacher Award for Sustainable Curriculum Teacher Recipient 2022
- SEDI Teacher Award for Sustainable Curriculum Teacher Recipient 2021
- Coconino County Teacher of the Year 2020

## **CURRICULUM AND EXTRACURRICULAR ACTIVITIES**

### **Curricular Approach Overview**

Teaching and learning in kindergarten through 5<sup>th</sup> grade are inspired by Montessori philosophy and practices. This Montessori influence can be most clearly seen in the multi-age classrooms at the Elementary School Campus. Every elementary student at the School learns in a classroom with two different grade levels of students. This approach positively impacts the development of the whole child. Multi-age classrooms allows older students to become mentors and leaders for younger students and it creates natural opportunities for independence and citizenship for all students. The School's kindergarten through 5<sup>th</sup>-grade teachers act as "guides" in the details of the curriculum, following four basic principles: (1) to motivate the child's spirit, (2) to encourage the child's normal desire for independence and a high sense of self-esteem, (3) to help the child develop the skills to become a meaningful member of society, and (4) to help the child learn how to observe, question, and explore ideas independently.

Teaching and learning in the middle school grade levels transitions from the Montessori-inspired multi-age, individualized approach in the elementary grade levels to an experiential-education, differentiated approach in the middle school grade levels. The School's middle school students are given the freedom and support to question, analyze, and make connections. The School's students go on to high school as confident, enthusiastic, and self-directed learners and citizens, accountable to both themselves and their communities. Each middle school grade level focuses on core content areas including reading, writing, math, social studies, science, wellness, and art every day, as well as elective classes every other day.



Main features of the School's curricular and co-curricular program:

- All curriculum/lessons align to Arizona State Academic Standards
- Curricular resources include Engage NY/Eureka and Maneuvering the Middle for math instruction; Kessler Science and Generation Genius for science instruction; and 95 Percent, literature circles, novel and non-fiction book studies, and topically relevant Socratic Seminars for ELA instruction
- Focus on experiential learning opportunities through classroom lessons, activities, simulations, and field trips with a goal of connecting learning to the “real-world” with teachers serving as guides/facilitators
- Benchmark test monitoring three times per year to assess student progress and the need for interventions and tutoring
- Integration of social-emotional learning and wellness with mindfulness, non-violent communication, and a focus on community circles and team building
- Implementation of school wide Positive Behavior Intervention and Support Program (“PBIS”)

The School pivoted from a traditional Montessori approach to the current Montessori inspired experiential philosophy for a variety of reasons. While the Children's House still has three grade levels of students, the School shifted away from three grade levels per classroom approximately 15 years ago. The School maintains two grade levels per classroom in elementary grades but has changed grade configurations to support enrollment by accommodating more students while still maintaining reasonable class sizes. In the past, School teachers were required to have Montessori training or participate in training as a condition of hiring. These training courses are costly and limit the ability to hire applicants without a Montessori background who might otherwise be a qualified teacher. As the number of School staff members without Montessori training grew, the Executive Director of the School before Dr. Morrison decided to shift from advertising the School as a traditional Montessori school to a Montessori hybrid that maintains Montessori values but does not exclusively apply traditional Montessori lessons and curriculum. This approach provided a more cohesive school philosophy between the two campuses since the middle school was never strictly focused on traditional Montessori curriculum having incorporated experiential learning for many years. The shift from traditional Montessori curriculum, which includes experiential learning in a prescribed way, allowed the School to provide teachers with more flexibility in implementing experiential lessons and projects while opening hiring opportunities to more qualified and talented educators.

### **Elementary School Pedagogical Practices**

The School has talented staff and believes that when teachers are passionate about what they teach, students are more engaged in their learning. Therefore, the School encourages professional autonomy and individualized lesson design and expression among its teachers while ensuring the curriculum addresses the Arizona State Standards and features the main practices detailed below:

- Accommodation of personal learning styles
- Learning progression
- Small group instruction
- Active learning
- Hands-on learning
- Concrete manipulatives
- Self-initiated learning
- Off-campus learning
- Unique field trip opportunities
- Student-centered
- Real-life responsibilities
- Community service
- Mentoring

The School's curricular approach for students in grades K-5 values the whole child and therefore allows students to participate in two special classes daily, as well as provides generous lunch, recess, and community circle time. Specials classes may vary by the year, but recently have included: physical education, art, music, Spanish, and STEAM. Whether taking place in individual classrooms or school wide during Friday "Paw Draw" ceremonies, community circle time is prioritized in the schedule as an important co-curricular. Another integral co-curricular component is off-campus learning. Some examples of recent off-site enrichment field trips include: Bearizona, the Phoenix Zoo, Freeman Farms, Family Food Center, Flagstaff Public Library, Grand Canyon National Park, Museum of Northern Arizona, Coconino Center for the Arts, Riordan Mansion, Lowell Observatory, hikes around Flagstaff, Pioneer Museum, Jay Lively Skating Rink, and Out of Africa.

### **Middle School Pedagogical Practices**

The School strives to provide a one-of-a-kind educational experience for sixth through 8<sup>th</sup> graders at the School that offers students opportunities to explore different interests and is steeped in community. This experience is situated within a school environment that is large enough to the traditional hallmarks of a secondary school experience such as electives, sports, and clubs, but small enough to feel like a true community where students' names *and* stories are known and valued. The School offers small class sizes, individualized academic attention, a unique blend of core-curriculum and electives, a full sports program, and outdoor leadership opportunities.

Traditional middle school courses offered at the School include: English Language Arts, Math, Science, Social Studies, Physical Education/Wellness, and Art daily. Middle school students are given the opportunity to accelerate their math learning/take advanced math so that they can complete Algebra I in 8<sup>th</sup> grade. Eureka/Engage NY, Maneuvering the Middle, Kessler Science, and a traditional Humanities approach in ELA are the main programs at the middle school level. Specialized elective courses offered to the School's 6–8 grade students include: Gardening, Band, Guitar, Choir, Drama, Yearbook, Photography, Creative Writing, Martial Arts, Yoga, and more.

The School believes that students learn by experiencing and immersing themselves in the curriculum and therefore ensures that all students have ample experiential learning opportunities per semester. Experiential learning opportunities include project-based learning, place-based learning, service learning, and outdoor/adventure education. One might find students hiking up to Observatory Mesa for an outdoor classroom experience, taking a learning adventure to Catalina Island, riding a bike to The Grand Canyon, conducting field experiments, carefully crafting an award-winning piece of art, or seeing a need for a school library and putting a plan into action and creating one.

### **PBIS (Positive Behavior Interventions and Supports)**

Early on in its history, it became evident that the School needed a school-wide program to ensure that all staff and students were essentially "on the same page" when it came to student behavior and expectations in the classroom, at lunch or recess, in the hallways, at assemblies, or on field trips. This need led to the Positive Behavior Interventions and Supports program. PBIS is a school-wide behavior/discipline program that the School implements in every grade. A PBIS committee made up of several teachers was created to research programs that would fit into the School's culture. A PBIS committee made up of several teachers was created to research programs that would fit into the School's culture. PBIS was studied and a consensus was reached by the committee that it would be a constructive and positive program. The Borrower also contracts with a full-time counselor and mindfulness coach who works with both School students and staff on a regular basis.

### **Special Education**

The School also provides a special education program. The basic process of the School's special education program is to: (1) Observe how the student is doing academically, physically and socially; (2) Identify specific areas of concern; (3) Try interventions (specific teaching methods) to address those concerns; (4) Evaluate the effectiveness of the interventions; and (5) Decide whether the interventions are successful and can be built upon, or whether an intervention has been unsuccessful and another strategy should be tried. The purpose of this program is to teach students expected behavior as opposed to simply expecting students to know what their teacher expects. This framework will allow students to reflect on behaviors, experience accountability, and through effort on their part, make the correct and expected changes.

## **Summer Programming**

Commencing in June 2025, the Borrower will offer a summer Leadership Academy for incoming 6<sup>th</sup> grade students at the new Middle School Campus. The summer Leadership Academy will provide incoming 6<sup>th</sup> grade students with an introduction to the School and culture before the 2025-2026 school year begins. The Leadership Academy will allow students to begin establishing relationships with their teachers through team building and group lessons, and provide an opportunity for students to choose electives, become familiar with classrooms, and learn School expectations. It is the Borrower's hope that spending more time welcoming a large group of new and current students moving to middle school will help them have a smooth start to their middle school experience with the School.

## **Extracurricular Activities**

The School has a strong middle school athletic program with a large percentage of students participating in one or more sports per year. The School students in grades 6-8 are encouraged to participate in the following sports: Cross Country, Soccer, Girls Volleyball, and Basketball. The athletic program focuses on teamwork, sportsmanship, and effort. The School does not hold eliminations; every student who wants to play interscholastic sports can. At the elementary level, students can participate in sports clinics, Girls on the Run, or afterschool disc golf.

The School believes that it is important for students to be introduced to, and given the chance to excel in, as many extracurricular clubs as possible. Elementary school clubs include: Chill/Calm Club, Music Club, Pokémon Club, Robotics Club, and Dungeons and Dragons Club. The School offers an average of 15 different clubs per year for middle school students, including clubs such as: Ultimate Frisbee Club, Tea Club, Pop Culture Club, Mountain Biking Club, Coding Club, History Club, Student Council, Fiber Arts Club, Outdoor Club, and more.

The School's student activity fee for the 2025-2026 school year is \$150 per elementary student and \$215 per middle school student. Activity fee dollars are part of the Borrower's operating budget, and used for many things, including field trips and experiential learning, special events, clubs, and sports.

## **Preschool Program**

Children's House offers the Preschool program at the Elementary School Campus through multi-age classroom for students ages 3 through 5. Similar to the School, the Children's House is a Montessori learning environment where students are allowed to learn at their own individual pace and according to their own choice of activities from hundreds of possibilities. There is constant interaction, problem-solving, child to child teaching, and socialization. Children are challenged according to their ability and never bored.

The Montessori environment emphasizes learning through all five senses, not just through listening, watching, or reading. In addition to individual work time, each day's lesson includes time for group activities, discussions, music, games, stories, drama, poetry, grace, and courtesy. Learning is an exciting process of discovery, leading to concentration, motivation, self-discipline, and a love of learning. The Preschool's approach will form a community of caring, curious learners and those learners will have fun. Parents, naturally, are the child's first and best teachers. The School partners with parents to build a strong and memorable experience for each student.

The Children's House charges and collects a non-refundable registration fee of \$150 per student (capped at \$400 per family), tuition, and late fees for the Preschool program. See "STATE AID PAYMENTS AND OTHER REVENUES – Children's House Reimbursement" in this Appendix A. The School (including the kindergarten program) is a tuition free charter school.

## **Before and After School Care**

The Children's House also offers before and after school care (the "Before and After Care Program"), at the Elementary School Campus. Before care is offered from 7:15-8:00 am, Monday through Friday, and after care is offered from 3:15 to 5:30 pm, Monday through Thursday, and 12: to 5:30 pm on Fridays. The Before and After Care Program is priced on a per-use basis at a rate of \$5.50 per hour for the first child and \$4.00 per hour for each additional sibling. Families will be charged a late pickup fee of \$2.00 per minute and a late payment fee of \$10.00 per month. Only students who attend the School qualify for the Before and After Care Program. Preschool student must receive approval from the School prior to participation in the Before and After Care Program.

Fees and expenses of the Before and After Care Program are counted as revenues and expenses of Children's House for budgeting and accounting purposes. See "STATE AID PAYMENTS AND OTHER REVENUES – Children's House Reimbursement" in this Appendix A.

## GOVERNANCE; ADMINISTRATION; AND FACULTY

### Governance

The School is governed by a Board of Directors (the "Board") which is responsible for making and enforcing all rules, School policy, and Bylaws necessary of the operation of the School and the Borrower's properties, defining the powers and duties of employees, hiring and dismissing employees, making and enforcing contracts of employment and such other contracts as deemed advisable by the Board, authorizing the purchase of materials and other property for the School, accepting donations to the School, and authorizing any officer or agent of the Borrower to enter into, execute and/or deliver any contract or instrument on behalf of the Borrower.

The Board shall consist of no fewer than five and more than seven members. The qualifications for a Board member are: (i) each Board member must be over the age of eighteen (18); (ii) each Board member must successfully pass a background check, which includes a fingerprint clearance which verifies that the Board member has no criminal record which could adversely affect the corporation or its operation as a public school; and (iii) a past employee of the Borrower will be eligible to serve on the Board after one year from the last date of employment with the Borrower. Each Board member shall hold office for a term of two consecutive years or until resignation or removal.

A Board member may hold office beyond their term until their successor is appointed. The term of office commences from the date of the annual meeting, or if appointed outside of the annual meeting to fill a vacancy, the term shall commence on the date of appointment.

All Board meetings are held in accordance with the open meeting law. Meeting notices and agendas are posted on the School's website before and board meetings are held at 306 West Cedar Avenue and open to the public and also live streamed on Zoom. The public is afforded an opportunity to address the Board at each meeting.

### Board of Directors

The following is a summary of information about the Board:

<u>Name</u>	<u>Board Position</u>	<u>Year Joined</u>
Jerome Naleski	President	2018
Megan Proctor Neff	Member	2021
Kim Shaw	Member	2023
Beth Hickey	Member	2023
Julie Sokol	Member	2024
Roy DuPrez	Member	2024
Michael Marzico	Member	2024

The Board intends to appoint two replacement Board members for outgoing individuals in May 2025.

The following is a summary of information about the Members of the Board:

***Jerome Naleski, President.*** Mr. Naleski has served on the Board since 2018 and as President of the Board since 2019. Mr. Naleski is a realtor with Best Flagstaff Home Realty, and prior to that has his real estate license with Flaghomes Real Estate, in which capacity he represented the Borrower in the preparation and negotiation of the original purchase contract for the Middle School Site, which was later assigned to CSDC. See "THE FACILITIES AND THE SERIES 2025 PROJECT – Acquisition of the New Middle School Campus" above. Mr. Naleski earned a Bachelor's degree in Marketing from Northern Arizona University.

**Megan Proctor Neff, Member.** Ms. Proctor Neff has served on the Board since 2021. Ms. Proctor Neff is a Director of Admission and Enrollment Services at Northern Arizona University. Ms. Neff earned a Bachelor's degree in Elementary Education, a Master's degree and an Educational Doctorate from Northern Arizona University.

**Kim Shaw, Member.** Ms. Shaw has served on the Board since 2023. Ms. Shaw is a Community Program Coordinator at Northern Arizona University. Ms. Shaw earned a Bachelor of Science degree in Environmental Sciences with Biology emphasis and a Masters of Education degree from Northern Arizona University.

**Beth Hickey, Member.** Ms. Hickey has served on the Board since 2023. Ms. Hickey is a Director of Donations at the Center for Biological Diversity. Ms. Hickey earned a Bachelor's degree in Anthropology and a Master's degree from Northern Arizona University.

**Julie Sokol, Member.** Ms. Sokol has served on the Board since 2024. Ms. Sokol is an Events Director for ARTx. Ms. Sokol earned a Bachelor's degree in Hotel and Restaurant Management from University of Houston.

**Roy DuPrez, Member.** Mr. DuPrez has served on the Board since 2024. Mr. DuPrez is a real estate investor and founder of RJD Land Investment & Property Management LLC. Mr. DuPrez earned a Bachelor's degrees in Secondary Education and Spanish from Northern Arizona University.

**Michel Marzico, Member.** Mr. Marzico has served on the Board since 2024. Mr. Marzico is a journalist and editor for KJZZ News. Mr. Marzico earned a Bachelor's degree in English Literature from San Diego State University.

## **Administration**

Key administrators of the School include the following individuals:

**Dr. Carissa Morrison, Executive Director.** Dr. Morrison holds a doctorate in education leadership and innovation from Arizona State University, a Master's of Art in English – with a secondary education emphasis from Northern Arizona University, and a Bachelor of Arts in English from Temple University. Prior to joining the Borrower in 2021, Dr. Morrison was principal at Williams Elementary-Middle School in Williams, Arizona. During her time there, she improved the school's State letter grade from a "D" to a "B" rating and improved students' academic proficiency rates to rank in the top 27% of Arizona schools with 60% or more of its students on free and reduced lunch. She also created strong community partnerships and secured a wide variety of grants to expand programs and opportunities for the school. Dr. Morrison's instructional classroom experience includes teaching high school English, serving as a departmental chair, teaching English 105 and 205 at Northern Arizona University, and working with adult English learners. Dr. Morrison's research experience has primarily focused on dialogic discussion in the classroom, academic identity, and increasing post-secondary access. Dr. Morrison has received multiple awards for her teaching and administrative work at both the local, state, and national level. Dr. Morrison believes in the School's mission to educate the whole child through academics, experiential excellence, and community, having her own child attend the School for the past three years. Finally, Dr. Morrison is committed to helping the School reach its fullest potential at the new Middle School Campus. Dr. Morrison has one child currently enrolled in the Preschool for the 2024-2025 school year.

**Kristin Patterson, Assistant Director.** Ms. Patterson played collegiate soccer and graduated with a Bachelor of Science in Human Development from University of California – Davis and has a Master's in Elementary Education from Northern Arizona University. Prior to serving as the Assistant Director at the School, Ms. Patterson completed her student teaching, worked as a teacher's aide and taught 3<sup>rd</sup> and 4<sup>th</sup> grade for ten years at the School. During her teaching tenure, Ms. Patterson also worked as a wildland firefighter. As an educator, Ms. Patterson is passionate about recognizing students' individual strengths and values, creating a learning environment that challenges students to think critically. Her goal is to foster a love of learning and encourage students to exceed their own expectations. Ms. Patterson was recognized as the Coconino County Teacher of the Year in 2020. As the Assistant Director, Ms. Patterson feels privileged to serve the school that has been her professional home her entire career. Ms. Patterson cares deeply for the students, staff, and families that are part of the School community. Ms. Patterson has one child currently enrolled in the Preschool for the 2024-2025 school year.

**Cassie Wilson, Business Manager.** Ms. Wilson holds a Bachelor's degree in Sports and Health Sciences from American Public University and has earned several certifications in health and wellness-related fields,

showcasing her commitment to professional development. Ms. Wilson has been with the Borrower since 2017 and has served as the business manager since 2022, in which role she has demonstrated strong capabilities in financial oversight, budgeting, and strategic planning. Prior to her role with the Borrower, Ms. Wilson worked as a banker at National Bank of Arizona, where she gained valuable experience in managing client accounts, assessing financial risk, and providing tailored financial solutions. In addition to her career with the Borrower, Ms. Wilson owned and operated a yoga and wellness studio, where she further developed her entrepreneurial skills, including business operations, marketing, and customer relationship management. This hands-on experience in running a small business provided Ms. Wilson with a well-rounded understanding of the challenges and opportunities in managing financials in both the corporate and small business environments. Ms. Wilson's diverse background in finance, business management, and entrepreneurship makes her a valuable asset to the Borrower and enhances her ability to make sound financial decisions and contribute to the growth and sustainability of the organization.

**Melissa Speer, Special Education Director.** Ms. Speer earned a Bachelor's degrees in Elementary Education and Special Education, both from Northern Arizona University. Prior to joining the Borrower in early 2025, Ms. Speer spent 12 years at The PEAK School, a public charter, where she held several key roles, including Special Education Director, Assistant Director, RtI Coordinator, and EL Coordinator. Prior to joining the Borrower, Mrs. Speer also served as a Special Education teacher for two years with the FUSD). Throughout her career, Ms. Speer has demonstrated a commitment to supporting students with diverse learning needs and fostering inclusive educational environments. Ms. Speer has one child currently enrolled in the Preschool for the 2024-2025 school year.

## Faculty

For the 2024-2025 school year, the Borrower employs 13 certified teachers, 11 non-certified teachers, 10 paraprofessionals, four administrators, and three support staff. Of those employees of the Borrower, one certified teacher and two paraprofessionals staff the Preschool (see "STATE AID PAYMENTS AND OTHER REVENUES – Children's House Reimbursement" below). Among the teachers employed by the Borrower, all hold bachelor's degrees and 12 hold master's degrees. Approximately 50% of the Borrower's teaching professionals have more than ten years' of teaching experience, and approximately 75% have three or more years of experience. The following tables provide a summary of the Borrower faculty breakdown for the last two school years and the current school year as of February 2025, along with teaching experience for the current school year as of February 2025.

### Faculty

	<b>2022- 2023</b>	<b>2023- 2024</b>	<b>2024- 2025</b>
Certified Teachers	14	12	13
Other Teaching Professionals	9	11	11
Administrators	2	3	4
Paraprofessionals	10	9	10
Other Support Staff	2	3	3
<b>Total Employees</b>	<b>37</b>	<b>38</b>	<b>39</b>
Ratio of Students to Teachers	13	14	14.5
Ratio of Students to Teachers & Support Staff	9	10	9.5
Ratio of Students to All Staff	8	9	8.5

Source: AZ School Report Card and Borrower internal records.

### Teaching Experience

	<b>2024-2025</b>
Less than 3 Years' Experience	6
3-10 Years' Experience	6
More than 10 Years' Experience	12

Source: Borrower internal records.

As of February 2025, the Borrower is fully staffed with no open positions. For the 2025-2026 school year, the Borrower intends to add one additional office staff employee and one additional teacher on special assignment to focus on the relocation to the new Middle School Campus, chronic absenteeism and student support

The Borrower will continue to recruit staff as needed for open positions by advertising on local education job boards, partnering with local post-secondary teacher training programs, participating in job fairs, networking with colleagues in the field of education and creating career pathways for its existing certified and non-certified instructional staff.

The Borrower offers competitive salary and benefit packages and historically has been successful in recruiting and retaining qualified staff. See also “ENROLLMENT AND DEMOGRAPHICS – Marketing and Recruitment” in this Appendix A. For the budget year 2025, the average salary of all teachers at the School is \$53,785. The School’s average teacher salary is in the middle range of the local charter schools’ teacher salaries, which range from approximately \$45,000 to \$64,000. The following table provides a comparison of the School’s average teacher salary for Fiscal Year 2025, compared to four other schools in the City.

**FY25 Salary Schedule Comparison**

	<b>Average Teacher Salary</b>
School A	\$47,006
School B	44,370
FJA (the School)	53,785
School C	56,603
School D	53,486

The pay scale on the following page shows the School’s new hire starting salary guide for the upcoming 2025-2026 school year.

*[The remainder of this page is intentionally left blank.]*

<b>Flagstaff Junior Academy</b> <b>July 1, 2025 to June 30, 2026</b> <b>New Hire Starting Salary Guide</b>			
<b>Experience/Calculation Placement Guidelines</b>	<b>Years of Full Time Experience</b>	<b>Current Schedule Bachelors</b>	<b>Current Schedule ADE Certified</b>
Flagstaff Junior Academy recognizes experience for teaching in any U.S. public school, U.S. Military, U.S. public charter. Charter schools must be public funded and open to the public to qualify. Only full time and full years of experience qualify; part-time or temporary work will not qualify for experience credit. Partial years of experience cannot be combined to equal a full year of experience. Experience will be verified with the institution at time of hire.	0	\$ 40,500.00	\$ 44,000.00
	1	\$ 40,900.00	\$ 44,400.00
	2	\$ 41,300.00	\$ 44,800.00
	3	\$ 41,700.00	\$ 45,200.00
	4	\$ 42,100.00	\$ 45,600.00
Cap is 10 full years of teaching experience @ \$400 per year, Max \$4,000	5	\$ 42,500.00	\$ 46,000.00
	6	\$ 42,900.00	\$ 46,400.00
Executive Director and HR Representative are granted discretion by the Governing Board to award Hard to Fill positions an increase in base pay ranging from \$1,000-\$3,000	7	\$ 43,300.00	\$ 46,800.00
	8	\$ 43,700.00	\$ 47,200.00
	9	\$ 44,100.00	\$ 47,600.00
	10	\$ 44,500.00	\$ 48,000.00
Base Pay		\$40,500	\$44,000
Years of fulltime experience: _____ x \$400 per year (cap is 10 years)	+		
Master's or Doctorate degree: (Yes = \$900)	+		
MA in Content Area/Applicable Field (add'l credits over 30) (Yes = \$500)	+		
Teaching Endorsement: Non Required Endorsement - Must be approved (Yes = \$300)	+		
Hard to Fill Position Starting Salary:	=		
This is a placement guide for determining first year pay. The above amounts do NOT include state-granted Proposition 301 monies that may become available. These monies are in addition to the base salaries above. The disbursement of Prop. 301 monies are determined annually in a board-approved non- competitive plan. All teachers are eligible to receive Prop. 301 monies. The average Prop 301 teacher payout for School Year 2023-2024 was \$3,215.09. FJA also offers ample opportunities to earn stipends and afterschool pay for duties such as committee participation, club sponsor/athletic coaching, tutoring, etc.			

All of School and Preschool teachers are at-will employees of the Borrower. To the Borrower's knowledge, there have been no efforts to date by the teachers to organize into a union.

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## Teacher Retention

The table below shows the teacher retention figures for the 2022-2023 through 2024-2025 school years, or the percentage of teachers employed by the Borrower in September as compared to those who were employed in June of the prior school year.

### Teacher Retention Data

	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
Number of Teachers Retained From Prior School Year	19 of 22 <sup>(1)</sup>	19 of 23 <sup>(2)</sup>	18 of 23 <sup>(3)</sup>

<sup>(1)</sup> Two relocated out of the area and one retired.

<sup>(2)</sup> One received an internal promotion to a non-teaching role, one relocated out of the area, and two moved to positions outside of the School.

<sup>(3)</sup> One left the profession, three relocated out of the area, and one contract was not renewed.

Source: The Borrower.

In addition to strong teacher retention rates, the long tenure of many of the Borrower's teachers reflect the Borrower's commitment to professional development and job satisfaction, which lends to a supportive and consistent learning environment for its students. Approximately 58% of the teachers employed by the Borrower for the 2024-2025 school year have been with the Borrower for at least five years and approximately 42% have been with the Borrower for ten or more years. The following chart demonstrates the longevity of the teacher retention at the School as of the 2024-2025 school year:

### Teacher Tenure

Years at the School	<u>2024-2025</u>
Less than 5 years	10
At least 5 Years	2
5-10 Years	3
10-15 Years	3
15-20 Years	2
20+ Years	4

Source: The Borrower.

## Parent and Community Involvement

The Borrower encourages collaboration between teachers and parents. Parents can become involved in the School community by: reading school newsletters and emails; volunteering in the classroom and/or for field trips; attending school functions such as the Back to School BBQ, Parent Information Nights, and Parent-Teacher Conferences; attending monthly Board meetings; keeping open lines of communication with teachers and staff; and answering the Parent Survey that is dispersed once a year.

Another way that the Borrower encourages parent involvement is through its affiliated Flagstaff Junior Academy Parent Teacher Group (the "Parent Teacher Group"). The Parent Teacher Group is an Arizona nonprofit that represents an effective partnership between school, home and community. Parent Teacher Group volunteers, programs and funds support the School and Preschool staff and families, enhance the curriculum and enable advocacy for issues that impact the students and the community. The Parent Teacher Group organizes events such as: Parents' Nights Out, Bike To School Days, Family Movie Nights, Teacher Appreciation Week and Teacher Wish Lists.

The Borrower strives to have a community of learners and teach about community on a daily basis. Both campuses have regular school wide community meetings where students have the opportunity to share and learn about the community and take part in learning within the community. Students participate in community service projects to build a broader sense of community and responsibility

As part of teaching about community, the Board approved a student-initiated school-wide Climate Change Resolution and directed school administration to develop a Climate Change Committee to identify areas where the School can not only teach students about the science of climate change, but also identify ways which the Borrower can reduce its carbon footprint and impact on the local and global community.

The Borrower conducted a family survey in December 2024 (the “2024 Family Survey”), to which a total of 137 families responded, representing approximately 50% of the School and Preschool students (taking into account that many families have multiple children attending the School and/or Preschool). According to the 2024 Family Survey, the Borrower’s efforts to include families and foster a true sense of community are yielding positive results. The following 2024 Family Survey items all had favorable responses with 92% to 95% of survey respondents agreeing: “I feel welcomed at the school,” “My involvement in my child’s education is valued by the school,” “Opportunities for family participation are provided on a regular basis,” and “Teachers and staff treat families with respect.”

## ENROLLMENT AND DEMOGRAPHICS

### Historical and Current Enrollment

The following table sets forth the historical, current and projected enrollment by grade level for the School. The information below follows school years (September-June), and the numbers represent actual head counts based on state-reported data. See “Preschool Enrollment” for historical and current enrollment for the Children’s House Preschool program.

School Historical and Current Enrollment						
Grade	2019-2020 <sup>(1)</sup>	2020-2021 <sup>(1)</sup>	2021-2022 <sup>(1)</sup>	2022-2023 <sup>(1)</sup>	2023-2024 <sup>(1)</sup>	2024-2025 <sup>(3)</sup>
K	23	22	10	11	9	16
1 <sup>st</sup>	25	28	21	28	22	19
2 <sup>nd</sup>	24	25	28	24	28	25
3 <sup>rd</sup>	30	23	23	31	29	20
4 <sup>th</sup>	29	33	27	27	36	29
5 <sup>th</sup>	33	42	42	34	40	31
6 <sup>th</sup>	40	43	42	49	67	80
7 <sup>th</sup>	45	43	44	52	55	71
8 <sup>th</sup>	42	42	42	47	50	61
<b>School Total</b>	<b>291</b>	<b>301</b>	<b>279</b>	<b>303</b>	<b>336</b>	<b>352</b>

<sup>(1)</sup> Historical enrollment data provided by the Arizona Department of Education as average daily membership (“ADM”).

<sup>(3)</sup> Current enrollment as of February 25, 2025.

Source: The Borrower (data from May of each year except as noted).

Due to a lack of similarly Montessori focused experiential middle schools in the City, the School sees a unique enrollment jump from grades 4 and 5 to grade 6 and 7. See also “SERVICE AREA” and “COMPETING SCHOOLS” in this Appendix A for more information on where the School’s students are coming from. The unique enrollment jump from grades 4 and 5 to grades 6 and 7 reflect City resident families’ desire to have their children enroll in smaller middle schools that offer more personalized experiences. While the School promotes the majority of its own fifth graders to its sixth grade cohort, the remaining sixth graders feed into the School from both other charter and FUSD elementary schools. The School’s incoming sixth graders come mainly from the following schools: Mountain School, Eva Marshall Elementary School, Sechrist Elementary School, De Miguel Elementary, and Montessori School of Flagstaff.

## Future Enrollment Projections

The following table shows the Borrower's future enrollment projections for the School. The Borrower's enrollment plans include expansion to 422 students in grades K-8 for the 2029-2030 school year. See "Preschool Enrollment" below for future enrollment projections for the Children's House Preschool program.

**School Future Enrollment Projections\***

<b>Grade</b>	<b>2025-2026</b>	<b>2026-2027</b>	<b>2027-2028</b>	<b>2028-2029</b>	<b>2029-2030<sup>4</sup></b>
K	24	24	24	24	24
1	24	24	24	24	24
2	24	24	24	24	24
3	25	25	25	25	25
4	25	25	25	25	25
5	25	25	25	25	25
<b>K - 5 Total<sup>1</sup></b>	<b>147</b>	<b>147</b>	<b>147</b>	<b>147</b>	<b>147</b>
6	70	80	85	88	90
7	85	80	88	88	90
8	70	85	90	92	95
<b>6-8 Total<sup>2</sup></b>	<b>225</b>	<b>245</b>	<b>263</b>	<b>268</b>	<b>275</b>
<b>K - 8 Total<sup>3</sup></b>	<b>372</b>	<b>392</b>	<b>410</b>	<b>415</b>	<b>422</b>

\* Enrollment is approximate.

<sup>1</sup> Students in K-5 will be served at the Elementary School Campus, along with Pre-K students served by the Children's House Preschool program. See "Preschool Future Enrollment Projections" below.

<sup>2</sup> Students in grades 6-8 will be served at the Middle School Campus

<sup>3</sup> Total projected enrollment numbers in the above table are slightly higher than those shown in the Borrower's Financial Projections set forth in Appendix J of this Limited Offering Memorandum, as the above projections are based on class capacity and student cohort levels, and the Financial Projections are slightly more conservative for budgeting purposes.

<sup>4</sup> The Borrower's management projects that a total of 440 students (422 School students and 18 Preschool students) will be served from the Facilities by the 2029-2030 school year. See also "Preschool Enrollment – Preschool Future Enrollment Projections" below.

Source: Borrower's Management.

The enrollment application window for the School's 2025-2026 school year opened on January 1, 2025, See "Enrollment" below more details on the enrollment process and status of enrollment for the 2025-2026 school year.

See "BONDHOLDERS' RISKS – Reliance on Financial Projections", "Economic and Other Factors", and "Competition for Students; School Choice Initiatives" in the forepart of this Limited Offering Memorandum.

## Enrollment

Subject to the Borrower's enrollment policies and physical capacity limits at the Facilities, the School is, or will be, open to all students within the State. The Borrower enrolls an eligible pupil who submits a timely application. The School admits students in accordance with Arizona law, which provides that schools must give enrollment preference to pupils who are returning to the School in the second or any subsequent year of its operation and to siblings of pupils who are already enrolled in the School. The School may give enrollment preference to and reserve capacity for pupils who are children, grandchildren and legal wards of employees of the Borrower or directors, officers, partners or board members of the Borrower. The School cannot limit admission based on ethnicity, national origin, gender, income level, disabling condition, proficiency in the English language or athletic ability. If remaining capacity is insufficient to enroll all pupils who submit a timely application, the School shall select pupils through an equitable selection process such as a lottery except that preference shall be given to siblings of a pupil who is selected through an equitable selection process such as a lottery.

The enrollment application window for the School’s 2025-2026 school year opened on January 1, 2025, and as of February 9, 2025 received 194 applications. All potential students were entered into a lottery for placement at the School. The first -round lottery took place in early February. Placement is offered on a continuing basis until all open spots have been filled. As of March 25, 2025, confirmed enrollment numbers, coupled with outstanding offers, demonstrate that the School will meet its projected enrollment of 372 students for the upcoming school year. See “2025-2026 Enrollment” table below.

#### 2025-2026 Enrollment

Grade Level	Confirmed Headcount	Outstanding Offers	Total Offers
KG	18	2	20
1	32	0	32
2	21	0	21
3	25	1	26
4	24	1	25
5	28	2	30
6	61	10	71
7	84	1	85
8	71	4	75
<b>Enrollment</b>	<b>364</b>	<b>21</b>	<b>385</b>

Remaining applicants that have not been offered a spot for the 2025-2026 school year, will be placed on a waitlist. See “Waitlist” below and “Future Enrollment Projections” above.

Please see “Preschool Enrollment” below, for a description of the Children’s House application and enrollment process for the Preschool.

#### Waitlist

The Borrower requires families wishing to be on the waitlist to reapply each year. This practice ensures that the waitlist reflects families who are active and currently interested in attending the School and also complies with Arizona law related to charter school waitlists. When a waitlisted student is offered a space, the Borrower has a 48-hour policy for students to accept or reject enrollment, after which time the student is either enrolled or removed from the waitlist. The following table shows the School’s current waitlists for the 2024-2025 school year. Due to personnel and record keeping changes, the Borrower does not have prior year waitlist data. See “Preschool Enrollment” below for current waitlist date for the Children’s House Preschool.

#### School Waitlist by Grade Level

Grades	2024-2025 <sup>(1)</sup>
K	20
1 <sup>st</sup>	3
2 <sup>nd</sup>	5
3 <sup>rd</sup>	3
4 <sup>th</sup>	2
5 <sup>th</sup>	10
6 <sup>th</sup>	18
7 <sup>th</sup>	1
8 <sup>th</sup>	9
<b>Totals</b>	<b>71</b>

<sup>(1)</sup>As of February 25, 2025

Source: Borrower’s internal records

## Student Demographics

It is the Borrower's policy to provide equal educational opportunity for all students, and the School's demographics are reflective of the demographics of the surrounding communities. The Borrower does not discriminate on the basis of race, color, creed, religion, national origin, sex, marital status, parental status, status with regard to public assistance, disability, sexual orientation or age.

The following table shows the School's demographics for the 2024-2025 school year (the most current available).

Student Demographics			
White	70.0%	English Learner	4.2%
Hispanic	18.5	Special Education	18.8
Multiple Races	3.5	Free and Reduced Lunch	17.3
Native American	8	Homeless	<1

Source: Borrower internal records.

## Student Attendance and Attrition

Attendance is tracked using the Borrower's SIS (Student Information System). Teachers enter in attendance following procedures compliant with state requirements. Teacher attendance is entered in twice daily (AM/PM) by elementary teachers and at the beginning of every class period by middle school teachers. The Office Manager ensures office staff are entering in student sign in/sign outs for early departures, and appointments, as they occur and this data is synced with Arizona Department of Education nightly. Reports are provided to the Executive and Assistant Director on a periodic basis and analyzed for trends. The Borrower plans to employ a special assignment teacher for the 2025-2026 school year, whose duties will include (amongst other things) mitigation of chronic absenteeism. See "GOVERNANCE; ADMINISTRATION; AND FACULTY – Faculty" above.

The table below illustrates the number of students enrolled on October 1 who remained enrolled at the School the entire school year, for the past five school years.

Students Enrolled All School Year			
School Year	Total enrolled on first day of school	Of those enrolled on first day of school, total that withdrew on or after October 1	Percent of students enrolled all school year
2019-2020	289	14	92%
2020-2021	303	16	93
2021-2022	294	18	89
2022-2023	311	18	94
2023-2024	340	18	93

Source: Borrower internal records.

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The table below shows the percent of students enrolled at the end of each of the last five school years (2019-2020 through 2023-2024) that returned to the School for the following school year (2020-2021 through 2024-2025).

#### **Students Returning from Prior School Year**

	<u>Percent retained</u>
2020 from end of 2019 school year	72%
2021 from end of 2020 school year	87
2022 from end of 2021 school year	94
2023 from end of 2022 school year	84
2024 from end of 2023 school year	89

*Source: Borrower internal records*

#### **Marketing and Recruitment**

While the School's administration has found the School's most effective marketing tool to be positive word of mouth, the Borrower has developed a robust marketing plan to boost the reach and reputation of the School and the Preschool in the School's service area (see "SERVICE AREA" below). The marketing plan includes live feed on the Borrower's website, regular advertisements on the local National Public Radio station (KNAU), print and targeted digital advertisements in the Arizona Daily Sun newspaper, social media usage, direct mail campaigns, open house marketing, and community banners.

In addition, the Preschool program provided by the Children's House acts as a natural feeder and marketing opportunity for the School. See "Preschool Program" above and "Preschool Enrollment" below.

The marketing efforts outlined above are designed to increase awareness and brand recognition of the School and the Preschool within the community, which will support both student and staff recruitment. See "GOVERNANCE; ADMINISTRATION; AND FACULTY – Administration" above for a discussion of the School's current administration and faculty.

#### **Preschool Enrollment**

The Children's House Preschool application process is held in conjunction with the School's lottery process. Interested families must apply online, using the application form found on the School's website. All potential Preschool students are entered into a lottery for placement in the upcoming school year. Preschool students must be 3 years old to enroll in the Children's House and must be completely independent with toilet use. Once chosen for placement, enrollment paperwork must be completed and submitted, the Children's house requires the same documentation for preschool placement as the Borrower requires for placement in the School (see "Enrollment" above). Families must also complete a preschool agreement that outlines the Preschool's tuition fee schedule. See "CURRICULUM AND EXTRACURRICULAR ACTIVITIES – Preschool Program" and "STATE AID PAYMENTS AND OTHER Revenues – Children's House Reimbursement" in this Appendix A for more information on the Preschool program, tuition and fees.

*[The remainder of this page is intentionally left blank.]*

The following table sets forth the historical, current and projected enrollment for the Preschool. The information below follows school years (September-June), and the numbers represent actual head counts based on state-reported data. See “Historical and Current Enrollment” above for historical and current enrollment for the School.

**Preschool Historical and Current Enrollment**

<b>Grade</b>	<b>2019- 2020<sup>(1)</sup></b>	<b>2020- 2021<sup>(1)</sup></b>	<b>2021- 2022<sup>(1)</sup></b>	<b>2022- 2023<sup>(1)</sup></b>	<b>2023- 2024<sup>(1)</sup></b>	<b>2024- 2025<sup>(2)</sup></b>
Pre-K	19	14	19	20	20	16

<sup>(1)</sup> Historical enrollment data provided by the Arizona Department of Education as average daily membership (“ADM”).

<sup>(2)</sup> Current enrollment as of February 25, 2025. The School intentionally admitted a few more kindergarten students than pre-kindergarten students this year, leaving more pre-kinder students on the waitlist.

Source: The Borrower (data from May of each year except as noted).

The following table shows the future enrollment projections for students in Pre-K to be served by the Children’s House at the Elementary School Campus. See “Future Enrollment Projections” above for the Borrower’s future enrollment projections for the School.

**Preschool Future Enrollment Projections\***

<b>Grade</b>	<b>2025- 2026</b>	<b>2026- 2027</b>	<b>2027- 2028</b>	<b>2028- 2029</b>	<b>2029- 2030</b>
Pre-K	20	20	20	20	20

\* Enrollment is approximate.

The following table shows the Preschool’s current waitlists for the 2024-2025 school years. See “Waitlist” above for the School’s current waitlist.

**Preschool Waitlist by Grade Level**

<b>Grades</b>	<b>2024- 2025<sup>(1)</sup></b>
Pre-K	8

<sup>(1)</sup>As of February 25, 2025

Source: Borrower’s internal records

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## SERVICE AREA

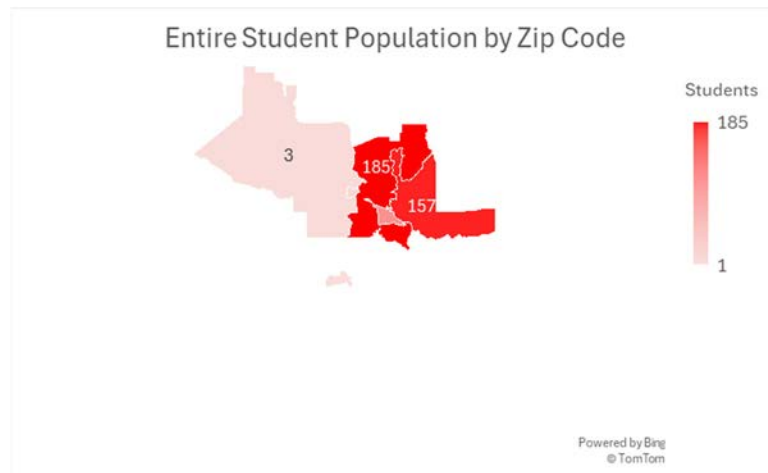
The Elementary School Campus is located at 306 West Cedar in the City, the Leased Middle School Campus is located at 506 South Beaver in the City, and beginning in the 2025-2026 school year, the new Middle School Campus will be located at 1800 N. Gemini Drive in the City.

The City is situated in a mountainous region at an elevation of 7,000 feet at the base of the San Francisco Peaks, including Mount Humphreys. The City is known for its proximity to such Arizona attractions as the Grand Canyon, Wupatki National Monument, Sunset Crater, Walnut Canyon, Oak Creek Canyon and Meteor Crater. See “THE FACILITIES AND THE SERIES 2025 PROJECT – Growth and Demographics in the City of Flagstaff” in this Appendix A.

In addition to the City of Flagstaff, the School serves families in the greater metropolitan area of the City, including the cities Bellemont, Cottonwood, Williams, and Parks, Arizona. The table and heat map below show the various zip codes in which students served by the School during the 2024-2025 school year reside:

**2024-2025 Student Enrollment by Zip Code**

<u>Zip Code</u>	<u>Beaver Campus</u>	<u>Cedar Campus</u>	<u>Total Students</u>
86001	111	74	185
86002	2	1	3
86003	1	-	1
86004	66	91	157
86005	41	23	64
86015	10	4	14
86018	3	3	6
86046	1	2	3
86326	1	-	1



Source: The Borrower.

The Borrower does not provide transportation. All students are required to arrange for their own transportation to and from the Facilities and extracurricular activities.



## COMPETING SCHOOLS

Based on its current enrollment, the Borrower believes the primary geographical market for its educational services is the boundaries of FUSD. FUSD is home to many traditional district public schools as well as other charter, private, and parochial schools. The following chart shows the existing public schools near the School's existing Elementary School Campus and future Middle School Campus that are a source of competition, including other Montessori schools. See "BONDHOLDERS' RISKS – Competition for Students; School Choice Initiatives" in this Limited Offering Memorandum.

### Competing Elementary Schools of the Elementary School Campus

School Name	Grades Served	Enrollment*	School District	Distance (miles) from the Elementary School Campus
Haven Montessori Charter School	K-6	81	Charter School	2.0
Mountain School	K-5	168	Charter School	4.8
Montessori Charter School of Flagstaff	K-8	181	Charter School	1.4
Sechrist Elementary School	PK-5	429	FUSD	1.4
Pine Forest School	K-8	224	Charter	2.4
Eva Marshall Elementary School	PK-5	384	FUSD	1.0
Flagstaff Christian School	K-9	Unavailable	Private	2.7

\* Enrollment for 2023-2024 School Year.

Source: The Borrower and the National Center for Education Statistics.

### Competing Schools of the Middle School Campus

School Name	Grades Served	Enrollment*	School District	Distance (miles) from the Middle School Campus
Montessori Charter School of Flagstaff	K-8	181	Charter School	1.6
Basis Flagstaff <sup>1</sup>	K-12	695	Charter School	0.3
Pine Forest School	K-8	224	Charter School	1.8
Flagstaff Christian School	K-9	unavailable	Private	2.1
Flagstaff Arts and Leadership Academy	6-12	200	Charter School	4.2
Northland Preparatory Academy	6-12	645	Charter School	3.5

\* Enrollment for the 2023-2024 School Year.

Source: The Borrower and the National Center for Education Statistics

<sup>1</sup> While the Borrower does not consider BASIS Flagstaff as an enrollment competitor based on teaching method and learning environment, BASIS Flagstaff is located immediately adjacent to the new Middle School Site and has included the school in the table above by virtue of geographic location.

## SCHOOL ACCOUNTABILITY; STANDARDIZED TEST SCORES AND ANNUAL MEASURABLE OBJECTIVES

### Federal Accountability

In the past, states assessed whether the state's public schools had met Adequate Yearly Progress ("AYP") measurements mandated by the federal government but developed by the state. However, during July 2012, the Obama administration announced that it would waive certain provisions of the federal No Child Left Behind Act of 2001 (the "NCLB") for the State. As part of the waiver, the State stopped calculating AYP and was permitted to substitute its own accountability system in place of AYP. The State secured a waiver that extended through the 2015-2016 school year, and in December 2015, former President Obama signed into law the Every Student Succeeds Act of 2015 (the "ESSA"), largely replacing the NCLB.

The ESSA grants states more flexibility to comply with federal mandates, eliminating the needs for continuing federal waivers, and specifically allowing states to develop, implement and time student assessments. The

ESSA also allows each state to develop its own educational standards which may or may not include adoption of the federal Common Core standards. Accountability criteria are now developed by states within broadly defined federal criteria. Under the NCLB the remedies for failing schools were specific and difficult. Under the ESSA, failing schools must be corrected, but the remedies are left to the states and are broadly defined. In summary, the ESSA has largely replaced the NCLB, granting states more local control of education and allowing the states to determine accountability and compliance. The State started implementing the current accountability measures during the 2017-2018 school year.

To address accountability, Arizona set annual measurable objectives (“AMO”) for each grade and subject evaluated. The AMOs describe yearly growth in fractions of students passing the Academic Standards Assessment (“AASA”), previously AzM2 and AzMERIT (see under the heading “AASA” below for additional history), and the Arizona Science Test (“AzSCT”). The AASA is Arizona’s statewide achievement test administered to students in grades 3 through 8, focusing on English Language Arts (“ELA”) and Mathematics. The AzSCT is Arizona’s statewide science achievement test administered to students in grade 5, 8 and 11. In Arizona, compliance with NCLB/ESSA mandates are currently achieved through AASA.

During the period that the State was calculating AYP, the School consistently met AYP. Upon Arizona shifting to AMO accountability, the School consistently met, and continues to meet, AMO. The Borrower is closely following Arizona’s evaluation of the ESSA and will adapt to the appropriate accountability standards as each state adopts new standards.

### **State Accountability**

Arizona Revised Statutes Section 15-241 (the “School Accountability Statute”) prescribes that school performance be evaluated and publicly reported based upon certain data sets and assigns schools with a letter grade as follows: (i) a letter grade of “A” shall demonstrate an excellent level of performance; (ii) a letter grade of “B” shall demonstrate an above-average level of performance; (iii) a letter grade of “C” shall demonstrate an average level of performance; (iv) a letter grade of “D” shall demonstrate a below-average level of performance; and (v) a letter grade of “F” shall demonstrate a failing level of performance.

For the 2023-2024 school year (the most recent school years for which letter grades are available), the School earned a grade of “B” for the seventh school year in row (since the 2017-2018 School Year). While knowing that test scores and school letter grades are only one measure of student success, the school is glad to have maintained its “B” letter grade through and post the COVID-19 pandemic. Further, the School is actively working to attain an “A” school letter grade. Some specific steps the School has taken toward this end include:

- Adjustments to the middle school master schedule to accommodate an additional hour of math reteach weekly
- The purchase of a new middle school math program, “Maneuvering the Middle”
- Adjustments to the elementary school master schedule to accommodate math “blocks” where students switch classes and are taught with like-ability and/or grade level peers to promote better mastery of grade-level math standards
- The adoption of a new evidence-based, state-approved literacy screener
- The use of Arizona Community Foundation grant dollars to purchase and train staff on a kindergarten through 5<sup>th</sup> grade phonics program
- Adjustments to middle school master schedule to accommodate an additional hour of writing instruction weekly.

The Arizona Department of Education is requiring all K-5 teachers to complete 90 hours of training in the science of reading to complete their literacy endorsement by August 2028. Many of the Borrower’s teachers and administrators have already completed training, or are in the process of completing training, that satisfies this requirement. Last year, the Borrower’s administrators and teachers determined the need for a Literacy Leadership Team to systematically address the strengths and areas for growth of the School’s elementary school literacy practices. The School’s Literacy Leadership Team started in January of 2024 and has already adopted a new phonics curriculum

(95 percent phonics) that teachers trained on in summer of 2024 and is implemented daily in all classrooms as of the current year 2024-2025 school year. The School's adoption of 95 percent phonics allows the School to fill a gap in instruction that was identified by the School's Literacy Leadership Team. The School has made other changes to address literacy needs prior to 2024 specifically with the implementation of a research-based literacy screener, Acadience, that is implemented three times a year to all K-3 students. The Acadience screener is administered by School teachers who have participated in training, and the benchmark results are reported and analyzed during the school year to better identify struggling readers early with a goal of providing immediate interventions and supports.

## **AASA and AzSCI**

As a part of the ongoing transition to the ESSA and new accountability measures, the State adopted a computer-based achievement test named "Arizona's Measurement of Educational Readiness to Inform Teaching" or "AzMERIT" in November 2014, which replaced the prior Arizona's Instrument to Measure Standards ("AIMS"). The new standardized test was necessary because during 2010 the Arizona State Board of Education adopted new standards in English language arts ("ELA") and mathematics for all students in Arizona. These academic standards outline what students should know and be able to do at each grade level. The State's previous standardized test, AIMS, tested the old standards. In 2016, the State revised the standards again and began testing students on the updated standards in 2018. In the spring of 2019, the Arizona State Board of Education, with direction from the US Department of Education, made the following changes to AzMERIT and State testing: (i) extend AzMERIT in both elementary school and high school; (ii) AzMERIT in elementary school will be status quo with test question development and refinement; (iii) administer a summative AzMERIT in 10<sup>th</sup> grade; and (iv) eliminate end of course testing. As a part of the new State programming, the "AzMERIT" label was changed to "AZM2" for the 2019-2020 school year and again changed to its current name, AASA, beginning with the 2021-2022 school year.

Initially, after AASA (then AzMERIT) replaced AIMS in reading, writing and math, the State continued to administer the AIMS science assessment to students in grades 4, 8 and high school. As part of the State's efforts to align assessments with updated educational standards, AzSCI was introduced in spring of 2022 as the new statewide science assessment for students in grades 5, 8, and 11.

Based upon the new standards, AASA and AzSCI tells teachers, students and parents if students are on track to be college and career ready upon graduation from high school.

For each content area of AASA and AzSCI, students receive a scale score. Both ELA and mathematics content areas have their own range of scale scores that are vertically articulated to allow student performance to be compared across administrations. For each content area, student performance is also reported as one of four performance levels: Minimally Proficient, Partially Proficient, Proficient and Highly Proficient. Students who score in the Minimally Proficient or Partially Proficient levels are likely to need support to be ready for the next grade or course. Students who score in the Proficient or Highly Proficient levels are likely to be ready for the next grade or course.

*[The remainder of this page is intentionally left blank.]*

The following table summarizes AASA and AzSCI scores for the School, FUSD and the State.

**AASA and AzSCI Results  
(Percentage Passing)**

	<b>2023-2024 School Year</b>													
	<b>Grades Tested</b>													
<b>School/State</b>	<b>Math</b>							<b>ELA</b>						<b>Science</b>
	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>		<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>5</b> <b>8</b>
Flagstaff Junior Academy	<b>45</b>	<b>29</b>	<b>18</b>	<b>32</b>	<b>12</b>	<b>49</b>		<b>58</b>	<b>57</b>	<b>36</b>	<b>47</b>	<b>35</b>	<b>49</b>	<b>29</b> <b>48</b>
Flagstaff Unified School District	34	26	22	13	14	18		32	39	32	46	45	40	28   21
State of Arizona	43	36	33	30	30	27		39	46	38	43	41	35	34   28

Source: AZ School Report Card.

Overall, school wide English Language Arts performance has mostly recovered since the COVID-19 pandemic. School year 2023-2024 state test results reflect this recovery except for 7<sup>th</sup> grade ELA scores. The School's scores are lower than the rest of the middle school scores, largely due to testing irregularities that were unable to be appealed at the state level. Math performance post- COVID-19 pandemic has been slower to recover and test scores have had more fluctuation by grade level, exacerbated by small sample sizes magnifying the differences in each cohort's performance. However, in the 2023-2024 school year test administration, the School has seen a decrease in the percentage of students scoring minimally proficient—the lowest proficiency category—in various subjects/grade ranges. This is a positive trend that cannot be reflected in the above data.

**AASA Standardized Test Results**

The results below summarize the results of the School's students in ELA and Math over the past four years as compared to proficiency of the FUSD, the State, and certain schools within 25 miles of the applicable Elementary School Campus or Middle School Campus.

**English Language Arts (ELA) and Math Proficiency – 3rd Grade**

<b>School</b>	<b>2020- 2021</b>	<b>2021- 2022</b>	<b>2022- 2023</b>	<b>2023- 2024</b>
<b>English Language Arts</b>				
Flagstaff Junior Academy	48%	71%	63%	58%
Flagstaff Unified School District	29	36	32	32
Montessori Charter School of Flagstaff	36	57	50	52
BASIS Flagstaff	73	64	74	59
Pine Forest Education Association, Inc.	37	47	45	24
Maine Consolidated School District	31	50	28	30
State	35	41	41	39
<b>Math</b>				
Flagstaff Junior Academy	43%	55%	44%	45%
Flagstaff Unified School District	23	31	32	34
Montessori Charter School of Flagstaff	18	44	29	65
BASIS Flagstaff	45	48	54	68
Pine Forest Education Association, Inc.	N/A	30	N/A	40
Maine Consolidated School District	N/A	N/A	33	35
State	36	40	43	43

Source: AZ School Report Card.

### English Language Arts (ELA) and Math Proficiency – 4<sup>th</sup> Grade

School	2020- 2021	2021- 2022	2022- 2023	2023- 2024
<b>English Language Arts (ELA)</b>				
Flagstaff Junior Academy	38%	72%	51%	57%
Flagstaff Unified School District	37	45	39	39
Montessori Charter School of Flagstaff	N/A	38	47	52
BASIS Flagstaff	76	68	67	78
Pine Forest Education Association, Inc.	50	50	54	42
Maine Consolidated School District	69	36	50	17
State	45	44	45	46
<b>Math</b>				
Flagstaff Junior Academy	20%	56%	38%	30%
Flagstaff Unified School District	20	34	27	26
Montessori Charter School of Flagstaff	31	31	30	24
BASIS Flagstaff	72	57	45	55
Pine Forest Education Association, Inc.	12	50	28	21
Maine Consolidated School District	63	50	50	69
State	35	40	39	32

Source: AZ School Report Card.

### English Language Arts (ELA) and Math Proficiency – 5<sup>th</sup> Grade

School	2020- 2021	2021- 2022	2022- 2023	2023- 2024
<b>English Language Arts (ELA)</b>				
Flagstaff Junior Academy	64%	50%	53%	36%
Flagstaff Unified School District	43	36	37	32
Montessori Charter School of Flagstaff	56	64	53	60
BASIS Flagstaff	67	64	65	57
Pine Forest Education Association, Inc.	53	40	53	30
Maine Consolidated School District	N/A	N/A	40	53
State	46	39	37	38
<b>Math</b>				
Flagstaff Junior Academy	16%	21%	50%	N/A*
Flagstaff Unified School District	23	32	29	22%
Montessori Charter School of Flagstaff	N/A	41	30	18
BASIS Flagstaff	42	62	56	45
Pine Forest Education Association, Inc.	57	32	33	34
Maine Consolidated School District	N/A	N/A	33	82
State	32	37	36	33

\* Data not available. When showing achievement information may risk an individual student's anonymity, the Arizona Department of Education does not report any achievement results for that subgroup.

Source: AZ School Report Card.

**English Language Arts (ELA) and Math Proficiency – 6<sup>th</sup> Grade**

<b>School</b>	<b>2020- 2021</b>	<b>2021- 2022</b>	<b>2022- 2023</b>	<b>2023- 2024</b>
<b>English Language Arts (ELA)</b>				
Flagstaff Junior Academy	47%	55%	31%	47%
Flagstaff Unified School District	22	22	25	30
Montessori Charter School of Flagstaff	36	N/A	N/A	N/A
BASIS Flagstaff	64	67	61	77
Pine Forest Education Association, Inc.	42	45	48	44
Maine Consolidated School District	23	N/A	N/A	N/A
State	37	39	42	43
<b>Math</b>				
Flagstaff Junior Academy	18%	48%	10%	32%
Flagstaff Unified School District	15	14	14	13
Montessori Charter School of Flagstaff	N/A	N/A	N/A	N/A
BASIS Flagstaff	67	68	50	74
Pine Forest Education Association, Inc.	N/A	55	N/A	8
Maine Consolidated School District	23	N/A	N/A	25
State	36	31	31	30

*Source: AZ School Report Card.*

**English Language Arts (ELA) and Math Proficiency – 7<sup>th</sup> Grade**

<b>School</b>	<b>2020- 2021</b>	<b>2021- 2022</b>	<b>2022- 2023</b>	<b>2023- 2024</b>
<b>English Language Arts (ELA)</b>				
Flagstaff Junior Academy	47%	42%	54%	43%
Flagstaff Unified School District	24	30	27	25%
Montessori Charter School of Flagstaff	59	73	71	73
BASIS Flagstaff	79	90	86	79
Pine Forest Education Association, Inc.	47	61	72	39
Maine Consolidated School District	N/A	18	N/A	N/A
State	37	43	42	41
<b>Math</b>				
Flagstaff Junior Academy	32%	22%	40%	12%
Flagstaff Unified School District	16	15	16	14
Montessori Charter School of Flagstaff	42	N/A	28	42
BASIS Flagstaff	77	86	78	84
Pine Forest Education Association, Inc.	30	22	72	18
Maine Consolidated School District	N/A	N/A	N/A	N/A
State	30	28	30	30

*Source: AZ School Report Card.*

### English Language Arts (ELA) and Math Proficiency – 8<sup>th</sup> Grade

School	2020- 2021	2021- 2022	2022- 2023	2023- 2024
<b>English Language Arts (ELA)</b>				
Flagstaff Junior Academy	34%	40%	38%	49%
Flagstaff Unified School District	21	20	25	20
Montessori Charter School of Flagstaff	66	N/A	N/A	N/A
BASIS Flagstaff	71	79	83	85
Pine Forest Education Association, Inc.	33	N/A	45	47
Maine Consolidated School District	N/A	N/A	N/A	N/A
State	34	36	37	35
<b>Math</b>				
Flagstaff Junior Academy	19%	21%	17%	49%
Flagstaff Unified School District	10	15	17	18
Montessori Charter School of Flagstaff	N/A	N/A	N/A	N/A
BASIS Flagstaff	75	N/A	N/A	87
Pine Forest Education Association, Inc.	20	N/A	20	47
Maine Consolidated School District	N/A	N/A	N/A	N/A
State	26	N/A	27	27

Source: AZ School Report Card.

### AzSCI Standardized Test Results

The results below summarize the results of the School's students in Science over the past two years as compared to proficiency of the FUSD, the State, and certain schools within 25 miles of the applicable Elementary School Campus or Middle School Campus.

### Science Proficiency – 5<sup>th</sup> Grade

School	2022- 2023 <sup>(1)</sup>	2023- 2024
<b>Science</b>		
Flagstaff Junior Academy	39	26%
Flagstaff Unified School District	24	23
Montessori Charter School of Flagstaff	N/A*	31
BASIS Flagstaff	39	50
Pine Forest Education Association, Inc.	30	22
Maine Consolidated School District	N/A*	53
State <sup>(2)</sup>	22	22

<sup>(1)</sup> First full year of available data. AzSCI was first offered in spring 2022.

<sup>(2)</sup> Data shown for the State is for all grades tested (5, 8 and 11) statewide. Specific 5th grade data is not available.

\* Data not available. When showing achievement information may risk an individual student's anonymity, the Arizona Department of Education does not report any achievement results for that subgroup.

Source: AZ School Report Card.

### Science Proficiency – 8<sup>th</sup> Grade

School	2022-2023*	2023-2024
<b>Science</b>		
Flagstaff Junior Academy	21	33%
Flagstaff Unified School District	22	18
Montessori Charter School of Flagstaff	N/A*	48
BASIS Flagstaff	50	38
Pine Forest Education Association, Inc.	N/A*	N/A*
Maine Consolidated School District	N/A*	N/A*
State <sup>(2)</sup>	22	22

<sup>(1)</sup> First full year of available data. AzSCI was first offered in spring 2022.

<sup>(2)</sup> Data shown for the State is for all grades tested (5, 8 and 11) statewide. Specific 5th grade data is not available.

\* Data not available. When showing achievement information may risk an individual student's anonymity, the Arizona Department of Education does not report any achievement results for that subgroup.

Source: AZ School Report Card.

### Educational Growth Score

The following table shows the educational growth scores for the School compared to FUSD middle schools and elementary schools for the 2023-2024 school year. Traditional schools serving grades 4-8 or 11 are eligible for the Growth indicator of the A-F State Accountability model if they had enough qualifying data points. Growth is determined using student growth percentiles, a ranking from 1 to 99 that measures a student's academic progress on the statewide assessment in Math or English Language Arts compared to the performance of his/her academic peers. Academic peers are determined based on a student's previous scoring history.

School	Educational Growth Score
<b>Flagstaff Junior Academy</b>	<b>39.65%</b>
Charles W Sechrist Elementary School	34.6
Eva Marshall Elementary School	47.39
John Q Thomas Elementary School	33.18
Leupp Public School	50.00
Lura Kinsey Elementary School	43.59
Manuel DeMiguel Elementary School	49.31
Mount Elden Middle School	34.94
Sinagua Middle School	34.8
Sturgeon Cromer Elementary School	50.00
Thomas M Knoles Elementary School	39.78
W F Killip Elementary School	43.36
Weitzel's Puente de Hozho Bilingual Magnet School	42.62

Source: Arizona State Board of Education

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## STATE AID PAYMENTS AND OTHER REVENUES

### State Payments

The Borrower's principal source of revenue for the School is State Payments (as defined in APPENDIX E). As security for the Series 2025 Bonds, the Borrower has pledged the Pledged Revenues, including its State Payments. See APPENDIX D – "CHARTER SCHOOLS IN ARIZONA" in this Limited Offering Memorandum for a discussion of historical and projected levels of allocation per pupil and other related matters. For Fiscal Year ended June 30, 2024, approximately 83% of the Borrower's revenue was derived from State Payments. See "SECURITY FOR THE SERIES 2025 BONDS – Pledge of State Payments," and "BONDHOLDERS' RISKS – Funding and Future Changes to Charter School Laws" and "– Dependence on State Budget" in the Limited Offering Memorandum.

### Classroom Site Fund

On a monthly basis, the State allocates funds to school districts and charter schools, including the Classroom Site Fund and Instructional Improvement Fund, for performance-based teacher compensation increases and employment-related expenses, for maintenance and operations purposes and for teacher base salary increases to school districts and charter schools based upon student count and other factors specified by State statute.

In calculating the Borrower's funds available to meet its payment obligations under the Loan Agreement, in turn, debt service on the Series 2025 Bonds, the Borrower has assumed that statutorily allowable expenses for such funds will directly offset any revenues received from the Classroom Site Fund or Instructional Improvement Fund. See "BONDHOLDERS' RISKS – Dependence on State Budget" and APPENDIX D - "CHARTER SCHOOLS IN ARIZONA – Charter School Finance – *Classroom Site Fund/Instructional Improvement Fund*" in this Limited Offering Memorandum for further information.

### Children's House Reimbursement

The Borrower's audited financial statements are prepared by the auditor as consolidated financial statements of the Borrower and Children's House, on the basis of the Board of the School, also serving as the Board for Children's House, in accordance with the Children's House bylaws. Children's House is a taxable Arizona corporation. Consequently, the Children's House income, if any, is subject to income tax. See Note 1 in APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDING JUNE 30, 2024" of this Limited Offering Memorandum.

Preschool tuition revenue is recognized in the Borrower's audited financial statements based on contractual rates for the education services rendered, depending on the number of classes and term selected by the parents. The audited financial statements for Fiscal Year ended June 30, 2024, show combine unrestricted Preschool tuition and Before and After Care Program revenues of \$175,412. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDING JUNE 30, 2024" in this Limited Offering Memorandum.

The Children's House charges and collects a non-refundable registration fee of \$150 per student (capped at \$400 per family), tuition, and late fees for the Preschool program. Annual Preschool tuition for the 2025-2026 school is payable (i) in full by August 10, 2025, in which case annual tuition for half-day Preschool is \$7,350 and a full day is \$8,700, or (ii) in ten equal monthly installments beginning August 10, 2025, in which case monthly tuition is \$735 per month for half-day Preschool and \$870 per month for full day Preschool.

Students who are selected for enrollment with Children's House will have their annual tuition locked at the rate it was when enrollment was completed, there will be no annual increase in tuition for the entire time the student is enrolled at the Preschool (unless a student withdraws and returns). The School (including the kindergarten program) is a tuition free charter school.

The Preschool program is operated by Children's House from the Elementary School Campus and Children's House teachers and staff are employed by the Borrower. Children's House reimburses the Borrower for all operating expenses on an annual basis. The Borrower and Children's House are in the process of preparing a formal employee sharing agreement and a facilities use agreement to accurately document the employee and facility sharing

arrangement between the two entities. See also APPENDIX J – “BORROWER’S FINANCIAL PROJECTIONS – footnote 1” in this Limited Offering Memorandum.

### **Other Income**

The Borrower also receives income from grants, pledges and other sources. To the extent permitted by the terms thereof and by law, this income is a part of the Pledged Revenues. However, such income is generally offset by associated expenses. The Borrower has contracted with GoalBusters for grant writing services. The Borrower applied for, and was awarded, a grant in the amount of \$37,500 from the Arizona Community Foundation in July, 2024 (the “ACF Grant”). The ACF Grant funds were received on August 1, 2024 and will be expended by the Borrower by June 30, 2025 to fund specific academic, social-emotional, and whole-child supports to the Borrower’s students in grades K through 3 to offset the disproportionate impacts those students are experiencing as a result of the COVID-19 pandemic. See also “Fundraising” below.

### **Fundraising**

The Borrower started a fundraising campaign in October, 2023 to raise funds for the Middle School Campus relocation. The Borrower reached its original fundraising goal of \$150,000 in January 2025. In response to the Borrower’s fundraiser, the GeoFamily Foundation pledge funds totaling \$132,500 (the “GeoFamily Pledge”). The GeoFamily Pledge funds were received on January 26, 2024, July 8, 2024, and December 23, 2024. While the GeoFamily Pledge is not restricted, the Borrower has earmarked the funds to be expended in 2025 to finance a portion of the costs of constructing the Middle School Recreational Field. See “THE FACILITIES AND THE SERIES 2025 PROJECT – The Middle School Recreational Field” in this Appendix A.

## **BUDGET; ACCOUNTING; DEBT**

### **Budgeting and Accounting**

As a public charter school, the Borrower adheres to specific budgeting and accounting practices for the School to ensure financial transparency and accountability. The Borrower is in compliance with state law pertaining to the investment of its funds, is aware of state law, and Borrower’s management has no reason to believe that the Borrower will not continue to be in compliance with state law.

The Borrower follows accounting policies and procedures that comply with Generally Accepted Accounting Principles (GAAP). The Borrower’s financial operations are managed by the Borrower’s Business and Finance Manager, who oversees the preparation and administration of the budget, ensuring adherence to financial policies set by the Board. The Business and Finance Manager is also responsible for managing contracts with outside vendors and ensuring that staff follow the Borrower’s policies related to cost control, budgeting, audits, and other financial matters. The Business and Finance Manager directly reports to the Executive Director.

The Business and Finance Manager collaborates with the Executive and Assistant Directors to develop the annual budget, considering factors such as enrollment projections, anticipated revenues, and planned expenditures. The proposed budget is presented to the Board for review and approval. Once approved, the budget is implemented, and financial operations are conducted in accordance with the established budgetary guidelines.

The Business and Finance Manager consistently monitors financial performance to ensure that expenditures align with the budget and to identify areas of the budget that may need alteration. The Business and Finance Manager regularly reports to the Executive Director and the Board on the financial status of the organization, and input is sought if adjustments are indicated.

The Borrower participates in audits by external agencies to ensure compliance with financial regulations and to maintain transparency. The school prepares and submits annual financial reports, providing transparency regarding its financial status, which reports are made available to the public as required. See “Audit” below, and “AUDITED FINANCIAL STATEMENTS” and “UNAUDITED FINANCIAL STATEMENTS” in the forepart of this Limited Offering Memorandum, and see also APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDING JUNE 30, 2024” and APPENDIX C – “UNAUDITED INTERIM

FINANCIAL STATEMENTS OF THE BORROWER FOR THE EIGHT-MONTH PERIOD ENDING FEBRUARY 28, 2025” in this Limited Offering Memorandum.

**Summary of Financial Statements and Projections**

The Borrower’s management has prepared the financial projection and related assumptions included in APPENDIX J to this Limited Offering Memorandum (the “Financial Projection”). The Financial Projection for Fiscal Years 2025-2030 constitute “forward-looking” statements of the type described in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although Borrower’s management believes that the assumptions upon which the financial projections 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 School 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 its future financial results.

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 Borrower’s service area; lower-than-projected enrollment; unanticipated expenses; changes in government regulation including changes in the law governing charter schools in Arizona or federal law; future claims for accidents against the Borrower and the extent of insurance coverage for such claims; and other risks discussed in this Limited Offering Memorandum. See “BONDHOLDERS’ RISKS” in this Limited Offering Memorandum.

The Underwriter has not independently verified the Borrower’s projections, and makes no representations nor gives 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 DEBT SERVICE PAYMENTS ON THE SERIES 2025 BONDS. THE REALIZATION OF FUTURE REVENUES DEPENDS ON, AMONG OTHER THINGS, THE MATTERS DESCRIBED IN “BONDHOLDERS’ RISKS,” AND FUTURE CHANGES IN ECONOMIC AND OTHER CONDITIONS THAT ARE UNPREDICTABLE AND CANNOT BE DETERMINED AT THIS TIME. THE UNDERWRITER MAKES NO REPRESENTATION AS TO THE ACCURACY OF THE PROJECTIONS CONTAINED HEREIN, NOR AS TO THE ASSUMPTIONS ON WHICH THE PROJECTIONS ARE BASED.

See APPENDIX J – “BORROWER’S FINANCIAL PROJECTIONS” in this Limited Offering Memorandum. See also “FINANCIAL PROJECTIONS” and “BONDHOLDERS’ RISKS – Reliance on Financial Projections” in the forepart of this Limited Offering Memorandum.

**Audit**

Under the Charter Contract, the Borrower is required to conduct an annual financial audit. The Borrower engaged Fester and Chapman, PLLC to conduct its annual audit for Fiscal Year ended June 30, 2024. Audited Financial Statements for Fiscal Year ended June 30, 2024 are included in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDED JUNE 30, 2024” in this Limited Offering Memorandum.

**Commitments and Other Liabilities**

As of Fiscal Year end June 30, 2024, the Borrower had contributed \$1,441,016 towards the new Middle School Campus project costs as required by the CSDC Lease, as well as and an additional \$100,000 during the current Fiscal Year. Upon completion of the Middle School Campus, the Borrower will exercise its Purchase Option to purchase the Middle School Campus pursuant to the CSDC Lease and the Purchase Agreement. See “THE FACILITIES AND THE SERIES 2025 PROJECT – Acquisition of the New Middle School Campus” in this Appendix A and Note 8 of the Audited Financial Statements of the Borrower as set forth in Appendix B of this Limited Offering Memorandum. The Borrower has no other outstanding liabilities.

## Historical Financial Data

The following financial data presents selected historical financial data of the Borrower:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Enrollment</b>	302	336	352
Revenues	\$ 3,219,030	\$ 3,603,492	\$ 4,111,172
Expenditures	3,317,996	3,533,440	3,720,315
Surplus (Deficit)	(98,966)	70,052	390,857
Ending Fund Balance	1,567,777	1,637,829	2,028,686
<b>Days Cash on Hand</b>			
Expenditures	3,317,996	3,533,440	3,720,315
Less: Capital Outlay	-	-	-
Less: Depreciation	56,038	56,038	47,835
Total Operating Expenditures	3,261,958	3,477,402	3,672,480
Average Daily Expenditures	8,937	9,527	10,062
Unrestricted Cash	1,465,220	1,747,426	589,085
<b>Days Cash on Hand*</b>	<b>164</b>	<b>183</b>	<b>59</b>

\* The School expended \$1.4mm towards the Series 2025 Project in Fiscal Year 2024.

## LITIGATION

No action, suit proceeding, or investigation at law or in equity, before or by any court, any governmental agency, or any public board or body is pending or, to the best of the Borrower's knowledge, threatened, affecting the validity of the Indenture, the Loan Agreement, Pledge Agreement, the Series 2025 Bonds, or contesting the corporate existence or powers of the Borrower. There is presently no material litigation pending or, to the best of its officers' knowledge, overtly threatened against the Borrower.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR  
FISCAL YEAR ENDED JUNE 30, 2024**

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## **APPENDIX B**

### **AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR FISCAL YEAR ENDED JUNE 30, 2024**

The audited financial statements of the Borrower included in this APPENDIX B are for the Fiscal Year ended June 30, 2024. The audited financial statements of the Borrower ended June 30, 2024, are the most recent audited financial statements available for the Borrower. Such financial statements speak only as of that date and do not report any changes that might have occurred since June 30, 2024. However, the Borrower is not aware of any material change in its financial condition as of the date of this Limited Offering Memorandum.

**Flagstaff Junior Academy and Subsidiary**

**Consolidated Financial Statements  
and  
Independent Auditors' Reports**

**Year Ended June 30, 2024**

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## **Independent Auditors' Report**

To the Board of Directors of  
Flagstaff Junior Academy and Subsidiary  
Flagstaff, Arizona

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Flagstaff Junior Academy and Subsidiary (the School), a nonprofit organization, which comprise the statements of consolidated financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Fester & Chapman, PLLC*

November 11, 2024

Flagstaff Junior Academy and Subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

Current assets:

Cash	\$ 568,840
Investments	20,245
Due from government	32,260
Prepays and other assets	<u>4,591</u>
Total current assets	625,936

Property and equipment:

Land, building and improvements	652,483
Furniture and equipment	198,514
Construction in progress	1,410,000
Less accumulated depreciation	<u>(799,734)</u>
Total property and equipment, net	<u>1,461,263</u>

Total assets	<u><u>\$ 2,087,199</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 17,815
Accrued payroll and related	<u>40,698</u>
Total current liabilities	58,513

Net assets:

Without donor restrictions	1,839,952
With donor restrictions	<u>188,734</u>
Total net assets	<u>2,028,686</u>

Total liabilities and net assets	<u><u>\$ 2,087,199</u></u>
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The accompanying notes are an integral part of these statements.

Flagstaff Junior Academy and Subsidiary

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gain:			
State Equalization	\$ 3,065,222		\$ 3,065,222
Classroom Site Funds		\$ 331,490	331,490
Instructional Improvement Fund		23,869	23,869
Government grants	315,027		315,027
Contributions	28,012	74,605	102,617
Student activities	70,635		70,635
Preschool tuition and before and after care	175,412		175,412
Fundraising	4,236		4,236
Gain on investments	10,216		10,216
Miscellaneous	12,448		12,448
Net assets released from restrictions	409,473	(409,473)	
Total revenue, support and gain	4,090,681	20,491	4,111,172
Expenses:			
Salaries	1,956,314		1,956,314
Benefits and other related	595,322		595,322
Professional services	615,869		615,869
Supplies and instructional aids	182,815		182,815
Occupancy costs	277,409		277,409
Depreciation	47,835		47,835
Miscellaneous	44,751		44,751
Total expenses	3,720,315		3,720,315
Change in net assets	370,366	20,491	390,857
Net assets, beginning of the year	1,469,586	168,243	1,637,829
Net assets, end of the year	<u>\$ 1,839,952</u>	<u>\$ 188,734</u>	<u>\$ 2,028,686</u>

The accompanying notes are an integral part of these statements.

Flagstaff Junior Academy and Subsidiary

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ 390,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	47,835
Gain on investments	(10,216)
Changes in:	
Due from government	(12,747)
Prepays and other assets	7,232
Accounts payable and accrued expenses	(48,542)
Accrued payroll and related	(33,363)
Refundable advance	(65,870)
Other liabilities	<u>(2,727)</u>
Net cash provided by operating activities	272,459
Cash flows from investing activities:	
Sales of investments	666,557
Purchases of property and equipment	<u>(1,441,016)</u>
Net cash used by investing activities	<u>(774,459)</u>
Net decrease in cash	(502,000)
Cash, beginning of the year	<u>1,070,840</u>
Cash, end of the year	<u><u>\$ 568,840</u></u>
<u>Supplemental disclosures</u>	
Cash paid during the year for interest	<u><u>\$ 147</u></u>

The accompanying notes are an integral part of these statements.

Flagstaff Junior Academy and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Flagstaff Junior Academy (the Charter) is an Arizona not-for-profit organization with two locations in Flagstaff, Arizona that provides education to students in kindergarten through eighth grade. The Charter operates under the terms of a Charter Contract with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines. The Charter is dedicated to educating the whole child through academics, experiential excellence, and community. The Charter believes in a well-rounded education for each and every student, providing a learning experience in as many fields as possible and maintaining every student's potential level possible throughout their years at the school.

Flagstaff Junior Academy Children's House (the Preschool) is an Arizona corporation in Flagstaff, Arizona providing educational services to children ages three through Kindergarten, as well as before-and after-school care.

Flagstaff Junior Academy and its subsidiary, Flagstaff Junior Academy Children's House, hereinafter collectively referred to as the "School" are consolidated on the basis of the Board of Directors of the Charter serving as the Board of Directors for the Preschool, in accordance with the Preschool's corporate bylaws.

The significant accounting policies of the School follow:

Principles of Consolidation: In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC)'s topic of *Consolidation*, the consolidated financial statements include the accounts of the School and the Foundation. All significant interorganization transactions and accounts have been eliminated. No separate related party disclosures are considered necessary as they are all eliminated during the consolidation process.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. The School is required to report information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

Flagstaff Junior Academy and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions: The School follows the FASB ASC subtopic of *Revenue Recognition* for *Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted conditional grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Revenue Recognition: The majority of the School's revenue arrangements generally consist of a single performance obligation to transfer promised services over time.

The School recognizes preschool tuition revenue based on contractual rates for the educational services rendered, depending on the number of classes and term selected by the parents. Tuition is billed to the parents in advance of the preschool term and payment is due before the term begins. The educational services are provided equally over the term in exchange for the tuition paid; revenue is prorated over the term and recognized on an equal monthly basis over the term. A contract liability (deferred revenue) is recorded for tuition received in advance of when the educational services are provided.

Due from Government: Due from government consists mainly of state approved payments to the School to operate the charter school. The School has never experienced any losses due to non-payment, and expects none on the June 30, 2024 balances, and therefore has not established an allowance for uncollectibility.

Property and Equipment: All acquisitions of property and equipment with a cost of \$1,000 or more with an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation is provided on the straight-line basis over the following estimated useful lives of the respective assets:

Building and improvements	10-20 years
Furniture and equipment	5 years

Flagstaff Junior Academy and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued

Income Taxes: The Charter is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

The Preschool is a corporation and is not exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Consequently, the Preschool's income, if any, is subject to income tax.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in Note 6. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The School monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The School has the following financial assets that could readily be made available within one year of each fiscal year end to fund expenses without limitations:

Financial assets included in current assets:

Cash	\$ 568,840
Investments	20,245
Due from government	<u>32,260</u>
Total financial assets included in current assets	621,345
Less amounts unavailable for general expenditure within one year:	
Classroom Site Funds carryover	145,774
Instructional Improvement Fund carryover	<u>42,960</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 432,611</u></u>

In addition to financial assets available to meet general expenditures over the year, the School operates with a balanced budget and anticipates covering its general expenditures by collecting from the State of Arizona, contributions, grants, and other revenues.



Flagstaff Junior Academy and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CONCENTRATION OF CREDIT RISK

The School's cash and investments on deposit at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC), or covered under the Securities Investor Protection Corporation (SIPC). Balances may at times exceed insured amounts; however, the School manages the concentration of credit risk by maintaining deposits in multiple financial institutions.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. The School did not have any financial instruments it values based on Level 2 inputs at June 30, 2024.

Level 3 inputs are the most subjective, and are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. The School did not have any financial instruments it values based on Level 3 inputs at June 30, 2024.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

*Equity securities:* Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Flagstaff Junior Academy and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT - Continued

Fair value of assets measured on a recurring basis at June 30, 2024, was as follows:

	Level 1	Total
Equity securities	\$ 11,691	\$ 11,691
Cash on deposit		8,554
Total investments	<u>\$ 11,691</u>	<u>\$ 20,245</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released from restrictions for the year ending June 30, 2024 consisted of the following:

Classroom Site Funds	\$ 334,868
Tax credits	<u>74,605</u>
	<u>\$ 409,473</u>

Net assets with donor restrictions consisted of the following at June 30, 2024:

Classroom Site Funds	\$ 145,774
Instructional Improvement Fund	<u>42,960</u>
	<u>\$ 188,734</u>

NOTE 6 - FUNCTIONAL EXPENSE CLASSIFICATION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Those expenses include salaries, benefits and other related, professional services, supplies and instructional aids, rent and occupancy costs, and depreciation. Salaries and benefits and other related expenses are allocated on the basis of estimates of time and effort. Professional services, supplies and instructional aids are based on salaries. Rent and occupancy costs and depreciation, are allocated on the basis of square footage.

Flagstaff Junior Academy and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 - FUNCTIONAL EXPENSE CLASSIFICATION - Continued

The following is a summary of the School's expenses by function for the year ended June 30, 2024:

	Program		Total	Management	
	Charter	Preschool	Program	and General	Total
Salaries	\$ 1,687,537		\$ 1,687,537	\$ 268,777	\$ 1,956,314
Benefits and other related	475,546	\$ 890	476,436	118,886	595,322
Professional services	468,482	1,852	470,334	145,535	615,869
Supplies and instructional aids	157,282		157,282	25,533	182,815
Occupancy costs	221,927		221,927	55,482	277,409
Depreciation	38,268		38,268	9,567	47,835
Miscellaneous	12,171	12,608	24,779	19,972	44,751
Total	<u>\$ 3,061,213</u>	<u>\$ 15,350</u>	<u>\$ 3,076,563</u>	<u>\$ 643,752</u>	<u>\$ 3,720,315</u>

NOTE 7 - PENSION PLAN

Plan Description: Permanent full-time and certain part-time employees of the School participate in a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

Funding Policy: The Arizona State Legislature establishes and may amend active plan members' and the School's contribution rates. For the year ended June 30, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and statute required the School to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. The School's contributions to ASRS for the year ended June 30, 2024 was \$215,601, which was equal to the required contributions.

Flagstaff Junior Academy and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES

Compliance: The School's compliance with certain laws and regulations is subject to review by the State of Arizona, Office of the Auditor General and the Arizona Department of Education. Such reviews could result in adjustments or withholding of the School's State Equalization.

Construction: The School signed an agreement with a 3rd party company to help acquire a new building and land to move their school site. The agreement required a \$1.41 million down payment, which is included in construction in progress on the Consolidated Statement of Financial Position. The building was still under construction at June 30, 2024. After the building is completed, the School will have the option to purchase the remainder of the building and land outright, or pay off the amount owed over a 15 year period. Once the building and land are paid for in full, the ownership of the building and land will pass from the 3rd party to the School. The remaining amount due to complete the project and purchase the land and building at June 30, 2024, was approximately \$9.47 million.

NOTE 9 - ECONOMIC DEPENDENCY

For the year ended June 30, 2024, approximately 83% of the School's revenue was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301), Instructional Improvement Fund, State of Arizona grants, and federal grants passed through the State of Arizona. Non-federal funds that are paid from the State of Arizona are subject to funding approval from the state legislature. Changes in state funding levels for charter schools could have a significant impact on the School's future revenues.

NOTE 10 - RELATED PARTY TRANSACTIONS

A former member of the School's Board of Directors is a financial advisor at the financial institution where the School's investments are maintained.

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated subsequent events through November 11, 2024, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2024 that would require an adjustment to or disclosure in the financial statements.



**Independent Auditors' Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
Flagstaff Junior Academy and Subsidiary  
Flagstaff, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Flagstaff Junior Academy and Subsidiary (the School), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 11, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fester & Chapman, PLLC*

November 11, 2024

**Flagstaff Junior Academy**  
**Legal Compliance Questionnaire**  
**Year Ended June 30, 2024**



## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of  
Flagstaff Junior Academy  
Flagstaff, Arizona

We have performed the procedures enumerated below on evaluating Flagstaff Junior Academy's (the School, a nonprofit organization) compliance with the 6/24 version of the Arizona State Board for Charter Schools Legal Compliance Questionnaire (LCQ) as of and for the year ended June 30, 2024. the School's management is responsible for compliance.

The School and the Arizona State Board for Charter Schools have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining the School's compliance with the LCQ requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are included with the 6/24 version of the Arizona State Board for Charter Schools Legal Compliance Questionnaire following this report.

We were engaged by the School to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively on the School's compliance with the LCQ requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and management of the School and the Arizona State Board for Charter Schools, and is not intended to be and should not be used by anyone other than those specified parties.

*Fester & Chapman, PLLC*

November 11, 2024





Charter Holder Name: Flagstaff Junior Academy  
Charter Holder CTDS: 038752000

### Legal Compliance Questionnaire<sup>1</sup>

For Fiscal Year Ended June 30, 2024

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<sup>1</sup> This questionnaire should only be used for charters that are exempt from the Uniform System of Financial Records for Arizona Charter Schools (charters that HAVE an exception). If a charter is subject to procurement requirements pursuant to A.R.S. §§ 15-189.02 and 41-2535(A), this questionnaire should be used in conjunction with the Procurement Compliance Questionnaire (see audit guidelines) which is available on the Arizona State Board for Charter Schools' website <https://asbcs.az.gov>.

## INSTRUCTIONS<sup>2</sup>

In order to determine whether a charter that is exempt from the requirements of the Uniform System of Financial Records for Arizona Charter Schools (USFRCS) is complying with applicable legal requirements, the audit firm must complete the following Legal Compliance Questionnaire in accordance with both the agreed upon procedures (instructions contained herein) and the attestation standards established by the American Institute of Certified Public Accountants. (Note: This questionnaire is not comprehensive of all legal requirements for charter schools. As such, this document should not be the sole reference to determine all laws and regulations that are applicable to charter schools.)

The following prescribed minimum agreed upon procedures, as well as those identified throughout the questionnaire, must be used for completing the Legal Compliance Questionnaire in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The State Board for Charter Schools may reject questionnaires not meeting these standards.

- ◆ Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the charter complies with the legal requirements, and the evidence must be included in the documentation.
- ◆ Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support “Yes” answers to the questionnaire.
- ◆ Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.
- ◆ The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.
- ◆ The sample size should be expanded if the audit firm cannot clearly determine whether the charter complies with the legal requirements of the question.
- ◆ If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.
- ◆ All “No” and “N/A” answers must be adequately explained in the box below the question or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.
- ◆ A “Yes” answer indicates that the audit firm has determined that the charter complies with the legal requirements of the question and a “No” answer indicates the charter does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, resulting documentation, and any other sources.

The resulting documentation supporting the audit firm’s answers to the Legal Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, the audit firm may wish to include in the documentation a copy of the questionnaire containing references to procedures performed for each question.

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<sup>2</sup> For the purposes of this questionnaire, please note that “Governing Body” means the group of persons required by A.R.S. § 15-183(E)(8) that is responsible for policy decisions of the charter school.

PERSONNEL	
Prior to completing the fingerprinting questions below, please review guidance available on the <a href="#">Board's website</a> .	
1. For all employees, did the school maintain valid fingerprint clearance cards (FCC) or, if applicable, fingerprint check documentation as of the testing date? <b>A.R.S. §§ 15-183(C)(5), 15-512 and 15-106</b>	YES
2. For each new hire identified in Question 1 that did not have a valid FCC, was an application for a FCC on file with the Department of Public Safety as of the testing date, and did the school comply with all requirements found in A.R.S. § 15-183(C)(5)(a)-(f)?	N/A
All personnel had valid FCC's.	
3. For all contractors, subcontractors, vendors and their employees who are contracted to provide services on a regular basis at the school, as of the testing date, did the school maintain valid FCCs, or did the school adhere to its board adopted policy for exempting an individual whose normal duties are not likely to result in independent access to or unsupervised contact with pupils? <b>A.R.S. § 15-512(H)</b>	YES
4. For each individual identified in Question 1 and/or Question 3 that had an expired FCC, was an affidavit signed by the individual maintained by the school and did the school comply with all requirements found in A.R.S. § 41-1758.08?	N/A
All personnel had valid FCC's.	
5. Did the charter school inform the parents and guardians of pupils enrolled in the school of the availability of information about the educational and teaching background and experience in a particular academic content subject area for all current employees who provide instruction to pupils? <b>A.R.S. § 15-183(F)</b>	YES
REQUIRED FILINGS	
1. Internal Revenue Service (IRS) <b>U.S.C. Title 26</b>	
a. Is the school in good standing with the IRS for payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	YES
b. The school did not have any payroll or income taxes payable to the IRS from a prior year(s) as of audited fiscal year end (June 30 <sup>th</sup> ) is a true statement.	YES
c. If the response to question 1.a, question 1.b, or both is "no", does the school have a payment plan in place with the IRS?	N/A
The responses to questions 1.a and 1.b were not "no".	
d. If the answer to question 1.c is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 <sup>th</sup> )?	N/A

The response to question 1.c was not "yes".	
<b>2. Arizona Department of Revenue (ADOR) A.R.S. §§ 43-401 and 43-1111</b>	
a. Is the school in good standing with the ADOR for payroll taxes, state income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	YES
b. The school did not have any payroll or income taxes payable to the ADOR from a prior year(s) as of audited fiscal year end (June 30 <sup>th</sup> ) is a true statement.	YES
c. If the response to question 2.a, question 2.b, or both is "no", does the school have a payment plan in place with the ADOR?	N/A
The responses to questions 2.a and 2.b were not "no".	
d. If the answer to question 2.c is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 <sup>th</sup> )?	N/A
The response to question 2.c was not "yes".	
<b>3. Arizona Department of Economic Security (ADES) A.R.S. §§ 23-701 through 23-757</b>	
a. Is the school in good standing with the ADES for state unemployment contribution requirements for the audited fiscal year?	YES
b. The school did not have any state unemployment contributions payable to the ADES from a prior year(s) as of audited fiscal year end (June 30 <sup>th</sup> ) is a true statement.	YES
c. If the response to question 3.a, question 3.b, or both is "no", does the school have a payment plan in place with the ADES?	N/A
The responses to questions 3.a and 3.b were not "no".	
d. If the answer to question 3.c is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 <sup>th</sup> )?	N/A
The response to question 3.c was not "yes".	
4. Is the school in good standing with the Arizona Corporation Commission (e.g., annual report)? <b>Charter Contract</b>	YES
5. Was a copy of the adopted budget submitted electronically to the Superintendent of Public Instruction no later than July 18 <sup>th</sup> ? <b>A.R.S. §§ 15-183(E)(6) and 15-905(E)</b>	YES
6. Was the Annual Financial Report (AFR) sent to the Superintendent of Public Instruction by October 15 <sup>th</sup> ? <b>A.R.S. §§ 15-183(E)(6) and 15-904(A)</b>	YES
<b>SPECIAL EDUCATION</b>	

1. Is the staff the school uses to provide special education services (internal or contracted) certified in special education?	YES
2. Does the school conduct 45 day screenings on all new students? <b>A.A.C. R7-2-401</b>	YES
3. Are evaluations and IEPs on file for special education students? <b>34 CFR 300.341-350 and 300.531-536</b>	YES
<b>CLASSROOM SITE FUND – A.R.S. § 15-977 and <a href="#">Office of the Auditor General FAQ</a></b>	
1. For the Classroom Site Fund, were expenses only for allowable purposes listed in A.R.S. §15-977?	YES
2. Did the school use Classroom Site Fund monies to supplement, rather than supplant, existing funding from all other sources?	YES
3. Did the school have sufficient cash at year-end to cover the carryover monies, and what was the Classroom Site Fund <u>cash</u> carryover balance at year-end?	YES
The Classroom Site Fund cash carryover balance at year-end was \$145,774.	
<b>STUDENT ATTENDANCE REPORTING</b>	
<b>If test work performed in this section discloses a net overstatement or understatement of membership and/or absence days, based on A.R.S. and ADE's school finance external guidelines, report the net overstatement or understatement in the box below each applicable question.</b>	
1. Did the school's calendar ensure school was in session for the required days and students received the required instructional hours per grade level, including Arizona Online Instruction (AOI) programs as prescribed in A.R.S. §§ 15-808(J)(1), 15-901(A)(1), 15-901.07 and 15-901.08?	YES
<b>For Student Attendance Reporting questions, the audit firm must select and test the specified number of transactions (records, entries, withdrawals, or days) as shown in the sample size instructions before each section. These samples should include <u>3</u> or more grade levels and <u>3</u> or more campuses, where applicable. The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed. All student attendance records tested should be selected from the first 100 days of school. In the parentheses provided within the questions, write the actual number of transactions tested. If all transactions were tested, indicate such.</b>	
<b>For question 2, select at least 3 student attendance records. (If a student in the sample was in a virtual day, ensure the student was counted based on the instructional time model [ITM].)</b>	N/A
2. If the school had an early (pre-) kindergarten program, based upon review of ( <u>  0  </u> ) early (pre-) kindergarten students' attendance records, did the school only calculate	

and submit membership information for this program for students with disabilities? <b>A.R.S. § 15-901(A)(1)(a)(i) and USFRCS Memorandum No. 33</b>										
Program not offered by the School.										
<p><b>For question 3, use the following sample sizes. (If a student in the sample was in a virtual day, ensure the student was counted based on the ITM.)</b></p> <table border="1"> <thead> <tr> <th><b>SCHOOLWIDE ADM</b></th> <th><b>Student Attendance Records</b></th> </tr> </thead> <tbody> <tr> <td><b>&lt;1,000</b></td> <td><b>5</b></td> </tr> <tr> <td><b>1,000-5,000</b></td> <td><b>10</b></td> </tr> <tr> <td><b>&gt;5,000</b></td> <td><b>15</b></td> </tr> </tbody> </table>			<b>SCHOOLWIDE ADM</b>	<b>Student Attendance Records</b>	<b>&lt;1,000</b>	<b>5</b>	<b>1,000-5,000</b>	<b>10</b>	<b>&gt;5,000</b>	<b>15</b>
<b>SCHOOLWIDE ADM</b>	<b>Student Attendance Records</b>									
<b>&lt;1,000</b>	<b>5</b>									
<b>1,000-5,000</b>	<b>10</b>									
<b>&gt;5,000</b>	<b>15</b>									
3. Based upon review of ( <u>  5  </u> ) students' attendance records, did the school appropriately track and report elementary, junior high, and high school students' membership and absences? <b>A.R.S. §§ 15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i), and USFRCS Memorandum No. 33</b>		NO								
For 2 out of 5 students tested, the School did not appropriately track and report elementary, junior high, and high school students' absences. As a result, absence days are underreported by 0.25 days.										
<p><b>For questions 4-8, use the following sample sizes. (If a student in the sample was in a virtual day, ensure the student was counted based on the ITM.)</b></p> <table border="1"> <thead> <tr> <th><b>SCHOOLWIDE ADM</b></th> <th><b>Student Attendance Records</b></th> </tr> </thead> <tbody> <tr> <td><b>&lt;1,000</b></td> <td><b>3</b></td> </tr> <tr> <td><b>1,000-5,000</b></td> <td><b>5</b></td> </tr> <tr> <td><b>&gt;5,000</b></td> <td><b>7</b></td> </tr> </tbody> </table>			<b>SCHOOLWIDE ADM</b>	<b>Student Attendance Records</b>	<b>&lt;1,000</b>	<b>3</b>	<b>1,000-5,000</b>	<b>5</b>	<b>&gt;5,000</b>	<b>7</b>
<b>SCHOOLWIDE ADM</b>	<b>Student Attendance Records</b>									
<b>&lt;1,000</b>	<b>3</b>									
<b>1,000-5,000</b>	<b>5</b>									
<b>&gt;5,000</b>	<b>7</b>									
4. Based upon review of ( <u>  0  </u> ) high school students' attendance records, did the school prorate the membership of the students enrolled in less than 4 subjects?		N/A								
School is grades K-8, only.										
5. For schools-Based upon review of ( <u>  0  </u> ) students' (enrolled in a program provided by a CTED in a facility owned or operated by a school) attendance records, did the school report the actual enrollment for only the school classes the student was enrolled in at the school site (excluding CTED program classes) under the school's CTDS number?		N/A								
Program not offered by the School.										
6. For schools-Based on a review of ( <u>  0  </u> ) students enrolled in a CTED program, did the school maintain appropriate enrollment documentation and accurately report students enrolled in CTED programs, including accurately submitting scheduled hours of instruction and community college credits as required? <b>A.R.S. § 15-393</b>		N/A								
Program not offered by the School.										
7. For schools offering an AOI program, based upon a review of ( <u>  0  </u> ) AOI students' attendance records for 4 weeks: (ADE's guideline <a href="#">SF-0003-AOI Participation</a> )										
a. Was the guardian-approved or school computer-generated daily log describing the amount of time spent by the student on academic tasks maintained by the participating AOI school? <b>A.R.S. § 15-808(E)</b>		N/A								
Program not offered by the School.										
b. Did the hours reported to ADE agree to the guardian-approved or school computer-generated daily log?		N/A								



12. Did the school exclude nonresident students from the school's student count and state aid calculations and charge tuition, as applicable? <b>A.R.S. § 15-823(G) and (L)</b>	N/A
All students are Arizona residents.	
13. Based upon review of ( <u>  5  </u> ) withdrawals:	
a. Did the withdrawal date in the computerized attendance system agree to the withdrawal form? ( <b>Note:</b> If the computerized attendance system requires the school to input the day following the withdrawal date for a student to be counted in membership through the last day of actual attendance or excused absence, the withdrawal date on the system should be the school day following the withdrawal date on the form.)	YES
b. Did the school prepare and retain an <i>Official Notice of Pupil Withdrawal</i> form that a school administrator signed for each withdrawal? <b>A.R.S. § 15-827</b>	YES
14. Based upon review of the school's student data uploaded to ADE (AzEDS ADM15 or ABSATT10 report, as applicable), did the membership and absences agree to the school's computerized attendance system records for the first 100 days of school? ( <b>Note:</b> For an AOI program, sample year-end attendance information.) <b>A.R.S. § 15-901</b>	YES
15. Did the school report students that completed all high school requirements with the applicable graduation code and use the appropriate year-end status code for other students? <a href="#">ADE's Graduation, Dropout, and Persistence Rate Technical Manual</a> and/or <a href="#">ADE's Withdrawal Cheat Sheet</a>	YES
16. For students participating in distance learning, did the school follow attendance procedures defined in an adopted ITM submitted to ADE?	N/A
No students participated in distance learning.	
<b>OPEN MEETING LAW</b>	
<b>A.R.S. §§ 38-431.01 and 38-431.02 (See also Attorney General Opinion 100-009)</b>	
1. Did the school conspicuously post a statement on its website stating where all public notices of its Governing Body meetings will be posted, including the physical and electronic locations?	YES
2. For all Governing Body meetings held during the audited fiscal year, did the school post all public meeting notices on its website?	YES
3. Was evidence maintained to support the school posted the notice and made the agenda available at least 24 hours before each Governing Body meeting held during the audited fiscal year?	YES



4. Were written minutes prepared or a recording of the public meetings prepared and made available for public inspection for each Governing Body meeting held during the audited fiscal year?	YES
<b>INSURANCE REQUIREMENTS – A.R.S. § 15-183(M)</b>	
Does the school have the required insurance for liability and property loss?	YES
<b>TUITION – A.R.S. § 15-185(B)(6) (See also Attorney General Opinion I98-007)</b>	
Did the school refrain from charging fees that may be considered tuition other than as provided for in A.R.S. § 15-185(B)(6) [nonresidents]?	YES
<b>RECORDS MANAGEMENT</b>	
1. Did the school retain records in accordance with the General Retention Schedules published by the Arizona State Library, Archives and Public Records (based on the testing conducted during the course of the audit)? ( <a href="https://azlibrary.gov/arm/retention-schedules">https://azlibrary.gov/arm/retention-schedules</a> )	YES
2. Was adequate documentation retained to support amounts in the financial statements (if the school is not the primary reporting entity – was adequate documentation retained to support revenue and expenses in the charter school)?	YES
3. Did the school utilize the USFRCS Chart of Accounts or maintain a “cross-walk” of its accounts (i.e., a document) so the school could report information to the Arizona Department of Education?	YES

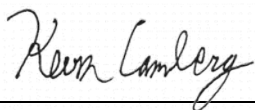
This Questionnaire was completed in accordance with the minimum standards as set forth in the instructions on page 2.

Fester & Chapman, PLLC.

November 11, 2024

Audit Firm

Date



Partner

Preparer's Signature (Audit Firm Representative)

Title

**Flagstaff Junior Academy and Subsidiary**

**Report to the Board of Directors**

**June 30, 2024**



November 11, 2024

To the Board of Directors  
Flagstaff Junior Academy and Subsidiary  
Phoenix, Arizona

We have audited the consolidated financial statements of Flagstaff Junior Academy and Subsidiary (the School), for the year ended June 30, 2024, and have issued our report thereon dated November 11, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2024. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

Management is required to estimate the amount of expense allocated to primary education and management and general reported in the notes to the consolidated financial statements.

The amount of depreciation recorded by management is based on useful lives estimated by management.

We evaluated the key factors and assumptions related to expense allocations and depreciation in determining that they appear reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Adjustments prepared by the School to properly state the consolidated financial statements are identified in the attached schedule entitled "Client Adjusting Journal Entries".

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 11, 2024.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We are required to communicate any audit risks that we identify to those charged with governance. We have identified the risks of management override of controls and improper revenue recognition as audit risks, and we have addressed those risks during the normal course of our audit.

This information is intended solely for the use of the Board of Directors and management of the School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Fester & Chapman, PLLC*

**Flagstaff Junior Academy and Subsidiary**  
**Year End: June 30, 2024**  
**Client Adjusting Journal Entries**

<b>Number</b>	<b>Date</b>	<b>Name</b>	<b>Account No</b>	<b>Debit</b>	<b>Credit</b>
CAJE 01	6/30/2024	Retained Earnings	0300 FJA	27,000	
CAJE 01	6/30/2024	Retained Earnings	0300 FJA		627
CAJE 01	6/30/2024	Children's House Reimb	1992 FJA		27,000
CAJE 01	6/30/2024	Other Expense	6800.1 FJA	627	
To properly state net assets.					
CAJE 02	6/30/2024	Accumulated Equipment	0196 FJA	2,697	
CAJE 02	6/30/2024	Depreciation expense	6000 FJA		2,697
CAJE 02	6/30/2024	Furn & Equipment	0196.1 FJA		17,975
CAJE 02	6/30/2024	Supplies-Tech Related	6650.1.10 FJA	17,975	
To properly state fixed assets.					
				<b>48,299</b>	<b>48,299</b>

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**APPENDIX C**

**UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE  
BORROWER FOR THE EIGHT-MONTH PERIOD ENDING  
FEBRUARY 28, 2025**

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# Flagstaff Junior Academy

## Balance Sheet

As of February 28, 2025

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
0102 Cash in Bank Accts Total	0.00
0102.1 Checking Wells Fargo	6,391.21
0102.2 Money Market Wells Fargo	1,158,056.73
0102.3 Charles Schwab/Endowment	3,487.43
0102.4 Chase Business Checking	0.00
0102.5 Chase High Yield Savings	0.00
0102.6 Charles Schwab - MMA/CD	4,651.45
<b>Total 0102 Cash in Bank Accts Total</b>	<b>1,172,586.82</b>
<b>Total Bank Accounts</b>	<b>\$1,172,586.82</b>
Accounts Receivable	
0130 Accounts Receivable	0.00
<b>Total Accounts Receivable</b>	<b>\$0.00</b>
Other Current Assets	
A/R prop 301	0.00
Accounts Receivable - Year End	0.00
Employee Advance	0.00
Funds due from the State of AZ	0.00
Inventory Asset	0.00
Prepaid Expense	0.00
Refundable Deposits	0.00
Sports and Clubs	5,882.86
Uncategorized Asset	0.00
Undeposited Funds	0.00
<b>Total Other Current Assets</b>	<b>\$5,882.86</b>
<b>Total Current Assets</b>	<b>\$1,178,469.68</b>
Fixed Assets	
0190 Fixed Assets	0.00
0191 Land & Land Improvements	2,162,483.28
0194.1 Bldg & Bldg. Improve	0.00
0196 Accumulated Equipment	0.00
0196.1 Furn & Equipment	159,502.75
Accumulated Depreciation	-760,723.00
Accumulated Furn/Equip - Other	0.00
Accumulated Improvements	0.00
Furniture & Equipment	699.98
<b>Total 0190 Fixed Assets</b>	<b>1,561,963.01</b>
<b>Total Fixed Assets</b>	<b>\$1,561,963.01</b>

# Flagstaff Junior Academy

## Balance Sheet

As of February 28, 2025

	TOTAL
Other Assets	
Accts Rec - Audit	0.00
<b>Total Other Assets</b>	<b>\$0.00</b>
<b>TOTAL ASSETS</b>	<b>\$2,740,432.69</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
0201 Accounts Payable	32,567.62
<b>Total Accounts Payable</b>	<b>\$32,567.62</b>
Other Current Liabilities	
204 Wells Fargo Note Payable	0.00
205 Wells Fargo New Building	0.00
220 Payroll Liabilities	0.00
Accrued payroll & expenses	36,706.14
AFLAC payable	83.26
ASRS payable	0.00
Blue Cross - Blue Shield payabl	32,744.71
Delta Dental	980.03
HSA Employee Savings Account	-434.50
Nationwide payable	0.00
SecureCare Dental	0.00
Wage Garnishment	0.00
<b>Total 220 Payroll Liabilities</b>	<b>70,079.64</b>
260 Capital Leases - Current	0.00
269 Capital leases - less curr	0.00
Accounts Payable - Year End	0.00
Club Rollover Liability	0.00
Deferred Revenue	0.00
<b>Total Other Current Liabilities</b>	<b>\$70,079.64</b>
<b>Total Current Liabilities</b>	<b>\$102,647.26</b>
<b>Total Liabilities</b>	<b>\$102,647.26</b>
Equity	
0300 Retained Earnings	1,559,168.34
Opening balance equity	463,352.00
Prior Earnings	0.00
Transfer of books	0.00
Unrealized Gain/loss investment	0.00
Net Income	615,265.09
<b>Total Equity</b>	<b>\$2,637,785.43</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$2,740,432.69</b>

# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
Income	
1000 - Regular Education Instruction	
3000 STATE FUNDS	
3110 EQUALIZATION	2,170,994.31
3200.1 PROP 301	243,639.68
Instr Improvement Fund	14,076.60
Prop 123	13,192.91
<b>Total 3000 STATE FUNDS</b>	<b>2,441,903.50</b>
<b>Total 1000 - Regular Education Instruction</b>	<b>2,441,903.50</b>
1500 DONATIONS	
1500.1700 AZ. TAX CREDIT	
1790 Tax Credit donations	4,460.64
1791 tax credit activity fee	35,633.00
1792 tax credit field trips	
1792a Tax Credit - Washington DC	9,280.00
1792c 4-6 River Trip	1,460.00
1792d Catalina	3,950.00
<b>Total 1792 tax credit field trips</b>	<b>14,690.00</b>
1793 tax credit Music/Drama/Ban	
1794 tax credit Sports	400.00
<b>Total 1500.1700 AZ. TAX CREDIT</b>	<b>55,183.64</b>
1500.1900 OTHER REVENUES	
1500.1910 Fundraisers	
1500-1910 Garden Club	2,171.50
1500-1910 Tea Club	170.00
1500-1910 Washington D.C	3,063.75
1500.1910 Band	240.00
1500.1910 Camp Colton	1,463.32
1500.1910 Fundraisers - Other	6,788.04
<b>Total 1500.1910 Fundraisers</b>	<b>13,896.61</b>
1500.1920 Contributions/Private	152,484.42
1500.1991 YEARBOOK	2,565.07
<b>Total 1500.1900 OTHER REVENUES</b>	<b>168,946.10</b>
<b>Total 1500 DONATIONS</b>	<b>224,129.74</b>

# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
1990 Miscellaneous	8.00
1992 Children's House Reimb	0.00
1992a CH Tuition	65,777.00
1992c Before and Aftercare	30,793.45
<b>Total 1992 Children's House Reimb</b>	<b>96,570.45</b>
1994 Interest	52.27
1995 Rebates	2,779.44
1996 Refunds	1,467.68
1998 Other	63,185.00
2000 Forest Fees	22,067.35
2001 Activity Fund	
2003 PTG	1,203.08
2004 Cobra employee payments	1,053.11
205 Summer Camp - Cedar	1,530.00
206 Summer Camp - Bonito	200.00
<b>Total 1990 Miscellaneous</b>	<b>190,116.38</b>
4500 FEDERAL FUNDS	
1110 Title I	9,995.06
1120 Title II A Improv teache	3,500.00
1140 Title IV	10,000.00
1220 IDEA B	12,115.40
1220p IDEA B Preschool	750.00
1700 SRSA Funds	36,545.00
2040 SEI Grant	3,000.00
<b>Total 4500 FEDERAL FUNDS</b>	<b>75,905.46</b>
<b>Total Income</b>	<b>\$2,932,055.08</b>
<b>GROSS PROFIT</b>	<b>\$2,932,055.08</b>
Expenses	
GENERAL FUND	
100 Regular Education	
1000 INSTRUCTION/Student suppor	
6110.1.10 Certified Salaries	0.00
6112.1.10 Salary-Class Teacher	257,648.46
Prop 301	75,497.68
<b>Total 6110.1.10 Certified Salaries</b>	<b>333,146.14</b>
6150.1.10 NonCertified Salaries	
6152.1.10 Salary-Class Teacher	291,473.89
6153.1.10 Salary Substitutes	24,581.25
6154.1.10 Salary-Aides Other	115,758.33
6155.1.10 Salary-Aides B&A	20,925.81

# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
<b>Total 6150.1.10 NonCertified Salaries</b>	<b>452,739.28</b>
6200.1.10 Payroll Ben/Expense	0.00
6201.1.10 SS Employer Exp	38,490.61
6202.1.10 Med Employer Exp	10,902.46
6203.1.10 AZ SUI Employer exp	1,770.53
6210.1.10 Insurance-Teachers	100,071.56
6231.1.10 ASRS - Teachers	88,069.62
6232.1.10 LTD-Teachers	1,090.28
6260.1.10 Workers Comp-Teachers	3,587.00
6270.1.10 Health Reimb Expense	6,801.66
<b>Total 6200.1.10 Payroll Ben/Expense</b>	<b>250,783.72</b>
6300.1.10 Purchased Services	3,787.50
6325.1.10 Contract Teachers	69,384.43
6600.1.10 Supplies Student Supp	
6600.1.10 Supplies Student Supp	7,763.71
6633.1.10 Other Food	0.00
6643.1.10 Instr. Aids & Oth bk	813.00
6644.1.10 Periodicals & Media	5,475.41
6650.1.10 Supplies-Tech Related	4,488.67
<b>Total 6600.1.10 Supplies Student Supp</b>	<b>18,540.79</b>
<b>Total 1000 INSTRUCTION/Student suppor</b>	<b>1,128,381.86</b>
2100.1 STU SUP improv well bein	
6600.1.21 Supplies	0.00
Prop 301	22,510.00
<b>Total 2100.1 STU SUP improv well bein</b>	<b>22,510.00</b>
2300.1 GENERAL ADMINISTRATION	
6101.1.23 Salary-Ex. Director	97,598.44
6115.1.23 Salary-Bus. Manager	37,476.96
6200.1.23 Payroll Expenses	
6201.1.23 SS Gen Admin	8,670.89
6202.1.23 Med Employer Exp	2,027.86
6203.1.23 AZ SUI -Gen Admin	172.80
6210.1.23 Insurance - Gen admin	19,755.46
6231.1.23 ASRS-Gen Admin	16,477.28
6232.1.23 LTD - Gen Admin	203.96
6270.1.23 Health Reimb Expense	5,582.73

# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
<b>Total 6200.1.23 Payroll Expenses</b>	<b>52,890.98</b>
6300.1.23 Pur Prof/Tech Serv	6,344.00
6310.1.23 Prof Legal Service	14,277.60
6320.1.23 Purch Auditor service	14,000.00
6600.1.23 Supplies	356.98
6800.1.23 Other Expenses-Gen Ad	15,795.16
6810.1.23 Dues & Fees	5,438.60
<b>Total 6800.1.23 Other Expenses-Gen Ad</b>	<b>21,233.76</b>
<b>Total 2300.1 GENERAL ADMINISTRATION</b>	<b>244,178.72</b>
2400.1 ADMINISTRATION SUPPORT	
6100.1.24 Salaries School Adm	
6135.1.24 Salary Office Aide	82,716.60
<b>Total 6100.1.24 Salaries School Adm</b>	<b>82,716.60</b>
6200.1.24 Payroll Benefits	
6201.1.24 SS Employer expense	4,591.12
6202.1.24 Med Employer Exp	1,039.44
6203.1.24 AZ SUI Emp expense	203.81
6231.1.24 ASRS Office Aide	7,811.00
6232.1.24 LTD Office Aide	96.45
<b>Total 6200.1.24 Payroll Benefits</b>	<b>13,741.82</b>
6600.1.24 Supplies-School Admin	5,028.30
<b>Total 2400.1 ADMINISTRATION SUPPORT</b>	<b>101,486.72</b>
2500.1 BUSINESS SUPPORT	
6300.1.25 Purchase Prof. Servic	14,710.92
6500.1.25 Other Purch Services	1,200.00
6540.1.25 Marketing	4,817.09
6600.1.25 Supplies-Business	9,804.05
6800.1.25 Other Expenses	
6800.1.25 Other Expenses - Other	1,639.92
<b>Total 6800.1.25 Other Expenses</b>	<b>1,639.92</b>
<b>Total 2500.1 BUSINESS SUPPORT</b>	<b>32,171.98</b>
2600.1 OPERATIONS	
0108 Fixed Assets	
0183.1 Furn & Equipment	1,558.00
<b>Total 0108 Fixed Assets</b>	<b>1,558.00</b>
6300 Purchased Services	
6310.1.26 Computer Services	74,514.83
6330.1.26 Fire Inspections	767.00

# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
<b>Total 6300 Purchased Services</b>	<b>75,281.83</b>
6400.1.26 Purch Property Servic	
6435.1.26 Repair/Maint Bldg.	77,010.19
6440.1.26 Rental/Lease Equip	24,339.06
6441.26 Rent/Lease facility	150,333.00
<b>Total 6400.1.26 Purch Property Servic</b>	<b>251,682.25</b>
6500.1.26 Other Purch Service	0.00
6520.1.26 P/C Insurance	17,230.00
6530.1.26 Bus Phones & Internet	17,826.81
6600.1.26 Supply-Oper/Maint.	
6600.1.26 Supply-Oper/Maint. - Other	2,707.63
6621.1.26 Natural Gas	2,221.29
6622.1.26 Electricity	3,957.00
<b>Total 6600.1.26 Supply-Oper/Maint.</b>	<b>8,885.92</b>
6610.1.26 Supplies	3,023.68
<b>Total 2600.1 OPERATIONS</b>	<b>375,488.49</b>
<b>Total 100 Regular Education</b>	<b>1,904,217.77</b>
200 Special Education	
1000.2 Instruction	
6100.2.10 Special Ed. Salaries	
6100.2.10 SPED Aide Salaries	32,650.97
6122.2.10 Special Ed Teacher	104,089.24
<b>Total 6100.2.10 Special Ed. Salaries</b>	<b>136,740.21</b>
6200.2.10 Payroll Expenses	
6201.2.10 SS Employer Exp	18,534.26
6202.2.10 Med Employer Exp	2,437.10
6203.2.10 AZ SUI Employer	706.79
6231.2.10 ASRS exp sped	19,069.67
6232.2.10 ASRS LTD Expense	235.95
<b>Total 6200.2.10 Payroll Expenses</b>	<b>40,983.77</b>
6300.2.10 Purchased Serv SPED	28,893.75
Prop 301 Base -SPED	56,628.00
<b>Total 6300.2.10 Purchased Serv SPED</b>	<b>85,521.75</b>
6530.1.10	151.27
6600.2.10 Supplies SPED	3,408.93
<b>Total 1000.2 Instruction</b>	<b>266,805.93</b>
<b>Total 200 Special Education</b>	<b>266,805.93</b>

# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
630 Donations -	
1530 AZ Tax Credit	
Field Trips	10,589.75
Interscholastic Athletics	9,858.38
<b>Total 1530 AZ Tax Credit</b>	<b>20,448.13</b>
1532 Field Trips	
1532 Field Trips - Other	1,474.57
<b>Total 1532 Field Trips</b>	<b>1,474.57</b>
1533 Fundraisers	
1533 Fundraisers - Other	6,306.48
1533rc- Robotics Cedar Expenses	264.96
<b>Total 1533 Fundraisers - Other</b>	<b>6,571.44</b>
1533d Tea Club	0.00
1533g PTG Expenses	1,203.08
1533h StuCo 5/6 Expense	
<b>Total 1533 Fundraisers</b>	<b>7,774.52</b>
Donations - Other	6,183.45
<b>Total 630 Donations -</b>	<b>35,880.67</b>
700 Before & After Care	
B&A supplies	42.46
B&A Supplies Summer Camp	0.00
<b>Total B&amp;A supplies</b>	<b>42.46</b>
Snacks	5,855.91
<b>Total 700 Before &amp; After Care</b>	<b>5,898.37</b>
FEDERAL PROJECTS	
1110 Title I	
1000 Instruction	
1000-6100.1 - Salaries	3,570.00
1000-6200.3 Benefits	0.00
1000-6600 - Supplies	6,976.31
<b>Total 1000 Instruction</b>	<b>10,546.31</b>
2100 Support Services	
2100-6100 Salaries	0.00
<b>Total 2100 Support Services</b>	<b>0.00</b>
<b>Total 1110 Title I</b>	<b>10,546.31</b>
1140 Title IIA Impr Teach Qual	
1140-2100-6100 Salaries	3,500.00
<b>Total 1140 Title IIA Impr Teach Qual</b>	<b>3,500.00</b>
1160 Title IV Specials Program	
1160-1000-6100 Salaries	10,000.00



# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
<b>Total 1160 Title IV Specials Program</b>	<b>10,000.00</b>
1220 IDEA B	
1220-1000-6200 Benefits	
6201.1.12 SS Employer Exp IDEA	0.00
<b>Total 1220-1000-6200 Benefits</b>	<b>0.00</b>
1220-2100-6300 Purch Services	26,180.00
1220-2200-6100 Salaries	25,000.00
<b>Total 1220 IDEA B</b>	<b>51,180.00</b>
1220p IDEA B Preschool	
1220 p 2100-6300 Support Services	750.00
<b>Total 1220p IDEA B Preschool</b>	<b>750.00</b>
1320 ESSER II Fund	
1520-6100-1000 Salaries	0.00
1520-6200-1000-Emp Benefits	0.00
<b>Total 1320 ESSER II Fund</b>	<b>0.00</b>
1330 ESSER III Funds	
1530-6100-1000 Salaries	
1530-6400-2100-2700 Supplies	0.00
<b>Total 1330 ESSER III Funds</b>	<b>0.00</b>
1700 SRSA Funds	
1700-6500-2100 Support Services	5,460.00
1700-6600-1000 Supplies	12,232.75
<b>Total 1700 SRSA Funds</b>	<b>17,692.75</b>
2700 SEI Grant	3,000.00
<b>Total FEDERAL PROJECTS</b>	<b>96,669.06</b>
<b>Total GENERAL FUND</b>	<b>2,309,471.80</b>
STATE PROJECTS	
Move on When Reading	
1485 MOWR - Reading Program	
1485-6300 Purchased Services	7,000.00
1485-6600 Supplies	684.73
<b>Total 1485 MOWR - Reading Program</b>	<b>7,684.73</b>
<b>Total Move on When Reading</b>	<b>7,684.73</b>
<b>Total STATE PROJECTS</b>	<b>7,684.73</b>
<b>Total Expenses</b>	<b>\$2,317,156.53</b>
<b>NET OPERATING INCOME</b>	<b>\$614,898.55</b>

# Flagstaff Junior Academy

## Profit and Loss

July 2024 - February 2025

	TOTAL
Other Expenses	
Investment Income, Expenses and Losses	75.91
Change In Value of Investments	-189.80
Gain on Investments	-279.65
Transactions and Income	27.00
<b>Total Investment Income, Expenses and Losses</b>	<b>-366.54</b>
<b>Total Other Expenses</b>	<b>\$ -366.54</b>
<b>NET OTHER INCOME</b>	<b>\$366.54</b>
<b>NET INCOME</b>	<b>\$615,265.09</b>

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**APPENDIX D**

**CHARTER SCHOOLS IN ARIZONA**

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## APPENDIX D

### CHARTER SCHOOLS IN ARIZONA

This Appendix summarizes certain provisions of the Charter School Act applicable to charter schools in the State, including the School (the “*Charter School Act*”). This Appendix provides a summary only and is for informational purposes only. Potential investors should refer to and independently evaluate applicable provisions of the Charter School Act in their entirety, with assistance from counsel as necessary, for a complete understanding of their terms. Potential investors should note that the provisions summarized below are subject to change, and this summary only pertains to certain aspects of currently existing law. See “BONDHOLDERS’ RISKS – Funding and Future Changes to Charter School Laws” in the Limited Offering Memorandum.

#### ***Charter School Finance***

##### *General*

The Arizona Department of Education (the “ADE”) relies on both state and federal funding for the supervision, administration, and operation of charter schools. Both traditional public schools operated by school districts (“District Schools”) and charter schools receive funding dependent on the student Average Daily Membership (“ADM”) for each fiscal year. According to the fiscal year 2023-24 Annual Report of the Arizona Superintendent of Public Instruction, dated January 12, 2025 (the “Annual Report”), the total student ADM in Arizona charter schools has increased from 164,351 in the 2015-16 school year (approximately 15.2 percent of the State’s public school enrollment) to 223,284 in the 2023-24 school year (approximately 20.5 percent of the State’s public school enrollment).

##### *State Funding*

State payments for charter schools are a component of, and rely upon, the State’s budget. In years before fiscal year 2008-09 when the State experienced budget deficits, the State Legislature generally exempted K-12 classroom spending from budget cuts. During fiscal years 2008-09 through 2012-13, however, the State Legislature adopted budgets that included spending cuts to funding for K-12 education in order to address budget deficits resulting from the significant deterioration of economic conditions in the United States and the State. The provisions of these budgets that directly affected charter school funding were lump sum reductions of the total Additional Assistance (as defined below) funding and reducing or eliminating the historical percentage increase in the base level support for public schools, including charter schools.

In 2000, Arizona voters approved Proposition 301, a referendum that statutorily requires the State Legislature to make annual inflation adjustments to the base level support for K-12 education funding. Because the State Legislature did not increase the base level support for three fiscal years during the economic downturn, several school districts, the Arizona Education Association, the Arizona School Boards Association and others filed suit against the State seeking a declaratory judgment that Proposition 301 (now Arizona Revised Statutes Section 15- 901.01) requires the State Legislature to annually adjust the base level support for inflation. After multiple years of litigation, the parties were ordered by the court to enter into mediation to negotiate a settlement. In October 2015, the parties reached an agreement and the State Legislature enacted House Bill 2001 during a special legislative session, which (1) provided for a reset of the fiscal year 2015-16 base level support to \$3,600 (an increase in funding of \$249 million), (2) implemented State Land Trust distributions to allow 6.9 percent distribution for ten years with all distributions and supplemental appropriations credited as fulfillment of Proposition 301 funding obligations, (3) implemented multiple triggers for suspending the Proposition 301 base level inflator and adjusting the State Land Trust distributions, (4) implemented supplemental (non-base level) general fund commitments (appropriating \$50 million for five years starting with fiscal year 2015-16 and \$75 million for five years starting with fiscal year 2020-21), (5) clarified that the State Legislature’s constitutional authority remains intact and is not limited by any of the changes to the State Constitution, and (6) conditionally enacted the entire package pending approval by the Arizona voters (“*Proposition 123*”). The Arizona voters approved Proposition 123 at a special election on May 17, 2016, which permitted the K-12 education funding increases for fiscal year 2015-16 and 2016-17 to become law. Under Proposition 123, funding growth for K-12 schools in the State will be contingent on economic growth, general fund spending and revenue performance and the State Land Trust balance. Opponents of Proposition 123 filed a lawsuit in federal court challenging the validity of the Proposition. On April 2, 2018, a federal judge ruled that the distributions from the

Arizona State Land Trust authorized by Proposition 123 violated federal law and required prior Congressional approval. The State Governor's Office appealed to the Ninth Circuit, which reversed the District Court's ruling, in part, because Congress approved Proposition 123. Proposition 123 is set to expire in July 2025 as its renewal did not make it on Arizona's November 2024 ballot. Accordingly, the State Legislature will need to call a special election before then for its renewal.

On February 21, 2022, the State Legislature voted to waive the education funding cap for K-12 school districts, avoiding a 16% budget cut on public school districts and charter schools across the State. The override of the funding limit averted an education crisis for the following school year, but did not address the limit as a whole. The aggregate expenditure limit ("AEL") was added to the State Constitution in 1980 as a voter-approved measure to cut government spending by limiting the yearly budget of school districts. According to Article 9, Section 21 of the State Constitution, the AEL is determined each year by adjusting the expenditures for each school district from the previous school year to reflect the cost of living and student populations and multiplying by 1.10 for inflation. Proposition 301 was originally exempted from the spending cap, but when it came time for its renewal, lawmakers did not go back to the voters for an exemption to the AEL. However, for fiscal year 2022, with the expenditure surpassing the given limit, the State Legislature was given the decision to override the AEL or impose the 16% budget cuts.

Proposition 208 was introduced as a voter-approved tax on incomes over \$250,000 to increase funding for public education. Proposition 208 was approved in 2020 and Republicans in the State Legislature have since advocated for removal of the 3.5% tax. The State Supreme Court struck down Proposition 208 as unconstitutional to the extent it mandates expending tax revenues in violation of the AEL.

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The following table shows historical levels of State allocation for charter schools. See “BONDHOLDERS’ RISKS – Changes in Law; Annual Appropriation; Inadequate State Payments.” The information has been obtained from information provided by the ADE.

Fiscal Year	Base Level <sup>(1)</sup>	State Allocation	
		Additional Assistance <sup>(2)</sup>	
		K-8	9-12
2011-12	\$3,267.72	\$1,621.97 <sup>(3)</sup>	\$1,890.38 <sup>(3)</sup>
2012-13	3,267.72	1,654.41 <sup>(4)</sup>	1,928.19 <sup>(4)</sup>
2013-14	3,326.54	1,684.19 <sup>(4)</sup>	1,962.90 <sup>(4)</sup>
2014-15	3,373.11	1,707.77 <sup>(4)</sup>	1,990.38 <sup>(4)</sup>
2015-16	3,600.00	1,734.92 <sup>(5)</sup>	2,022.02 <sup>(5)</sup>
2016-17	3,635.64	1,752.10 <sup>(5)</sup>	2,042.04 <sup>(5)</sup>
2017-18	3,683.27	1,775.05 <sup>(5)</sup>	2,068.79 <sup>(5)</sup>
2018-19	3,960.07	1,807.00 <sup>(6)</sup>	2,106.03 <sup>(6)</sup>
2019-20	4,150.43	1,843.14 <sup>(7)</sup>	2,148.15 <sup>(7)</sup>
2020-21	4,305.73	1,875.21 <sup>(8)</sup>	2,185.53 <sup>(8)</sup>
2021-22	4,390.65	1,897.90 <sup>(9)</sup>	2,211.97 <sup>(9)</sup>
2022-23	4,775.27	1,985.58 <sup>(10)</sup>	2,314.16 <sup>(10)</sup>
2023-24	4,914.71	2,049.12 <sup>(11)</sup>	2,388.21 <sup>(11)</sup>
2024-25	5,012.45 <sup>(12)</sup>	2,090.10 <sup>(12)</sup>	2,435.97 <sup>(12)</sup>
2025-26	NA <sup>(13)</sup>	NA <sup>(13)</sup>	NA <sup>(13)</sup>

- (1) The base level amount is not a per pupil payment; charter schools receive this amount multiplied by an adjusted student count as described in “State Payments Calculation” below.
- (2) Additional Assistance, which can be spent by the charter school for any purpose, is paid on a per pupil basis. The amount of Additional Assistance is statutorily prescribed as a set amount, which may only be changed through the legislative process. See Arizona Revised Statutes Section 15-185B.4.
- (3) The State budget for 2011-12 included a lump-sum reduction of \$17.656 million in the Additional Assistance funding for charter schools.
- (4) The State budget for each of 2012-13, 2013-14 and 2014-15 included a lump-sum reduction of \$15.656 million in the Additional Assistance funding for charter schools.
- (5) The State budget for each of 2015-16, 2016-17 and 2017-18 included a lump-sum reduction of \$18.656 million in the Additional Assistance funding for charter schools.
- (6) The State budget for 2018-19 included a lump-sum reduction of \$13.628 million in the Additional Assistance funding for charter schools.
- (7) The State budget for 2019-20 included a lump-sum reduction of \$6.8144 million in the Additional Assistance funding for charter schools.
- (8) The State budget for 2020-21 included a lump-sum reduction of \$3.4072 million in the Additional Assistance funding for charter schools.
- (9) The State budget for 2021-22 included a 1.21% increase for regular inflation in the Additional Assistance funding for charter schools.
- (10) The State budget for 2022-23 included a lump-sum increase of \$12.1 million (a 2.62% increase above regular inflation for a 4.62% increase) in the Additional Assistance funding for charter schools.
- (11) The State budget for 2023-24 included a lump-sum increase of \$5.9 million (a 1.20% increase above regular inflation for a 3.20% increase) in the Additional Assistance funding for charter schools.
- (12) The State budget for 2024-25 included a lump-sum increase of \$5.858 million in the Additional Assistance funding for charter schools, which is in line with the standard 2% inflation adjustment.
- (13) The State Legislature has not passed a budget for 2025-26 as of the date of this Limited Offering Memorandum.

Charter schools and District Schools are paid based on the number of students educated. The ADE adjusts the payments based upon the number and type of students attending each school as described more fully under “*State Payments Calculation*” below. Charter schools receive payments based upon current-year student count, and, in general, District Schools receive payments based on a prior year student count. Both types of schools have the same fiscal year, July 1 to June 30. The formulas used to calculate actual per-pupil funding are very similar for both charter schools and District Schools. However, charter schools have two additional student reporting requirements. Charter schools project student attendance each June for their first three monthly payments, and then an actual counting of students occurs periodically thereafter, as described below, to enable the ADE to adjust their remaining monthly payments to reflect a “current-year” student count.

To receive funding, charter schools must report student level data (absences, new enrollments, withdrawals, changes in grade, etc.) in electronic form to the ADE within 20 days after the first day of the school year and no less frequently than every 20 school days thereafter. The ADE calculates fortieth and one-hundredth day ADM counts based on this data. These counts are available to the public on the Internet at [www.ade.az.gov/districts](http://www.ade.az.gov/districts) (which website is not incorporated herein by reference). Adjustments are made for each reporting requirement so that each one-twelfth monthly apportionment reflects the most accurate student count possible. If a school's enrollment goes down, it may not receive a payment one month or it may receive a reduced payment. If a school's enrollment increases, it will receive a larger payment during one or more subsequent months so that the school receives accurate funding amounts by the end of the fiscal year. Charter schools also submit a year-end enrollment form.

#### Charter School Monthly Payments

<u>Month</u>	<u>Percent of Annual Revenue Paid</u>	<u>Payment Determination (typical)</u>
July	1/12	June 15 estimates
August	1/12	July 15 estimates
September	1/12	August 15 headcount
October	1/12	September 15 headcount
November	1/12	40th day count
December	1/12	40th day count
January	1/12	40th day count
February	1/12	40th day count
March	1/12	100th day count
April	1/12	100th day count
May	1/12	100th day count
June	1/12	100th day count

In addition, charter schools currently submit special education census numbers in November and January of each year. Because a school receives additional money for each special education student and this money is part of the monthly apportionments, charter schools forecast special education enrollment in June, and payment adjustments as a result of the two official census counts are made in December and February of the school year.

Charter schools that are providing at least 200 days of instruction also complete a 200-day ADM calculation. Schools conducting at least 200 days of instruction can have 5 percent added to their base equalization amount. Payment adjustments made as a result of the 200th day count will be made, if positive, in the following September and, if negative, 3/12ths in the following September and 1/12th in each month thereafter.

#### *Calculating State Funding*

Charter schools calculate their base support level similarly to District Schools. Both types of public schools use a similar worksheet for determining base support level and a weighted student count (as described more fully under "*State Payments Calculation*" below). This means that both charter schools and District Schools receive the same amount of funding for a hearing-impaired child or a K-3 grade student, or if they serve fewer than 99 students. Funding also is weighted based on the size of the school. The major differences in revenue calculations between charter schools and District Schools are found in the area of capital, or for charter schools, in "Additional Assistance."

Charter schools and District Schools were put on distinctly separate paths for the calculation of capital assistance with the 1998 passage of Students FIRST legislation in the State. Students FIRST resulted in the payment of approximately \$300-400 new dollars per child to charter schools in lieu of capital assistance. Students FIRST also gave charter schools increased flexibility in how they spend their money, essentially making their money fungible. Beginning in fiscal year 1999-00, charter schools receive per pupil "Additional Assistance" equal to the amounts set forth under "State Allocation" above. This Additional Assistance funding for charter schools consolidates amounts previously paid for capital outlay revenue limit, capital levy revenue limit, transportation and capital assistance. Charter school revenue may be spent in any manner that a charter school deems appropriate; charter school revenue



does not come with categorical “strings.” Prior to Students FIRST, and still in District Schools, revenue was generated based on categories of funding, and revenue generally could only be spent within those categories.

#### *State Payments Calculation*

The principal revenue source of the Borrower with respect to the School is, or will be, State Payments paid as set forth above. The funds received from the State are paid on a per pupil basis and are generated by enrollment, with adjustments in payments made during each year based on designated dates for counting students enrolled. The actual amount for that year is determined by adding the amount of the statutorily set base support level and the Additional Assistance for such year and requires a number of formula driven calculations using the Uniform System of Financial Records for Charter Schools (“USFRCS”), which is regulated by the State Auditor General.

For example, for each fiscal year, the ADE uses the following methodology to determine the amount of State payments a charter school will receive based on the 40th or 100th day student count:

- (a) The 40th (or 100th day, as applicable) ADM actual student count is utilized as the official student count for calculation purposes (“Student Count”).
- (b) A Support Level Weight is calculated for each charter school depending on the grade level and the Student Count.
- (c) The Student Count is then multiplied by the Support Level Weight to determine the Weighted Student Count, and Add-Ons to the Weighted Student Count are then calculated. (Add-Ons are formula driven calculations reflecting generally the number of children with disabilities or limited English proficiency in the student body population.) The Weighted Student Count plus Add-Ons is multiplied by the base level amount to determine the Base Support Level.
- (d) To the Base Support Level, the applicable Additional Assistance is added, which is derived by multiplying the Student Count by a specific statutory amount, depending on the grade level.
- (e) A charter school receives as State payments the sum of the Base Support Level (as calculated in (c) above) and the Additional Assistance (as calculated in (d) above), plus certain minor positive adjustments for audit costs, or if the charter school offered 200 days of instruction. A charter school’s State payments also could be reduced for moneys received by the charter school from federal or State agencies for basic maintenance and operation of the charter school.

#### *Results-Based Funding*

In 2017, the State Legislature enacted Arizona Revised Statutes Section 15-249.08 to establish a new fund entitled the Results-Based Funding Fund (the “RBFF”), which is administered by the ADE. Monies in the RBFF are continuously appropriated. Beginning in fiscal year 2018-19, schools will be required to have received a letter grade of “A” under the A through F letter grade system to receive results-based funding. See “Key Elements in the Charter School Statutes – School Accountability; Letter Grade System; School Improvement Plans; Withholding of State Monies (A.R.S. Sections 15-241 and 15-241.02)” in this APPENDIX D. Schools with less than 60 percent of students eligible for free or reduced-price lunch (“FRPL”) will receive \$225 per pupil from the RBFF. Schools with 60 percent or more FRPL-eligibility will receive \$400 per pupil from the RBFF. The majority of the monies received from the RBFF by District Schools or charter schools must be used at the school that earned the results for teacher salaries, to hire teachers, for school leader salaries, for classroom supplies and for other strategies to sustain outcomes for students at that school. A portion of the moneys received from the RBFF by District Schools or charter school may be used for expanding and replicating that school site as a quality school model. “Expanding and replicating” means providing for costs associated with adding seats and serving more students at the awarded school site, including students on a waiting list; mentoring school leaders and teachers from other sites to replicate the model and instructional practices that show results in closing the achievement gap; physically expanding the results-based funding model or strategies at another location to improve academic outcomes at that location and to accelerate academic growth.

#### *Empowerment Scholarship Account Program*

The Empowerment Scholarship Account program (the “ESA”) was passed in 2011 by the State Legislature. The ESA establishes an account administered by ADE and funded by state tax dollars to provide options for the education of qualified students in the State. The ESA allows parents of qualified students to utilize public monies to purchase educational services from private schools, education providers, and/or vendors. The ESA program was

expanded in 2022 by the State Legislature, making all K-12 students eligible for the program. Eligible students receive 90% of the State aid that would have gone to the student's school district or charter school had the student remained enrolled in the public school system. Students in the program can choose to attend a charter school.

Pursuant to ESA authorizing statutes (*A.R.S. Sections 15-2401 through 15-2405*), an ESA Account Holder (as defined therein) must use at least a portion of the funds to provide an education in at least the following subjects: reading, grammar, mathematics, social studies, and science. The ADE reserves the right to terminate an ESA for violations of the contract, applicable policies, rules, or laws including:

- (a) Enrolling the student in a public district school, charter school, and/or public online schools (including summer public school), without paying the public school.
- (b) Accepting any School Tuition Organization (STO) scholarship or tax credit scholarship while on an ESA contract.
- (c) Failing to provide debit card transaction receipts by the quarterly deadlines.
- (d) Failing to spend a portion of your student's ESA funds annually in at least the following subjects: reading, grammar, mathematics, social studies, and science.
- (e) Misspending funds or committing fraud.

#### *Federal Funding*

Non-profit charter school students are treated similarly to other public school students for the purpose of eligibility for federal entitlement programs. These federal programs include School-to-Work, Migrant Education, Special Education and traditional Title I. Charter schools, regardless of their sponsoring entity (discussed in this APPENDIX D under "Key Elements in the Charter School Statute"), apply directly to the State or the federal Department of Education for these types of programs, depending on which entity administers the program. Eligibility in income-sensitive programs is determined by eligibility for the National School Lunch Program. All charter schools collect this information each fall, and new schools receive their federal money the following May. Following the first year of operation, charter schools may use the prior year's count to project program eligibility, and actual count adjustments are made each May.

#### *Revenue Sources*

Charter schools must categorize their revenue and expenditures by source – either federal, State, local or intermediate. Charter schools receive the majority of their funding from the State's General Fund. According to the Annual Report, charter schools received 80.89 percent of their revenue from the State, 11.64 percent from federal sources, 7.40 percent from local sources, and 0.08 percent from intermediate sources during the 2023-24 school year.

#### *Classroom Site Fund/Instructional Improvement Fund*

Arizona Revised Statutes Section 15-977 created the Classroom Site Fund ("CSF") to provide funding to District Schools and charter schools for designated purposes. The CSF is funded, in part, by funds from a 0.60 percent sales tax for educational purposes initially authorized by voters at a statewide election in November 2000 to be levied and collected until June 30, 2021, and extended by the State Legislature until June 30, 2041, pursuant to Arizona Revised Statutes Sections 42-5010.01 and 42-5029.02. The ADE administers the CSF and allocates CSF funds to District Schools and charter schools based on student count and other factors specified by statute. A District School governing board or charter school must spend moneys from the CSF "for use at the school site." Teacher compensation distributed must supplement, and not supplant, teacher compensation monies from any other sources.

A District School governing board must adopt a performance-based compensation system at a public hearing to allocate the funding from the CSF. Individual teacher performance must be a component of allocation for teacher compensation. The performance based compensation system must include the following elements: (1) District School performance and school performance, (2) individual teacher performance, (3) measures of academic progress toward the academic standards adopted by the Arizona State Board of Education, (4) other measures of academic progress, (5) dropout or graduation rates, (6) attendance rates, (7) ratings of school quality by parents, (8) ratings of school quality by students, (9) the input of teachers and administrators, (10) approval of the performance based compensation system based on an affirmative vote of at least 70 percent of the teachers eligible to participate in the performance

based compensation system, (11) an appeals process for teachers who have been denied performance based compensation, and (12) regular evaluations for effectiveness; provided, however, a District School governing board may modify the preceding elements and consider additional elements at a public hearing at which it adopts the performance based compensation system. A performance-based compensation system must include teacher professional development programs that are aligned with the elements of the performance-based compensation system.

Monies distributed from the CSF shall be spent for the following purposes: (1) class size reduction; (2) teacher compensation, including a base pay and performance pay component; (3) assessment intervention programs; (4) teacher development; (5) dropout prevention programs; (6) teacher liability insurance premiums; and (7) student support services.

The District School or charter school must notify each school principal of the amount available to the school by April 15 of each year and must “request from the school’s principal each school’s priority” for the allocation of the funds available to the school for each program listed in the preceding paragraph.

In addition to the funds provided by Arizona Revised Statutes Section 15-977, the State Legislature enacted Arizona Revised Statutes Section 15-979 to provide an additional fund entitled the Instructional Improvement Fund (the “IIF”), which is not subject to appropriation. The ADE pays the moneys in the IIF to District Schools and charter schools. Each District School and charter school may use up to 50 percent of its IIF moneys for teacher compensation increases and class size reduction in accordance with the CSF allocations. The balance of the IIF moneys must be utilized for drop-out prevention programs and instructional improvement programs including programs to develop minimum reading skills for students by the end of third grade. IIF moneys are paid at varying intervals through the same process as the payment of the CSF moneys.

*In calculating funds available to the Borrower to meet its obligations with respect to the Loan Agreement, it has been assumed that any revenues received from the CSF or IIF will be fully offset by statutorily allowable expenses and will not be available to make payments due under the Loan Agreement. Under their respective statutes, neither CSF nor IIF revenues may be pledged as Pledged Revenues.*

### ***Key Elements in the Charter School Statutes***

#### *Definition of Charter School (A.R.S. Sections 15-101 and 15-181)*

A charter school is a public school established by contract with its sponsor to provide a learning environment that will improve pupil achievement. Charter schools provide additional academic choices for parents and pupils. Charter schools may consist of new schools or all or any portion of an existing school. Charter schools are public schools that serve as alternatives to traditional public schools, and charter schools are not subject to the requirements of Article XI, Section 1 of the State Constitution (relating to the establishment and maintenance of a general and uniform public school system) or Chapter 16 of Title 15, Arizona Revised Statutes (relating to school capital finance and certain minimum school facility adequacy standards).

#### *Arizona State Board for Charter Schools (A.R.S. Section 15-182)*

The ASBCS has been established and consists of members specified by law representing specific bodies or constituencies. The ASBCS exercises general supervision over charter schools sponsored by the ASBCS, recommends legislation pertaining to charter schools, grants charter status to qualifying applicants, adopts rules and policies governing school operations, and undertakes related administrative matters.

#### *Applicants for Charter Schools (A.R.S. Section 15-183B)*

The applicant seeking to establish a charter school may be a public body, a private person or a private organization.

#### *The Charter Application (A.R.S. Section 15-183A)*

The charter application shall include a detailed educational plan, a detailed business plan, a detailed operational plan and any other materials required by the sponsor.

*Sponsors of Charter Schools and Performance Framework (A.R.S. Sections 15-183C and 15-183R)*

The sponsor of a charter school may be the State Board of Education, the ASBCS, a university under the jurisdiction of the Arizona Board of Regents, a community college district or a group of community college districts.

The sponsor of a charter school shall have oversight and administrative responsibility for the charter schools that it sponsors. In implementing its oversight and administrative responsibilities, the sponsor shall ground its actions in evidence of the charter holder's performance in accordance with the performance framework adopted by the sponsor. The performance framework shall include: (1) the academic performance expectations of the charter school and the measurement of sufficient progress toward the academic performance expectations; (2) the operational expectations of the charter school, including adherence to all applicable laws and obligations of the charter contract; (3) the financial expectations of the charter school; and (4) intervention and improvement policies.

*Charter School Requirements (A.R.S. Section 15-183E)*

The charter contract shall ensure that the charter school: is in compliance with federal, State and local rules, regulations and statutes pertaining to health, safety, civil rights and insurance; is nonsectarian in its programs, admission policies and employment practices and all other operations; provides a comprehensive education program of instruction for at least a kindergarten program or any grade between one and twelve, but may emphasize a specific learning philosophy or style or certain subject area; designs a method to measure pupil progress toward pupil outcomes adopted by the State Board of Education, and the completion of an Annual Report Card; is subject to certain financial requirements, including the USFRCS, Procurement Rules and Audit Requirements; is in compliance with all federal and state laws relating to the education of children with disabilities; provides for a governing body for the charter school that is responsible for the policy decisions of the charter school; and provides a minimum of 180 instructional days before June 30 of each fiscal year unless it is operating on an alternative calendar approved by its sponsor. A charter school is exempt from all statutes and rules pertaining to schools, governing boards and school districts except as provided in Arizona Revised Statutes Section 15-181 et seq. or its charter.

*Pupil Admission Requirements (A.R.S. Section 15-184)*

A charter school shall enroll all eligible pupils who submit a timely application, unless the number of applications exceeds the capacity of a program, class, grade level or building. A charter school shall give enrollment preference to pupils returning to the charter school in the second or any subsequent year of its operation and to siblings of pupils already enrolled in the charter school. A charter school may give enrollment preference to children who are in foster care or meet the definition of "unaccompanied youth" prescribed in the McKinney-Vento Homeless Assistance Act (42 U.S.C. § 11434a). A charter school may give enrollment preference to and reserve capacity for pupils who (1) are children, grandchildren and legal wards of (a) employees of the school, (b) employees of the charter holder, (c) members of the governing body of the school or (d) directors, officers, partners or board members of the charter holder or (2) attended another charter school or the siblings of that pupil if the charter school previously attended by the pupil has the identical charter holder, board and governing board membership as the enrolling charter school or is managed by the same educational management organization, charter management organization or educational service provider as determined by the charter authorizer. If remaining capacity is insufficient to enroll all pupils who submit a timely application, the charter school shall select pupils through an equitable selection process such as a lottery except that preference shall be given to siblings of a pupil selected through an equitable selection process such as a lottery.

A charter school shall not limit admission based on ethnicity, national origin, gender, income level, disabling condition, proficiency in the English language or athletic ability.

A charter school may limit admission to pupils within a given age group or grade level.

A charter school may provide instruction to pupils of a single gender with the approval of the sponsor of the charter school.

A charter school may refuse to admit any pupil who has been expelled from another educational institution or who is in the process of being expelled from another educational institution.

A charter school governing body must develop and adopt in a public meeting policies to allow for visits, tours and observations of all classrooms by parents of enrolled pupils and parents who wish to enroll their children in the charter school unless a visit, tour or observation threatens the health and safety of pupils and staff. These policies and procedures must be easily accessible from the home page on each school's website.

*Budgeting (A.R.S. Sections 15-185 and 15-905)*

Charter schools must prepare a proposed budget each fiscal year on budget forms prescribed by the Office of the State Auditor General and the ADE, which include all information required by Arizona Revised Statutes. The charter school budget forms are reviewed annually and revised for legislative and other changes. The forms are issued in a USFRCS Memorandum with detailed instructions on preparing and adopting the budget.

Not later than July 5 or the date of publication of the notice of public hearing and board meeting described below, a charter school must submit the proposed budget in electronic form to the State Superintendent of Public Instruction and to the ADE, which information is required to be prominently displayed on the website maintained by the ADE. If the charter school maintains a website, the charter school must post a link to the ADE website where the charter school's proposed budget is posted. The proposed budget and a summary of the proposed budget must be kept on file at the school and made available to the public upon request.

The governing board of a charter school is required to prepare a notice fixing a time not later than July 15 and designating a public place at which a public hearing and board meeting considering the proposed budget will be held. The charter school must publish a copy of its proposed budget or the summary of the proposed budget and the notice of the public hearing and meeting no later than ten days before the meeting. Notification shall be either by publication in a newspaper of general circulation or by electronic transmission to the ADE for posting on the ADE website. The charter school must file an affidavit of publication, if any, with the State Superintendent of Public Instruction within 30 days after publication. If the proposed budget or summary of the proposed budget and notice are posted on the ADE website, the charter school must file an affidavit with the Superintendent of Public Instruction within 30 days after the date that the information is posted on the ADE website.

The governing board members shall hold the public hearing at the time and place designated in the notice. The purpose of the public hearing is to present the proposed budget publicly to all those present at the hearing. Any person may request the governing board to explain the budget or any item therein and may protest the inclusion of any item in the proposed budget.

Immediately following the public hearing, the president of the governing board shall call to order the special board meeting to adopt the proposed budget. The budget must be recorded in the board minutes. The governing board must submit the adopted budget to the State Superintendent of Public Instruction no later than July 18.

Charter schools may revise their adopted budgets during the fiscal year, provided all revisions are completed by May 15. If a charter school has overestimated its student count, it must revise its budget before May 15. If a charter school has underestimated its student count it may revise its budget before May 15. If a school receives federal or State grants, or other miscellaneous receipts that were not included in its adopted budget, the charter school may revise its adopted budget to include the additional moneys received.

*Charter Term; Nonrenewal or Revocation of a Charter (A.R.S. Sections 15-183I and 15-183J)*

The charter is effective for 15 years from the first day of the fiscal year as specified in the charter. At least 15 months before expiration of the charter, the charter school may apply for renewal of its charter.

A sponsor shall give written notice of its intent not to renew the charter school's request for renewal to the charter school at least 12 months before the expiration of the charter. The sponsor shall make data used in making renewal decisions available to the charter school and the public and shall provide a public report summarizing the evidence basis for each decision. The sponsor may deny the request for renewal if, in its judgment, the charter holder has failed to do any of the following: (a) meet or make sufficient progress toward the academic performance expectations set forth in the performance framework; (b) meet the operational performance expectations set forth in the performance framework or any improvement plans; (c) meet the financial performance expectations set forth in the performance framework or any improvement plans; (d) complete the obligations of the charter contract; or (e)

comply with Article 8 of Title 15 of the Arizona Revised Statutes (relating to operation of charter schools) or any provision of law from which the charter school is not exempt.

A sponsor shall review a charter at five year intervals using a performance framework adopted by the sponsor and may revoke a charter at any time if the charter school breaches one or more provisions of its charter or if the sponsor determines that the charter holder has failed to do any of the following: (a) meet or make sufficient progress toward the academic performance expectations set forth in the performance framework; (b) meet the operational performance expectations set forth in the performance framework or any improvement plans; (c) meet the financial performance expectations set forth in the performance framework or any improvement plans; or (d) comply with Article 8 of Title 15 of the Arizona Revised Statutes (relating to operation of charter schools) or any provision of law from which the charter school is not exempt. In determining whether to renew or revoke a charter holder, the sponsor must consider making sufficient progress toward the academic performance expectations set forth in the sponsor's performance framework as one of the most important factors.

Before the sponsor adopts a determination of intent to revoke a charter, the charter holder shall have at least 30 days to address the problems, as necessary or applicable, associated with the reason or reasons for the determination of intent to revoke. The sponsor is not required to provide the charter holder with 30 days to correct the problems associated with the reason or reasons for adopting a determination of intent to revoke if the reason or reasons cannot be remedied, including a failure to submit required financial audits pursuant to the Arizona Revised Statutes, or for a matter of health, safety, or both. Before the sponsor adopts a determination of intent to revoke a charter, the sponsor shall give written notice to the charter holder that includes the reason or reasons for the sponsor's consideration to revoke the charter. Notice may be provided by electronic means or by United States mail and is effective on the date of email or, if sent by United States mail, the earlier of the date of receipt by the charter holder or within five days after the notice is mailed. The determination of whether to proceed to revocation shall be made at a public meeting called for that purpose.

After renewal of the charter at the end of the 15-year period described above, the charter may be renewed for successive periods of 20 years.

*Charter Amendment (A.R.S. Section 15-183G and Ariz. Admin. Code Section 7-5-303(D)<sup>2</sup>)*

The charter contract of a charter school may be changed at the request of the governing body of the charter school and on the approval of the sponsor.

Charter schools that are sponsored by the ASBCS must submit all amendment requests electronically through the ASBCS' online system. The following amendments are required to be approved by the board of the ASBCS:

- Addition of or change to an Arizona Online Instruction Program of Instruction;
- Change in legal status of the charter holder;
- Change of entity that holds the charter;
- Increase the number of students the charter holder may serve;
- Add a grade level to a charter;
- Add a charter school to an existing charter;
- Change in program of instruction – Dropout Recovery Program;
- Change the mailing or physical address of a charter school (with an increase of enrollment); and
- Increase or decrease the grades served at a particular charter school (with an increase of enrollment).

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<sup>2</sup> Ariz. Admin. Code Section 7-5-303(D) delegates to staff authority to approve charter amendment requests under this Section, which is expanded upon in the ASBCS board's "Guide to Amending a Charter" which was published in 2017, and amended most recently in June 2020.

The following charter contract provisions may be amendments with approval of the executive director of the ASBCS (i.e., do not need to be placed on the agenda and approved by the board of the ASBCS):

- Change charter holder governance;
- Change the mailing or physical address of the charter holder;
- Change in charter holder entity name;
- Change in charter mission;
- Change charter representative;
- Decrease the number of students the charter holder may serve;
- Remove a grade level from a charter;
- Increase or decrease the number of annual instructional days;
- Exception from State procurement requirements;
- Change in program of instruction (other than Dropout Recovery Program);
- Close a charter school under an existing charter;
- Change membership of a charter school governing body;
- Change the name of a charter school;
- Change the mailing or physical address of a charter school (only);
- Increase or decrease the grades served at a particular charter school (only); and
- Exception from the USFRCS.

*School Accountability; Letter Grade System; School Improvement Plans; Withholding of State Monies (A.R.S. Sections 15-241 and 15-241.02)*

The ADE compiles an annual achievement profile that is used to determine a standard measurement of acceptable academic progress for each public school and local education agency. The annual achievement profile includes (1) multiple measures of academic performance or other academically relevant indicators of school quality appropriate to assess educational impact of a school, (2) academic progress on statewide assessments in English language arts and mathematics, (3) academic progress on the English language learner assessments, (4) for schools offering instruction in any of grades 9 through 12, progress toward college and career readiness, (5) academic progress on other statewide assessments, and (6) multiple measures of educational performance or other relevant indicators of school quality that assess a schools' educational impact, such as graduation rates and attendance rates. Each school and local education agency will be classified based on an A through F letter grade system in which a letter grade of "A" reflects an excellent level of performance and a letter grade of "F" reflects a failing level of performance. The school accountability statutes require schools with a letter grade of "D" or "F" to take certain remedial measures, including developing and submitting a school improvement plan. If a charter school fails to take the necessary remedial actions, it may be ineligible to receive monies from the CSF or may have its charter revoked. The school classifications are made available to the public. See APPENDIX A – "THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – SCHOOL ACCOUNTABILITY; STANDARDIZED TEST SCORES AND ANNUAL MEASURABLE OBJECTIVES" for specific results of the School.

*School Report Cards (A.R.S. Section 15-746)*

Each charter school shall distribute an annual report card that contains at least the following information:

1. A description of the school's regular, magnet and special instructional programs.
2. A description of the current academic goals of the school.
3. A summary of each of the following (a) the results achieved by pupils enrolled at the school during the prior three school years as measured by the statewide assessment and the nationally standardized norm-referenced achievement test as designated by the State Board of Education, (b) pupil progress

on an ongoing and annual basis, showing the trends in gain or loss in pupil achievement over time in reading, language arts and mathematics for all years in which pupils are enrolled in the school district for an entire school year and for which this information is available, and (c) pupil progress for pupils not enrolled in a district for an entire school year.

4. The attendance rate of pupils enrolled at the school as reflected in the school's average daily membership.
5. The total number of incidents that occurred on the school grounds, at school bus stops, on school buses and at school-sponsored events and that required the contact of local, State or federal law enforcement.
6. The percentage of pupils who have either graduated to the next grade level or graduated from high school.
7. A description of the social services available at the school site.
8. The school calendar including the length of the school day and hours of operations.
9. The total number of pupils enrolled at the school during the previous school year.
10. The transportation services available.
11. A description of the responsibilities of parents of children enrolled at the school.
12. A description of the responsibilities of the school to the parents of the children enrolled at the school including dates the report cards are delivered to the home.
13. A description of the composition and duties of the school council if such a school council exists.
14. For the most recent year available, the average current expenditure per pupil for administrative functions compared to the predicted average current expenditure per pupil for administrative functions according to an analysis of administrative cost data by the joint legislative budget committee staff.
15. If the school provides instruction to pupils in kindergarten programs and grades one through three, the ratio of pupils to teachers in each classroom where instruction is provided in kindergarten programs and grades one through three.
16. The average class size per grade level for all grade levels kindergarten through grade eight. For the purposes of this paragraph "average class size" means the weighted average of each class.

The ADE shall develop a standardized report card and shall modify the standardized report card as necessary on an annual basis. The ADE shall distribute to each school in the State a copy of the standardized report card that includes the required test scores for each school. Additional copies of the standardized report card shall be available on request.

After each charter school has completed the report card distributed to it by the ADE, the charter school shall send a copy of the report card to the ADE. The ADE shall prepare an annual report that contains the report card from each charter school in the State. Such report is available to the public on the ADE's website at [www.ade.state.az.us](http://www.ade.state.az.us) under the "AZ School Report Cards" link (which website is not incorporated herein by reference).

The charter school shall distribute report cards to parents of pupils enrolled at the school, no later than the last day of school of each fiscal year, and shall present a summary of the contents of the report cards at an annual public meeting held at the school. The school shall give notice at least two weeks before the public meeting that clearly states the purposes, time and place of the meeting.

Beginning in fiscal year 2021-2022, the school report card includes the following school level data:

1. The detailed total revenues generated by weighted student count.
2. The total allocated federal, state and local revenues.
3. The allocation of classroom site fund monies.
4. The amounts allocated for teacher pay and benefits, classroom supplies, student support and other expenditures.
5. A comparison of the funding information for each school in relation to the funding information for other schools in the same local education agency.
6. Any other information that is necessary for a transparent comparison between schools with respect to their revenues, expenditures, student demographics or academic achievement.



*Charter School Pupil Disciplinary Procedures (A.R.S. Section 15-186 and 15-186.01)*

Each charter school governing body shall develop procedures to annually report to the ADE in a manner prescribed by the ADE the number of suspensions and expulsions that involve the possession, use or sale of illegal substance and the type of illegal substance involved in each incident.

Additionally, each charter school governing body shall prescribe and enforce reasonable and appropriate policies to notify a pupil's parent or guardian if any person engages in harassing, threatening, or intimidating conduct (as defined in the statutory language) against that pupil. A charter school and its officials and employees are immune from civil liability with respect to all decisions made and actions taken that are based on good faith implementation of the requirements of this section, except in cases of gross negligence or wanton or willful neglect.

*Charter School Employment Benefits (A.R.S. Section 15-187 and 187.01)*

Charter schools sponsored by a university, a community college district, a group of community college districts, the Arizona State Board of Education or the ASBCS are eligible, but not required, to participate in the Arizona state retirement system. The charter school is a political subdivision of the State for purposes of participation in the Arizona state retirement system. Charter schools have the option of including the charter school's employee and spouses and dependents of the charter school's employees in State health and accident insurance coverage if the charter school's governing body determines that State health and accident insurance coverage is necessary, desirable, and in the best interest of the charter school.

*Charter Schools Stimulus Fund (A.R.S. Section 15-188)*

The charter schools stimulus fund is established for the purpose of providing financial support to charter school applicants and charter schools for start-up costs and costs associated with renovating or remodeling existing buildings and structures. The fund consists of monies appropriated by the State Legislature and grants, gifts, devises, and donations from any public or private source. The ADE shall administer the fund.

*Teacher Performance Evaluation Systems; Principal Evaluation Policies (A.R.S. Section 15-189.06)*

Each charter school governing body shall establish a system to evaluate the performance of teachers in the charter school that results in at least one evaluation of each teacher by a qualified evaluator each school year. The teacher performance evaluation system must meet all of the following criteria: (1) is designed to improve teacher performance and student achievement; (2) includes the use of quantitative data on the academic progress for all students, which shall account for between 20 percent and 33 percent of the evaluation outcomes; and (3) includes four performance classifications, designated as highly effective, effective, developing and ineffective.

Each charter school governing body shall adopt in a public meeting policies to implement for principal evaluations at the charter school. Before adopting principal evaluation policies, the governing body shall provide opportunities for public discussion on the proposed policies. For charter holders, the principal evaluation policies apply to each charter school's instructional leader whose primary responsibility is to oversee the academic performance of the charter school. This does not apply to an officer, director, member or partner of the charter holder. Each governing body shall adopt principal evaluation policies that meet all of the following criteria: (1) are designed to improve principal performance and student achievement; (2) include the use of quantitative data on the academic progress for all students, which shall account for between 20 percent and 33 percent of the evaluation outcomes; (3) include four performance classifications, designated as highly effective, effective, developing and ineffective; and (4) describe both of the following (a) the methods used to evaluate the performance of principals, including the data used to measure student performance and job effectiveness, and (b) the formula used to determine evaluation outcomes.

*Vacant Buildings and Used Equipment (A.R.S. Section 15-119)*

The Arizona Schools Facilities Board, a division within the Arizona Department of Administration, shall annually publish a list of vacant buildings and partially used buildings that are owned by the State or by school districts in the State that may be suitable for the operation of a school and make the list publicly available on its website and on request to applicants for charter schools, to applicants applying for additional space and to existing District Schools and charter schools. If a school district decides to sell or lease a vacant building or a partially used building, the school

district may not prohibit a charter school or a private school from negotiating to buy or lease the property in the same manner as other potential buyers or lessees. A school district may not accept an offer for the sale or lease of the vacant building or partially used building from a potential buyer or lessee that is less than an offer from a charter school or a private school. A school district may sell used equipment to a charter school or a private school before the school district attempts to sell or dispose of the equipment by other means.

*Arizona Public School Credit Enhancement Program (A.R.S. Sections 41-5841 and 41-5851 et. seq.)*

In 2016, the State Legislature passed Title 15, Chapter 16, Article 11, Arizona Revised Statutes, as amended (the “*Enhancement Program Act*”), which established the Arizona Public School Credit Enhancement Program (the “*Enhancement Program*”).<sup>3</sup> The Enhancement Program is administered by the Arizona Credit Enhancement Eligibility Board (the “*CEB*”). The CEB is authorized under the Enhancement Program Act to operate the Arizona Public School Credit Enhancement Fund (the “*Enhancement Fund*”), which has been funded at a fixed and limited amount of \$100 million, and use moneys therefrom to guarantee payments of regularly scheduled principal and interest payments on no more than \$350 million of Guaranteed Financings. A “*Guaranteed Financing*” is a debt obligation issued by or on behalf of a public district school or a public charter school in the State (each a “*public school*”) to acquire, construct, renovate, equip, refinance or improve capital facilities and for which the CEB has approved a guarantee of all or a portion of the principal and interest payments pursuant to the Enhancement Program. Only an Achievement District School is eligible to apply for approval of a Guaranteed Financing. An “*Achievement District School*” must meet certain eligibility requirements under State law related to the school’s performance, academic outcomes, enrollment statistics, financial soundness and community involvement, and apply to the CEB for approval of such designation.

If a charter school qualifies as an Achievement District School and applies for credit enhancement from the Program, the charter school’s Guaranteed Financing must include a fully-funded debt service reserve equal to at least the maximum amount permitted by the Code with respect to tax-exempt obligations. If the trustee for the Guaranteed Financing is required to draw on the debt service reserve fund to pay debt service on the Guaranteed Financing, the trustee can request reimbursement of the amount drawn from the Program. Thereafter, the charter school will be required to repay the Program in equal monthly installments over a 12 month period. Charter schools participating in the Program will be required to pay a fee equal to 0.25 percent of the outstanding principal amount of the Guaranteed Financing each year.

**The Series 2025 Bonds ARE NOT enhanced by the Program.**

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<sup>3</sup> Arizona House Bill 2898 (2021) transferred and renumbered Title 15, chapter 16, Arizona Revised Statutes for placement in Title 41, Arizona Revised Statutes, as a new chapter 56.

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**APPENDIX E**

**SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING  
DOCUMENTS**

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## **APPENDIX E**

### **SUBSTANTIALLY FINAL FORMS OF PRINCIPAL FINANCING DOCUMENTS\***

#### **Index of Documents:**

- 1. Indenture of Trust**
- 2. Loan Agreement**
- 3. Deed of Trust**

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\* To the extent set forth herein, delivery dates, dated dates, maturity schedules, optional redemption terms, interest rates, prices and yields for the Series 2025 Bonds and related documents are preliminary, subject to change.

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**INDENTURE OF TRUST**

Between

**THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF SIERRA VISTA,**  
as Issuer

and

**UMB BANK, NATIONAL ASSOCIATION,**  
as Trustee

    \$[PAR]  
The Industrial Development Authority  
of the City of Sierra Vista  
Education Facility Revenue Bonds  
(Flagstaff Junior Academy Project)  
Series 2025

Dated as of April 1, 2025

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EXHIBIT A	FORM OF BOND
EXHIBIT B	FORM OF INVESTOR LETTER

## INDENTURE OF TRUST

**THIS INDENTURE OF TRUST**, dated as of April 1, 2025 (as the same may be amended and supplemented, including by Supplemental Indentures, the “Indenture”), is between **THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA** (the “Issuer”), a nonprofit corporation designated as a political subdivision of the State of Arizona (the “State”), incorporated with the approval of the City of Sierra Vista (the “City”), pursuant to the provisions of the Constitution of the State and under Title 35, Chapter 5, Arizona Revised Statutes, as amended, and **UMB BANK, NATIONAL ASSOCIATION**, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”), being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America.

### W I T N E S S E T H:

WHEREAS, Arizona Revised Statutes Title 35, Chapter 5, Section 35-701 et seq. (as amended, the “Act”), authorizes the Issuer to finance and refinance “projects” (as defined in the Act), including the Project (as defined herein); and

WHEREAS, Flagstaff Junior Academy (the “Borrower”), a duly organized and validly existing Arizona nonprofit corporation operated exclusively for charitable and educational purposes as a charter school under Arizona Revised Statutes Title 15, Chapter 1, Article 8, as amended (the “Charter School Act”) has requested that the Issuer make a loan (the “Loan”) to the Borrower under that certain Loan Agreement, dated as of April 1, 2025 (the “Loan Agreement”), for the purposes of (i) financing, refinancing and/or reimbursing the Borrower for the acquisition, construction, improving, renovating, operating and equipping of land and/or facilities located at 1800 North Gemini Drive, Flagstaff, Arizona 86001 (collectively, the “Series 2025 Facilities”), (ii) funding of any required reserves as set forth in the Indenture, (iii) paying capitalized interest on the Series 2025 Bonds (defined below), and (iv) paying certain issuance expenses (collectively, the “Series 2025 Project”); and

WHEREAS, in order to make the Loan, the Issuer has agreed to issue its \$[PAR] aggregate principal amount The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”) pursuant to and secured by this Indenture; and

WHEREAS, the Series 2025 Bonds are to be substantially in the forms thereof set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, all things necessary (i) to make the Series 2025 Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the Issuer and (ii) to constitute this Indenture a valid, binding and legal instrument for the security of the Bonds (as defined herein) in accordance with its terms, have been done and performed;

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the Issuer, in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Registered Owners (as defined herein) thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time Outstanding (as defined herein) under this Indenture, according to their tenor and effect, to secure the performance and observance of all the covenants and conditions in the Bonds and herein contained, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, has executed and delivered this Indenture and has granted, bargained, sold, alienated, assigned, pledged, set over and confirmed, and by these presents does grant, bargain, sell, assign, pledge, set over and confirm unto the Trustee, to the extent provided herein, and to its successors and assigns forever, the following described property, franchises and income:

(a) The rights and interests of the Issuer under the Loan Agreement and the Promissory Note (both as defined herein), as amended from time to time, except the Issuer's Unassigned Rights (as defined herein).

(b) The rights, title and interests of the Issuer in the Facilities (as defined herein), subject to Permitted Encumbrances (as defined herein), except the Issuer's Unassigned Rights.

(c) The Revenues (as defined herein) and all rights and interests of the Issuer in the Pledged Revenues (as defined herein), subject to Permitted Encumbrances, except the Issuer's Unassigned Rights.

(d) All Funds (as defined herein) and accounts therein created in this Indenture (other than the Rebate Fund (as defined herein)), except for moneys or obligations deposited with or paid to the Trustee for the payment or redemption of Bonds that are no longer deemed to be Outstanding hereunder, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture.

(e) Any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security hereunder by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Trustee and its successors and assigns forever,

IN TRUST, NEVERTHELESS, upon the terms herein set forth in this Indenture, except as herein provided for the equal and proportionate benefit, security and protection of all Registered Owners of Bonds issued under and secured by this Indenture without privilege, priority or

distinction as to the lien or otherwise of any of the Bonds over any other of the Bonds except as otherwise provided in Article VII hereof or with respect to moneys otherwise held to redeem or pay particular Bonds hereunder;

PROVIDED, HOWEVER, that if the Issuer or its successors or assigns shall well and truly pay, or cause to be paid, the principal of the Bonds and the premium, if any, and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as hereinafter required or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, or certain securities as herein permitted and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee, the Issuer and the United States of America all sums of money due or to become due to them in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall cease, terminate, and be void; otherwise this Indenture to be and remain in full force and effect.

IT IS HEREBY EXPRESSLY ACKNOWLEDGED that the Issuer has entered into this Indenture and issued (or will issue) the Bonds to fulfill the public purposes of the Act, and the Trustee hereby accepts such trust and covenants to enforce the provisions of this Indenture and the Loan Agreement so as to effect the public purposes of the Act.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all property, rights, interests, and revenues and funds hereby pledged, assigned and mortgaged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee for the benefit of the Registered Owners from time to time as follows:

## ARTICLE I.

### DEFINITIONS; INDENTURE TO CONSTITUTE CONTRACT

**Section 1.01. Definitions.** All words and phrases defined in Article I of the Loan Agreement and not otherwise defined herein shall have the same meaning in this Indenture. In addition, the following terms, except where the context indicates otherwise, shall have the respective meanings set forth below.

“*Act*” means Arizona Revised Statutes Sections 35-701 et seq., as amended.

“*Act of Bankruptcy*” means the filing of a petition in bankruptcy under the United States Bankruptcy Code, or the institution of proceedings under state insolvency or other laws affecting creditors’ rights generally, by or against the Issuer or the Borrower; provided that such filings or proceedings have not been dismissed or, if dismissed, are subject to appeal.

“*Actual State Payment Date*” means the date of the Trustee’s actual receipt of the State Payments expected to be received on a particular Scheduled State Payment Date.

*“Additional Bonds”* means Bonds that may be issued under Section 2.11 of this Indenture.

*“Additional Promissory Note”* means any nonnegotiable promissory note or notes, in addition to the Series 2025 Promissory Note, executed and delivered by the Borrower to the Trustee in connection with the issuance of Additional Bonds, as provided in the Loan Agreement.

*“Affiliate”* or *“Affiliates”* means any Person sharing common ownership, management or control.

*“Authorized Denomination”* means \$25,000 or any integral multiple of \$5,000 in excess thereof of principal; provided that, upon and after receipt by the Trustee from the Borrower of a rating letter by Fitch, S&P or Moody’s indicating that the Bonds are rated “BBB-” or “Baa3,” as applicable, or better, the Authorized Denominations shall be \$5,000 and any multiple in excess thereof.

*“Authorized Representative”* means, in the case of the Issuer, any officer of the Issuer and any other person at the time designated to act on behalf of the Issuer by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by one of its authorized signatories, which certificate may designate an alternate or alternates, and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document; or, in the case of the Borrower, the Executive Director, the President, or the Secretary of the Borrower or any other officer, board member or person authorized by a resolution of the Board of Directors of the Borrower, and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

*“Beneficial Owner(s)”* means the person or entity for whom the Bonds were deposited with DTC (in the name of its nominee, Cede & Co.). A Person’s qualification as a Beneficial Owner shall be demonstrated by such showing as shall be reasonably acceptable to the Trustee.

*“Bond Closing Date”* means, (i) as to any Series of Additional Bonds, the date upon which such Series of Additional Bonds are delivered for due consideration and, (ii) as to the Series 2025 Bonds, [Closing Date], 2025.

*“Bond Counsel”* means Ice Miller LLP, or such other firm of nationally recognized attorneys, acceptable to the Issuer and the Borrower, with a proven reputation in the field of municipal finance and experienced in the financing of facilities for non-exempt persons through the issuance of tax-exempt revenue bonds under the exemption provided under Section 103 of the Code.

*“Bond Fund”* means the fund by that name created pursuant to Section 3.02 hereof.

*“Bond Purchase Agreement”* means (i) as to a Series of Additional Bonds, the bond purchase agreement among the Issuer, the underwriter named therein and the Borrower related to such Series of Additional Bonds and, (ii) as to the Series 2025 Bonds, means the Bond Purchase Agreement, dated [Pricing Date], 2025, among the Issuer, the Underwriter and the Borrower.

“*Bonds*” means, collectively, the Series 2025 Bonds and any Additional Bonds.

“*Borrower*” means Flagstaff Junior Academy, an Arizona nonprofit corporation, and an organization described in Section 501(c)(3) of the Code, or any surviving, resulting or transferee corporation, as provided in Section 8.02 of the Loan Agreement.

“*Business Day*” means any day other than a Saturday or Sunday or a day on which the Federal Reserve System or the Trustee is closed.

“*Capital Needs Assessment*” means a capital needs assessment conducted by an Independent Consultant pursuant to Section 8.15 of this Agreement and Section 3.13 of the Indenture.

“*Capital Needs Assessment Date*” means June 30, 2030, and every fifth anniversary thereafter as long as any Bonds are Outstanding.

“*Cede & Co.*” means Cede & Co., the nominee of DTC, and any successor nominee of DTC.

“*Charter School Act*” means Arizona Revised Statutes Title 15, Chapter 1, Article 8, as amended.

“*Charter School Contract*” means the Renewal Charter Contract between the Borrower and the Arizona State Board for Charter Schools, with a term from July 1, 2011, through and including June 30, 2031, as amended and modified from time to time, pursuant to which the Borrower operates the School.

“*City*” means the City of Sierra Vista, Arizona.

“*Code*” means the Internal Revenue Code of 1986, as amended. References to the Code and Sections of the Code include relevant applicable Regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Tax-Exempt Bonds.

“*Continuing Disclosure Undertaking*” means, (i) with respect to the Series 2025 Bonds, the Continuing Disclosure Undertaking, dated the Bond Closing Date for the Series 2025 Bonds, executed by the Borrower pursuant to Section 2.05 of the Loan Agreement and, (ii) as to any Series of Additional Bonds, the continuing disclosure undertaking executed by the Borrower in connection with the issuance of such Additional Bonds.

“*Cost of Issuance Fund*” means the fund by that name created pursuant to Section 3.02 hereof.

“*Costs of the Project*” means Costs of the Project as defined in the Loan Agreement.

“*Debt Service Reserve Fund*” means the fund by that name created pursuant to Section 3.02 hereof.



*“Debt Service Reserve Fund Requirement”* means, as of any date, the aggregate of the Series Debt Service Reserve Fund Requirement for all Series of Bonds for which any Bonds of such Series are at the time Outstanding.

*“Deed of Trust”* means, individually and collectively, as applicable, each Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing, among the Borrower, as trustor, the Trustee, as beneficiary, and the Title Company, as trustee, and any amendments and modifications thereto, relating to the Facilities.

*“Determination of Taxability”* means, with respect to a Series of Tax-Exempt Bonds, (i) the enactment of legislation or the adoption of final regulations or a final decision, ruling or technical advice by any federal judicial or administrative authority that has the effect of requiring interest on a Tax-Exempt Bond to be included in the gross income of the Beneficial Owner for federal income tax purposes or (ii) the receipt by the Issuer and Trustee of a written opinion of nationally recognized bond counsel selected by the Borrower and approved by the Issuer to the effect that interest on a Tax Exempt Bond must be included in gross income for federal income tax purposes. A Determination of Taxability will not result from the inclusion of interest on any Tax-Exempt Bond (a) in the computation of the alternative minimum tax imposed by Section 55 of the Code, the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on the net passive income of certain S corporations under Section 1375 of the Code or (b) as a result of a change to a federal statute by federal legislation passed into law after the date hereof.

*“DTC”* means The Depository Trust Company, New York, New York, and its successors and assigns.

*“Event of Default”* means those defaults specified in Section 10.01 of the Loan Agreement and in Section 8.01 of this Indenture.

*“Expense Fund”* means the fund by that name created pursuant to Section 3.02 hereof.

*“Facilities”* means, collectively, the Series 2025 Facilities, the Other Facilities, all additional land, buildings and equipment owned by the Borrower at any time and pledged to the Trustee to secure the Bonds.

*“Fiscal Year”* means the fiscal year of the Borrower, which currently begins on July 1 and ends on June 30 of each calendar year.

*“Fitch”* means Fitch Ratings, Inc.

*“Funds”* means, collectively, the Bond Fund, the Debt Service Reserve Fund, the Cost of Issuance Fund, the Expense Fund, the Project Fund, the Rebate Fund, the Revenue Fund, the Repair and Replacement Fund and any other funds, accounts or subaccounts held by the Trustee hereunder.

*“Generally Accepted Accounting Principles”* means those accounting principles applicable in the preparation of financial statements of the Borrower, as promulgated by the Financial

Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants.

*“Government Agency Obligations”* means any direct or indirect obligations of an agency or department of the United States of America whose obligations are rated “A” or better by a nationally recognized rating agency (without regard to gradations or modifiers within such category).

*“Government Obligations”* means bills, certificates of indebtedness, notes, bonds or similar securities that are direct obligations of, or the principal and interest of which are unconditionally guaranteed by, the United States of America.

*“Indebtedness”* means all indebtedness of the Borrower for borrowed moneys, or which has been incurred or assumed in connection with the acquisition, construction, improvement, operation and/or equipping of the Facilities, all indebtedness, no matter how created, secured by any of the Facilities or the Pledged Revenues, whether or not such indebtedness is assumed by the Borrower, including, but not limited to, any leases required to be capitalized in accordance with Generally Accepted Accounting Principles, installment purchase obligations and guaranties.

*“Independent”* means a Person who is not a member of the governing body of the Borrower or its Affiliates or an officer or employee of the Borrower or its Affiliates.

*“Interest Payment Date”* means, as to a Series of Additional Bonds, the Interest Payment Date established in the related Supplemental Indenture and, as to the Series 2025 Bonds, means each June 1 and December 1, commencing [\_\_\_\_\_ 1, 20\_\_].

*“Investment Obligations”* means the Investment Obligations for any Series of Additional Bonds as set forth in the related Supplemental Indenture and, as to the Series 2025 Bonds, any of the following that at the time are lawful investments under the laws of the State and applicable banking regulations for the money held under this Indenture:

- (a) Government Obligations;
- (b) Government Agency Obligations;
- (c) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporations, if such obligations are rated in one of the three highest rating categories by S&P, Moody’s or Fitch, or upon the discontinuance of any or all of such rating services, any other nationally recognized rating service;
- (d) negotiable or nonnegotiable certificates of deposit, time deposits, or other similar banking arrangements, issued by any nationally or state-chartered bank or trust company (including the Trustee) or any savings and loan association, domiciled in the State, if either (i) the long-term obligations of such bank or trust company are rated in one of the three highest rating categories by S&P, Moody’s or Fitch, or, upon the discontinuance of any or all of such rating services, any other nationally recognized rating service or (ii) the deposits are continuously secured as to principal, but only to the extent

not insured by the Federal Deposit Insurance Corporation, or similar corporation chartered by the United States of America, (1) by lodging with a bank or trust company, as collateral security, obligations described in paragraph (a) or (b) above or other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States of America or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (2) if the furnishing of security as provided in clause (1) of this paragraph is not permitted by applicable law, in such manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for the deposit of trust funds;

(e) repurchase agreements with respect to obligations listed in paragraph (a) or (b) above if entered into with a nationally or state-chartered bank, trust company or a “broker” or “dealer” (as defined by the Securities Exchange Act of 1934, as amended) that is a member of the Securities Investors Protection Corporation or other entity if (i) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by depository, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at current market value, calculated no less frequently than monthly, of not less than the repurchase price, (ii) a perfected security interest in the obligations that are the subject of such repurchase agreement has been granted to the Trustee, and (iii) such obligations are free and clear of any adverse third-party claims;

(f) commercial paper maturing in 270 days or less and rated in the highest rating category by two nationally recognized rating services;

(g) money market mutual funds invested solely in obligations listed in paragraphs (a), (b) or (c) above including any mutual fund for which the Trustee, or an Affiliate of the Trustee, serves as investment manager, administrator, shareholder, servicing agent and/or custodian, and receives fees from such funds for services rendered;

(h) investment agreements including guaranteed investment contracts and forward delivery agreements with any nationally or state-chartered bank, financial institution, insurance company or other entity that is rated, or guaranteed by an entity that is rated, in one of the three highest whole rating categories (without regard to gradations or modifiers within such category) by a nationally recognized rating agency;

(i) certificates or receipts issued by any nationally or state-chartered bank, trust company or “broker” or “dealer” (as defined by the Securities Exchange Act of 1934, as amended) that is a member of the Securities Investors Protection Corporation, organized and existing under the laws of the United States of America or any state thereof, the outstanding unsecured long-term debt of which is rated in either of the two highest rating categories by S&P, Moody’s or Fitch, or, upon the discontinuance of any or all of such rating services, any other nationally recognized ratings service, in the capacity of custodian, which certificates or receipts evidence ownership or a portion of the principal of or interest on Government Obligations held (which may be in book entry form) by such bank, trust

company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) as custodian; and

(j) tax-exempt obligations (as defined in Section 150(a)(6) of the Code and that are not “investment property” as defined in Section 148(b)(2) of the Code) rated in one of the two highest rating categories by S&P, Moody’s or Fitch, or upon the discontinuance of any or all of such rating services, any other nationally recognized rating service; provided that “Investment Obligations” shall not include a financial instrument, commonly known as a “derivative,” whose performance is derived, at least in part, from the performance of any underlying asset, including, without limitations, futures, options on securities, options on futures, forward contracts, swap agreements and structured notes; provided, further, all references to required ratings of Investment Obligations shall be deemed to refer to ratings as of the date of purchase.

“*Irrevocable Deposit*” means the irrevocable deposit in trust of cash in an amount (or Government Obligations, the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a specified portion of the principal of, premium, if any, and/or the interest on, as the same shall become due, any Indebtedness that would otherwise be considered Outstanding. The trustee of such deposit shall have possession of any cash and securities (other than book-entry securities) and may be the Trustee or any other trustee authorized to act in such capacity.

“*Irrevocable Pledge and Assignment*” means, collectively, the letter from the Borrower to the State Treasurer, dated on or before the Bond Closing Date for the Series 2025 Bonds, setting forth the irrevocable pledge and assignment by the Borrower of the State Payments to the Trustee, and the related consent and agreement thereto by the State Treasurer, dated on or before the Bond Closing Date for the Series 2025 Bonds, acknowledging such irrevocable pledge and assignment.

“*Issuer*” means The Industrial Development Authority of the City of Sierra Vista, a nonprofit corporation designated as a political subdivision of the State in accordance with the provisions of the Constitution of the State and under Title 35, Chapter 5, Arizona Revised Statutes, as amended, and its successors and assigns.

“*Issuer Documents*” means, with respect to a Series of Bonds, the Loan Agreement, this Indenture, the Bond Purchase Agreement, the Tax Certificate and any other agreement, certificate, contract, or instrument to be executed by the Issuer in connection with the issuance of the Bonds or the financing or refinancing of a portion of the expense associated with the Project.

“*Issuer Indemnified Party*” or “*Issuer Indemnified Parties*” means the Issuer, its past, present, and future directors, officers, counsel, advisors, and agents, and the City, its past, present, and future members of the City Council, employees, and agents, individually and collectively.

“*Issuer’s Fee*” means, as to the Series 2025 Bonds, a one-time up-front fee paid to the Issuer on the Closing Date, and as to any Series of Additional Bonds, the Issuer’s Fee as defined in the related Supplemental Indenture or Loan Agreement.

“*Issuer’s Unassigned Rights*” means the rights of the Issuer expressly granted to the Issuer in this Indenture or in the Agreement to (a) inspect books and records, (b) give or receive notices,

approvals, consents, requests, and other communications, (c) receive payment or reimbursement for expenses, (d) receive payment of its Issuer's Fee, (e) the benefit of all provisions providing the Issuer immunity from and limitation of liability, (f) indemnification from liability by the Borrower and (g) security for the Borrower's indemnification obligation.

*"Letter of Representations"* means the Blanket Issuer Letter of Representations from the Issuer to DTC.

*"Loan Agreement"* means the Loan Agreement, dated as of April 1, 2025, between the Borrower and the Issuer, as the same may be amended or supplemented.

*"Loan Payments"* means those payments required to be paid by the Borrower pursuant to Section 5.01 of the Loan Agreement.

*"Maximum Annual Debt Service"* means, as of any date of calculation, the highest Debt Service Requirement for the current or any succeeding Fiscal Year.

*"Moody's"* means Moody's Investors Service, Inc.

*"Net Proceeds"* means, when used with respect to any insurance payment or condemnation award, the gross proceeds thereof less the expenses (including attorneys' fees) incurred in the collection of such gross proceeds.

*"Other Facilities"* means, collectively, the land and charter school facilities owned by the Borrower and located at 306 West Cedar Avenue, Flagstaff, Arizona 86001.

*"Outstanding"* means, when used with respect to the Bonds, as of any particular time, all Bonds that have been duly authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

- (b) Bonds for the payment or redemption of which cash funds (or securities to the extent permitted in Section 7.01 hereof) shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee;

- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.05, 2.06 or 2.10 hereof;

- (d) Bonds for which the conditions enumerated in Section 5.09 hereof have been met; and

- (e) Bonds owned by the Borrower or any of its Affiliates.

“*Participants*” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as a securities depository.

“*Permitted Encumbrances*” means as of any particular time, those items described on Exhibit B to the Deed of Trust and any of the following:

- (a) Liens for taxes and special assessments on the Facilities not then delinquent;
- (b) the Deed of Trust;
- (c) purchase money security interests with respect to any item of equipment used in connection with the operation of any of the School as permitted by the Loan Agreement;
- (d) utility, access, and other easements and rights-of-way, mineral rights and reservations, restrictions and exceptions that would not in the aggregate (i) materially interfere with or impair any present use of the Facilities or any reasonably probable future use of the Facilities, or (ii) materially reduce the value that would be reasonably expected to be received for the Facilities upon any sale (including any foreclosure of the mortgage granted by the Deed of Trust);
- (e) mechanics’ and materialmen’s Liens on the Facilities when payment of the related bill is not overdue and as may be permitted by the Loan Agreement;
- (f) mechanics’ and materialmen’s Liens, security interests or other encumbrances on the Facilities to the extent permitted in Section 6.01 of the Loan Agreement;
- (g) judgment liens against the Borrower so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;
- (h) (i) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license or permit, or provision of law, affecting the Facilities, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Facilities or materially and adversely affect the value thereof, or (B) purchase, condemn, appropriate, or recapture, or designate a purchaser of, the Facilities; (ii) Liens on the Facilities for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges not yet due or delinquent; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to the Facilities that do not materially impair the use of the Facilities or materially and adversely affect the value thereof; or (iv) rights reserved to or vested in any municipality or public authority to control or regulate the Facilities or to use the Facilities in any manner, which rights do not materially impair the use of the Facilities or materially and adversely affect the value thereof;

(i) Liens and any other restrictions, exceptions, leases, easements or encumbrances that are existing on the date of initial issuance and delivery of the related Series of Bonds, provided that no such Lien (or the amount of Indebtedness secured thereby), restriction, exception, lease, easement or encumbrance may be increased, extended, renewed or modified to apply to the Facilities not subject to such Lien on such date, unless such Lien as so extended, renewed or modified would otherwise qualify as a Permitted Encumbrance hereunder or is otherwise permitted pursuant to Section 8.13 of the Loan Agreement;

(j) Liens on the Facilities or the Pledged Revenues to secure payment of Indebtedness that meets the conditions described in Section 8.13 of the Loan Agreement; and

(k) Liens arising by reason of an Irrevocable Deposit.

“*Person*” includes an individual, association, corporation, partnership, limited liability company, joint venture or a government or an agency or a political subdivision thereof.

“*Pledged Revenues*” means, to the extent permitted by law, all revenues, rentals, fees, third-party payments, receipts or other income of the Borrower derived from the operation of Facilities, including the rights to receive such revenues and the proceeds thereof (including without limitation rights to payment intangibles relating thereto) (each subject to Permitted Encumbrances), all as calculated in accordance with Generally Accepted Accounting Principles, including, without limitation, State Payments (whether paid to the Borrower or to the Trustee on behalf of the Borrower), proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets of the Borrower, whether now or hereafter owned, held or possessed by the Borrower; and, to the extent permitted by the terms thereof and by law, all gifts, grants, bequests, donations and contributions (including income and profits therefrom).

“*Principal Payment Date*” or “sinking fund payment date” means, as to a Series of Additional Bonds, the Principal Payment Date or sinking fund payment date established for that Series of Bonds in the related Supplemental Indenture and, as to the Series 2025 Bonds, means each [June 1, commencing June 1, 20\_\_].

“*Project*” means, collectively, with respect to the Series 2025 Bonds, the Series 2025 Project and, as to any Series of Additional Bonds, that Series Project described in the related amendment or supplement to the Loan Agreement.

“*Project Fund*” means the fund by that name created pursuant to Section 3.02 hereof.

“*Promissory Note*” means, individually and collectively, as applicable, the Series 2025 Promissory Note and any Additional Promissory Note.

“*Rebate Amount*” means the Rebate Amount with respect to a Series of Tax-Exempt Bonds determined in accordance with Section 3.14 hereof.

“*Rebate Analyst*” means an Independent certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution, experienced in making the

arbitrage and rebate calculations required pursuant to Section 148(f) of the Code, selected and retained by the Borrower and compensated by the Borrower to make the computations and give the directions required under Section 3.14 hereof.

*“Rebate Fund”* means the fund by that name created pursuant to Section 3.02 hereof.

*“Rebate Year”* means, as to a Series of Tax-Exempt Bonds, the period beginning on the date of issuance of that Series of Tax-Exempt Bonds and ending on the next succeeding June 30 and for all other Rebate Years, the one-year period beginning on the day after the end of the preceding Rebate Year and ending on the following June 30, unless the Borrower, the Issuer and the Trustee are advised by the Rebate Analyst that another period is required by law; provided, however, that the last Rebate Year for a Series of Tax-Exempt Bonds shall end on the date the Bonds of such Series are no longer Outstanding.

*“Registered Owner”* means the Person or Persons in whose name or names a particular Bond is registered on the registration records maintained for that purpose pursuant to Section 2.05 hereof, and so long as the Bond is in book-entry form Registered Owner shall also mean Beneficial Owner.

*“Regular Record Date”* means the 15th day of the month next preceding each Interest Payment Date.

*“Regulations”* means the temporary or final Income Tax Regulations applicable to the Tax-Exempt Bonds issued pursuant to Sections 103 and 141 through 150 of the Code or predecessor sections of the Internal Revenue Code of 1954. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to Sections 103 and 141 through 150 of the Code and applicable to the Tax-Exempt Bonds.

*“Repair and Replacement Fund”* means the fund by that name created pursuant to Section 3.02 hereof.

*“Repair and Replacement Fund Monthly Deposit”* means, (i) commencing June 1, 2026, an amount equal to \$1,500.00, or such lesser amount as may be necessary to reach the Repair and Replacement Fund Requirement, and (ii) commencing July 1, 2030, the Repair and Replacement Fund Contribution (as defined in Section 3.13 hereof).

*“Repair and Replacement Fund Requirement”* means, (i) from June 1, 2026, through June 30, 2030, an amount equal to \$150,000.00, and (ii) commencing July 1, 2030, the amount set forth in the Capital Needs Assessment divided by 5, as certified by the Borrower to the Trustee.

*“Revenue Fund”* means the fund by that name created pursuant to Section 3.02 hereof.

*“Revenues”* means, to the extent permitted by law, all payments received by the Trustee for the account of the Issuer pursuant to the Loan Agreement and this Indenture.

*“S&P”* means S&P Global Ratings.



*“Scheduled State Payment Date”* means the date during a calendar month, if any, on which the State Treasurer is scheduled to remit the State Payments to the Trustee pursuant to the Irrevocable Pledge and Assignment; provided that if the State Treasurer is scheduled to remit the State Payments after the 25th day of any calendar month, such State Payments shall be treated as scheduled to be remitted, and such Scheduled State Payment Date shall be treated as occurring, on the first day of the immediately succeeding month. From the date of execution of this Indenture until the Trustee is otherwise notified in writing by an Authorized Representative of the Borrower of a change thereof pursuant to Section 8.05(b) of the Loan Agreement, the Scheduled State Payment Dates are the first day of every month in each Fiscal Year.

*“School”* means the charter school operated by the Borrower pursuant to the Charter School Contract.

*“Series”* means a series of Bonds issued pursuant to this Indenture.

*“Series 2025 Bonds”* means The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 issued in the original aggregate principal amount of \$[PAR].

*“Series 2025 Facilities”* means, collectively, the land and charter school facilities owned by the Borrower and located at 1800 North Gemini Drive, Flagstaff, Arizona 86001.

*“Series 2025 Project”* means (i) financing, refinancing and/or reimbursing the Borrower for the acquisition, construction, improving, renovating, operating and equipping of the Series 2025 Facilities, (ii) funding of any required reserves as set forth in the Indenture, (iii) paying capitalized interest on the Series 2025 Bonds, and (iv) paying certain issuance expenses.

*“Series 2025 Promissory Note”* means the Series 2025 Promissory Note, executed by the Borrower in the aggregate principal amount of \$[PAR] and made payable to the order of the Issuer and endorsed by the Issuer to the Trustee.

*“Series Debt Service Reserve Fund Requirement”* means (a) for the Series 2025 Bonds, an amount equal to \$[\_\_\_\_\_], and (b) for any Series of Additional Bonds, an amount, determined at the time of issuance of such Additional Bonds as may be set forth in a Supplemental Indenture, not to exceed the least of (i) 10 percent of the original principal amount of such Additional Bonds, (ii) 125 percent of the average annual debt service payment on such Additional Bonds, (iii) 100 percent of the Maximum Annual Debt Service payable on such Additional Bonds, (iv) an amount which, when added to the existing Series Debt Service Reserve Fund Requirement for Outstanding Bonds, will not cause the total Debt Service Reserve Fund Requirement to exceed Maximum Annual Debt Service payable on the Outstanding Bonds and the Additional Bonds, (v) an amount which, when added to the existing Series Debt Service Reserve Fund Requirement for Outstanding Bonds, equals 10 percent of the original amount principal amount of all Outstanding Bonds plus such Additional Bonds, or (vi) an amount which, when added to the existing Series Debt Service Reserve Fund Requirement for Outstanding Bonds, equals 125 percent of the average annual debt service payment on such Additional Bonds plus such Outstanding Bonds; provided the Series Debt Service Reserve Fund Requirement for any Series of Additional Bonds may be

revised to a lesser amount in accordance with requirements of Regulations specifying the maximum amount in a reserve fund permitted to be invested without regard to investment yield.

“*Special Record Date*” means a special record date, which shall be a Business Day, fixed to determine the names and addresses of Registered Owners for purposes of paying interest on a special Interest Payment Date for the payment of defaulted interest, all as further provided in Section 2.03 hereof.

“*State*” means the State of Arizona.

“*State Payments*” means any and all payments made by the State Treasurer to the Borrower pursuant to the Charter School Contract with respect to the School that are permitted by State law to be used for the purposes set forth in the Loan Agreement and this Indenture.

“*State Treasurer*” means the Treasurer of the State of Arizona or any authorized representative of that office.

“*Supplemental Indenture*” means any indenture supplemental to this Indenture entered into between the Issuer and the Trustee in accordance with Article X hereof.

“*Tax Certificate*” means with respect to each Series of Tax-Exempt Bonds, the Tax Certificate, dated as of the Bond Closing of such Series of Tax-Exempt Bonds, by the Issuer and the Borrower, as amended from time to time.

“*Tax-Exempt Bonds*” means those Bonds the interest on which, in the opinion of Bond Counsel delivered at the time of issuance thereof, is excludable from gross income of the Beneficial Owner thereof for federal income tax purposes, including the Series 2025 Bonds.

“*Title Company*” means the title company selected by the Borrower as trustor under a Deed of Trust and its successors, Affiliates or assigns.

“*Trust Estate*” means the property pledged, assigned and mortgaged to the Trustee pursuant to the granting clauses hereof.

“*Trustee*” means UMB Bank, National Association and its successors and assigns.

“*Trustee’s Expenses*” means the reasonable expenses incurred by the Trustee under this Indenture, including reasonable counsel fees and expenses (including fees and expenses at trial or appellate proceedings).

“*Trustee’s Fees*” means the annual fee of the Trustee payable to the Trustee as Trustee, Registrar and Paying Agent under this Indenture, plus amounts due, if any, for extraordinary services and expenses of the Trustee.

“*Underwriter*” means, (i) as to the Series 2025 Bonds, Raymond James and Associates, Inc. and, (ii) as to any Series of Additional Bonds, the underwriter named in the Supplemental Indenture.

**Section 1.02. Indenture to Constitute Contract.** In consideration of the purchase and acceptance of any or all of the Bonds by those who shall own the same from time to time, the provisions of this Indenture shall be part of the contract of the Issuer with the Registered Owners, and shall be deemed to be and shall constitute contracts between the Issuer, the Trustee and the Registered Owners from time to time. The pledge made in this Indenture and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Registered Owners except as otherwise provided in Article VII hereof or with respect to moneys otherwise held to redeem or pay particular Bonds hereunder. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or pursuant to this Indenture.

**Section 1.03. Notices for Bonds Held by a Depository.** Notwithstanding the provisions hereof which provide for notices to Registered Owners by mail, so long as the Bonds are held by DTC or any other Depository, such notices may be given by electronic means in lieu of mailed notice.

## **ARTICLE II.**

### **AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS**

**Section 2.01. Authorized Amount of Bonds.** No Bonds may be issued under this Indenture except in accordance with this Article. The total principal amount of Series 2025 Bonds that may be issued hereunder is hereby expressly limited to \$15,000,000, except as provided in Sections 2.05, 2.06 and 2.10 hereof.

**Section 2.02. All Bonds Equally and Ratably Secured by Trust Estate; Limited Obligation of Bonds and Pledges Securing the Same.** Except as hereinafter provided, all Bonds issued under this Indenture and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority or distinction on account of the date or dates or the actual time or times of the issue or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture, and shall all be equally and ratably secured hereby.

THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM THE TRUST ESTATE. THE BONDS DO NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE CITY, OR OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OR THE CITY. THE BONDS SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, COUNSEL, ADVISOR OR AGENT OF THE ISSUER, OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE, OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, COUNSEL, ADVISORS OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THE BONDS.

**Section 2.03. Authorization of Series 2025 Bonds; Payment of Bonds.** The Issuer may issue, sell and deliver the Series 2025 Bonds and one or more Series of Additional Bonds for the purpose of providing for the financing and/or refinancing of the Project, upon the satisfaction of the conditions, and in the manner, provided for in this Indenture.

(a) Upon the satisfaction of the conditions, and in the manner provided for in this Indenture, there is hereby authorized to be issued hereunder and secured hereby an issue of bonds designated as “The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025.” The Series 2025 Bonds shall be issuable as fully registered bonds in Authorized Denominations and shall be numbered separately and lettered, if at all, in such manner as the Trustee shall determine.

(b) The Series 2025 Bonds shall be dated as of the date of initial authentication and delivery thereof. The Series 2025 Bonds shall bear interest on the basis of a 360-day year, consisting of twelve 30-day months, from their date until payment of principal has been made or provided for, payable on each Interest Payment Date, except that Series 2025 Bonds that are delivered upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Bonds.

(c) The Series 2025 Bonds shall mature in the principal amounts, on the dates and shall bear interest at the rates set forth below.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
<u>(June 1)</u>		

(d) The Series 2025 Bonds are subject to the mandatory sinking fund redemption provisions of Section 5.03 hereof. The Series 2025 Bonds are otherwise subject to prior redemption as herein set forth. The Series 2025 Bonds shall be substantially in the form and tenor hereinabove recited with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

(e) The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee or at the designated office of its successor in trust. If the Bonds are no longer in book-entry form, payment of principal of and any premium on the Bonds shall be payable upon presentation and surrender of the Bonds at the designated corporate trust office of the Trustee. Payment of interest on any Bond shall be made to the Registered Owner thereof by check or draft mailed on each Interest Payment Date by the Trustee to the Registered Owner at his or her address as it last appears on the registration records kept by the Trustee at the close of business on the Regular Record Date for such Interest Payment Date (except that the Registered Owners of at least \$500,000 in aggregate principal amount of Bonds Outstanding may, by written request received at least ten Business Days prior to the Regular Record Date, receive payment of interest by wire transfer at the address specified in such request, which address must be in the United States of America), but any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner thereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered Owners not less than ten days prior thereto by first-class mail to each such Registered Owner as shown on the registration records on the date selected by the Trustee stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. All such payments shall be made in lawful money of the United States of America.

#### **Section 2.04. Execution of Bonds.**

(a) The Bonds shall be executed in the name and on behalf of the Issuer by the manual or facsimile signature of the President or Vice President and be attested with the manual or facsimile signature of its Secretary or Assistant Secretary or other officer of the Issuer.

(b) In case any Authorized Representative of the Issuer whose signature or whose facsimile signature shall appear on the Bonds shall cease to be such Authorized Representative before the authentication of such Bonds, such signature or the facsimile thereof shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office or a representative of the Issuer until authentication; and any Bond may be signed on behalf of the Issuer by such persons as are at the time of execution of such Bond proper officers or representatives of the Issuer, even though at the date of this Indenture, such person was not such officer or representative.

#### **Section 2.05. Registration, Transfer and Exchange of Bonds; Persons Treated as Registered Owners.**

(a) The Issuer shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee. Upon surrender for transfer of any Bond at the designated corporate trust office of the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his

attorney duly authorized in writing, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like Series and aggregate principal amount of the same maturity. The Trustee shall not be responsible for ensuring that any transfer restrictions binding on a Beneficial Owner other than a Registered Owner of such Bond have been complied with in connection with the transfer of Bonds.

(b) Bonds may be exchanged at the designated corporate trust office of the Trustee for a like Series and aggregate principal amount of Bonds of the same maturity in Authorized Denominations. The Issuer shall execute and the Trustee shall authenticate and deliver Bonds that the Registered Owner making the exchange is entitled to receive, bearing numbers not contemporaneously Outstanding. The execution by the Issuer of any Bond of any Authorized Denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such Bond.

(c) The Trustee shall not be required to transfer or exchange any Bond during any period beginning on a Regular Record Date or Special Record Date with respect to such Bond and ending at the close of business on the Business Day immediately preceding the next Interest Payment Date or Principal Payment Date, as applicable. The Trustee shall not be required to transfer or exchange any Bond subject to redemption during the period of five days before the mailing of notice of redemption as herein provided; except that Bonds not subject to mandatory sinking fund redemption in accordance with Section 5.03 hereof with respect to the Series 2025 Bonds and in accordance with the related Supplemental Indenture with respect to any Additional Bonds may be transferred or exchanged during such period in the event of a mandatory sinking fund redemption. After the giving of such notice the Trustee shall not be required to transfer or exchange any Bond, which Bond or portion thereof has been called for redemption.

(d) As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, except to the extent otherwise provided herein with respect to Regular Record Dates and Special Record Dates for the payment of interest, and payment of either principal or interest on any Bond shall be made only to or upon the written order of the Registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

(e) The Trustee shall require the payment by any Registered Owner requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

**Section 2.06. Lost, Stolen, Destroyed and Mutilated Bonds.** Upon receipt by the Issuer and the Trustee of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Bond and, in the case of a lost, stolen or destroyed Bond, of indemnity satisfactory to them, and upon surrender and cancellation of the Bond, if mutilated, (a) the Issuer shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same Series, date, maturity and Authorized Denomination in lieu of such lost, stolen, destroyed or mutilated Bond or

(b) if such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the Trustee may pay such Bond. Any such new Bond shall bear a number not contemporaneously Outstanding. The applicant for any such new Bond shall be required to pay any expenses and charges of the Issuer and of the Trustee in connection with the issuance of such Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities.

#### **Section 2.07. Delivery of Series 2025 Bonds.**

(a) Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Trustee and the Trustee shall authenticate the Series 2025 Bonds and deliver them to the Underwriter as directed by the Issuer and as hereinafter in this Section provided.

(b) Prior to the delivery by the Trustee of any of the Series 2025 Bonds, there shall have been filed with or delivered to the Trustee the following:

(i) A resolution duly adopted by the Issuer, authorizing the execution and delivery of the Loan Agreement, the Bond Purchase Agreement related to the Series 2025 Bonds and this Indenture and the issuance of the Series 2025 Bonds.

(ii) A duly executed copy of this Indenture, the Loan Agreement and Deed of Trust.

(iii) The Series 2025 Promissory Note duly executed by the Borrower and duly endorsed by the Issuer to the order of the Trustee without recourse or warranty.

(iv) The written order of the Issuer as to the delivery of the Series 2025 Bonds, signed by an Authorized Representative of the Issuer.

(v) An opinion of Bond Counsel substantially to the effect that the Series 2025 Bonds constitute legal, valid and binding obligations of the Issuer and that the interest on the Series 2025 Bonds will be excluded from gross income for federal income tax purposes to the Beneficial Owners thereof.

(vi) A binding commitment to issue a lender's policy of title insurance as required by Section 4.10 of the Loan Agreement.

(vii) Opinions of counsel with respect to the Borrower in form and substance acceptable to the Issuer, the Underwriter and Bond Counsel.

(viii) The Irrevocable Pledge and Assignment, executed by the Borrower and the State Treasurer.

(ix) An investor letter regarding the Series 2025 Bonds in the form attached hereto as Exhibit B, acceptable to the Issuer and the Underwriter and executed by the initial purchaser or purchasers of the Series 2025 Bonds.

(x) Such other documents and opinions of counsel as the Issuer, the Underwriter, the Trustee or Bond Counsel may reasonably request.

**Section 2.08. Authentication Certificate.** The authentication certificate upon each of the Bonds shall be substantially in the form appended to the form of the Bonds attached hereto as Exhibit A. No Bond shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless the certificate of authentication, substantially in such form, has been duly executed by the Trustee; and such certificate of the Trustee upon any Bond shall be conclusive evidence and the only competent evidence that such Bond has been authenticated and delivered hereunder. The certificate of authentication shall be deemed to have been duly executed if manually signed by an authorized signatory of the Trustee, but it shall not be necessary that the same authorized signatory sign the certificate of authentication on all of the Bonds issued hereunder.

**Section 2.09. Cancellation and Destruction of Bonds.** Whenever any Outstanding Bonds shall be delivered to the Trustee for the cancellation thereof pursuant to this Indenture, upon payment of the principal amount thereof or for replacement pursuant to Section 2.06 hereof, such Bonds shall be promptly cancelled and destroyed by the Trustee in accordance with its retention policies then in effect and evidence of such destruction shall be furnished by the Trustee to the Issuer and the Borrower, if requested.

**Section 2.10. Temporary Bonds.** Pending the preparation of definitive Bonds, the Issuer may execute and the Trustee shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds without coupons, of any Authorized Denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the Issuer. Every temporary Bond shall be executed by the Issuer and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the Issuer shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the designated corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

**Section 2.11. Additional Bonds.**

(a) The Issuer may issue Additional Bonds from time to time only with respect to the Project pursuant to the terms and conditions of this Indenture.

(b) Any Additional Bonds shall, to the extent provided for herein, be on a parity with the Series 2025 Bonds and any Additional Bonds theretofore or thereafter issued and outstanding as to the assignment to the Trustee of the Issuer's right, title and interest in the Trust Estate (except for the Issuer's Unassigned Rights) for the payment of debt service on



the Bonds; provided, that nothing herein shall prevent the payment of debt service on any series of Additional Bonds from (i) being otherwise secured and protected from sources or by property or instruments not applicable to the Series 2025 Bonds and any one or more Series of Additional Bonds, or (ii) not being secured and protected from sources or by property or instruments not applicable to the Series 2025 Bonds and any one or more Series of Additional Bonds.

(c) Before the Trustee shall authenticate and deliver any Additional Bonds, the Trustee shall receive the following items:

(i) Duly executed counterparts of (A) the amendment to the Loan Agreement relating to the Project to be financed or refinanced from the proceeds of the Additional Bonds then to be issued and which amendment to the Loan Agreement provides for payments sufficient to pay the debt service charges on the related Additional Bonds, and (B) the Supplemental Indenture providing for the issuance of and the terms and conditions of the Additional Bonds.

(ii) One or more Additional Promissory Note(s) in an aggregate principal amount equal to the aggregate principal amount of the related Additional Bonds, duly endorsed by the Issuer to the order of the Trustee without recourse or warranty.

(iii) A written order of the Issuer as to the delivery of the Additional Bonds, signed by an Authorized Representative of the Issuer.

(iv) A copy of the resolution duly adopted by the Issuer authorizing (A) the execution and delivery of the amendment to the Loan Agreement, the Bond Purchase Agreement and the Supplemental Indenture, each relating to the Additional Bonds and (B) the issuance of the Additional Bonds.

(v) An opinion of Bond Counsel addressed to the Issuer to the effect that: (A) the Additional Bonds to be delivered will be valid and legal special limited obligations of the Issuer in accordance with their terms and will be secured hereunder equally and on a parity (except as otherwise permitted herein) with all other Bonds at the time Outstanding hereunder as to the assignment to the Trustee of the Trust Estate; (B) the issuance of the Additional Bonds is permitted hereby; and (C) the issuance of the Additional Bonds will not result in the interest on any Outstanding Bonds that are Tax-Exempt Bonds becoming includable in gross income for federal income tax purposes and that the issuance of the Additional Bonds will not result in the loss of exemption from the registration requirements under the Securities Act of 1933, as amended, of the Tax-Exempt Bonds and this Indenture.

(vi) A written Opinion of Counsel to the Borrower addressed to the Issuer, which counsel shall be reasonably satisfactory to the Issuer and the Underwriter related to the Additional Bonds, to the effect that the amendment to the Loan Agreement, any additional Deed of Trust and any Additional Promissory

Note(s) have been duly authorized, executed and delivered by the Borrower and that the amendment to the Loan Agreement, any additional Deed of Trust and any Additional Promissory Note(s) constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, subject to exceptions reasonably satisfactory to the underwriter for the Additional Bonds for bankruptcy, insolvency and similar laws and the application of equitable principles.

(vii) Evidence satisfactory to the Issuer that on delivery of the Additional Bonds then to be delivered there will be or has been deposited into the Debt Service Reserve Fund the amount, if any, required by this Indenture or the Supplemental Indenture relating to such Additional Bonds to be deposited therein.

(viii) A written certificate of the Authorized Representative of the Borrower identifying under which provision it may incur additional parity Indebtedness and confirming it has delivered to the Trustee the consents or certifications required by Section 8.13 of the Loan Agreement relating to the incurrence by the Borrower of additional parity Indebtedness secured in whole or in part by the Facilities or the Pledged Revenues.

(d) When (i) the documents listed above have been received by the Trustee, and (ii) the Additional Bonds have been executed and authenticated, the Trustee shall deliver the Additional Bonds to or on the order of the initial purchaser thereof, but only upon payment to the Trustee of the specified amount (including, without limitation, any accrued interest) set forth in the order to which reference is made in paragraph (c)(iii) above.

## **Section 2.12. Book-Entry System.**

(a) Notwithstanding any other provision hereof, each Series of Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities of that Series of Bonds. Upon initial issuance, the ownership of each Bond shall be registered in the registration records kept by the Trustee in the name of Cede & Co., as nominee of DTC. Except as provided in Section 2.12(c) hereof, all of the Outstanding Bonds shall be registered in the registration records kept by the Trustee in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the registration records kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Issuer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, none of the Issuer, the Borrower or the Trustee shall have responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than a Registered Owner, as shown in the registration records kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption or (iii) the payment to any Participant or any other person, other than a Registered Owner, as shown in the registration records kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Issuer, the

Borrower and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration records kept by the Trustee as the absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the registration records kept by the Trustee, or their respective attorneys duly authorized in writing, as provided in Section 2.05 hereof, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than a Registered Owner, as shown in the registration records kept by the Trustee, shall receive a certificated Bond evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Regular Record Dates and Special Record Dates, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) Subject to Article IX, the Trustee shall take all action that to its knowledge is necessary to at all times be in compliance with all representations of the Issuer in the Letter of Representations with respect to the paying agents and the bond registrar, respectively.

(i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Issuer, the Borrower and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(ii) The Issuer, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Issuer determines that:

(A) DTC is unable to discharge its responsibilities with respect to the Bonds, or

(B) A continuation of the requirement that all of the Outstanding Bonds be registered in the registration records kept by the Trustee in the name of Cede & Co. or any other nominee of DTC, is not in the best interest of the Beneficial Owners of the Bonds.

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection 2.12(c)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection 2.12(c)(i) or subsection 2.12(c)(ii)(A) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found that, in the opinion of the Issuer, is willing and able to undertake such functions upon

reasonable and customary terms, the Trustee is obligated to deliver Bond certificates at the expense of the Beneficial Owners of the Bonds, as described in this Indenture, and the Bonds shall no longer be restricted to being registered in the registration records kept by the Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations.

### **Section 2.13. Restrictions on Registration and Transfer of the Bonds.**

(a) Notwithstanding any other provision hereof but subject to Section 2.05(a) above, the Bonds may only be transferred, in whole or in part, in connection with a sale to or through a broker/dealer only to (i) any “accredited investor” (within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, an “Accredited Investor”) or “qualified institutional buyer” (within the meaning of Rule 144A promulgated under the Securities Act of 1933, a “Qualified Institutional Buyer”), (ii) any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any Accredited Investor or Qualified Institutional Buyer or on its own behalf), or (iii) any trust or custodial arrangement of each of the beneficial owners of which is an Accredited Investor or Qualified Institutional Buyer.

(b) The foregoing limitation shall cease to apply (without notice to or consent of any Registered Owner or Beneficial Owner) upon and after receipt by the Trustee from the Borrower of a rating letter by Fitch, S&P or Moody’s indicating that the Bonds are rated “BBB-” or “Baa3,” as applicable, or better. The Trustee shall as soon as practicable, but in no event more than ten calendar days after receipt by the Trustee of such information, notify each Registered Owner that (i) transfer and ownership restrictions set forth in Section 2.13(a) of this Indenture shall be of no further force or effect and (ii) the Authorized Denominations shall be \$5,000 and any multiple in excess thereof.

## **ARTICLE III.**

### **REVENUES AND FUNDS**

**Section 3.01. Pledge of Trust Estate.** Subject only to the rights of the Issuer to apply amounts under the provisions of this Article, a pledge of the Trust Estate to the extent provided herein is hereby made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds. The pledge hereby made shall be valid and binding from and after the time of the delivery by the Trustee of the first Bond authenticated and delivered under this Indenture. The security so pledged and then or thereafter received by the Issuer shall immediately be subject to the lien of such pledge and the obligation to perform the contractual

provisions hereby made shall have priority over any or all other obligations and liabilities of the Issuer with respect to the Trust Estate and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof.

**Section 3.02. Establishment of Funds; Deposit of Series 2025 Bond Proceeds; Assignment of State Payments.**

(a) The Issuer hereby establishes and creates the following Funds, which shall be special trust funds held by the Trustee:

- (i) Bond Fund;
- (ii) Project Fund;
- (iii) Cost of Issuance Fund;
- (iv) Rebate Fund;
- (v) Revenue Fund;
- (vi) Expense Fund;
- (vii) Debt Service Reserve Fund; and
- (viii) Repair and Replacement Fund.

The Trustee is authorized to establish accounts or subaccounts in each of the Funds if requested by the Issuer as necessary to keep the proceeds of one Series of Bonds separate from the proceeds of any other Series of Bonds.

(b) On the Bond Closing Date for the Series 2025 Bonds, the Trustee shall deposit or apply the proceeds of the Series 2025 Bonds, as follows:

- (i) into the Cost of Issuance Fund, the amount of \$[\_\_\_\_\_];
- (ii) into the Debt Service Reserve Fund, the amount of \$[\_\_\_\_\_];
- (iii) into the Project Fund, the amount of \$[\_\_\_\_\_]; and
- (iv) into the Bond Fund, the amount of \$[\_\_\_\_\_].

(c) The Borrower has covenanted in Section 2.06 of the Loan Agreement to irrevocably direct the State Treasurer to transfer State Payments to the Trustee so long as any obligations of the Borrower under the Loan Agreement remain outstanding or unsatisfied. Any State Payments remaining on deposit with the Trustee after all payments required by Section 3.20 hereof have been made shall be transferred within two Business Days by the Trustee to the operations account of the Borrower, which account information shall be provided to the Trustee by the Borrower. Any other amounts received from the

State Treasurer with respect to the Borrower that to the actual knowledge of an officer within the corporate trust department of the Trustee with responsibility for administering this Indenture are not State Payments shall be transferred within two Business Days of receipt by the Trustee to the Borrower.

**Section 3.03. Payments into the Bond Fund.** With respect to the Series 2025 Bonds, the Trustee shall deposit the proceeds of the Series 2025 Bonds described in Section 3.02(b)(iv) hereof into a subaccount of the Bond Fund to be used to pay interest on the Series 2025 Bonds in the amounts and on the dates as follows: [\_\_\_\_\_]. With respect to each Series of Additional Bonds, there shall be deposited into the Bond Fund on the Bond Closing Date of such Series of Additional Bonds, accrued interest on such Series of Additional Bonds, if any, and an amount, if any, to pay capitalized interest, all as specified in the Supplemental Indenture related to such Series of Additional Bonds.

There shall be deposited into the Bond Fund as and when received (a) disbursements from the Revenue Fund as provided in Section 3.20 hereof, (b) all moneys transferred to the Bond Fund pursuant to Sections 3.07 and 3.10 hereof, (c) all other moneys deposited into the Bond Fund pursuant to the Loan Agreement or this Indenture, and (d) all other moneys received by the Trustee when accompanied by directions from an Authorized Representative of the Borrower, not inconsistent with the Loan Agreement or this Indenture, that such moneys are to be paid into the Bond Fund. There also will be retained in the Bond Fund, interest and other income received on investment of moneys in the Bond Fund as provided in Section 6.01 hereof.

**Section 3.04. Use of Moneys in the Bond Fund.** Except as provided in this Section and in Sections 3.14, 3.19 and 8.05 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds on each Principal Payment Date and each Interest Payment Date, respectively. If on any Interest Payment Date or Principal Payment Date there are any amounts on deposit in the Bond Fund (except for moneys deposited into such account as accrued interest or to pay capitalized interest or moneys transferred from the Project Fund pursuant to Section 3.07 hereof) in excess of the amount necessary to pay principal and interest then due on the Bonds on such Principal Payment Date or Interest Payment Date, as applicable, the excess shall be transferred to the Revenue Fund and used to make any disbursements required by, and in the order of priority of, Section 3.20.

**Section 3.05. Custody of the Bond Fund.**

(a) The Bond Fund shall be in the custody of the Trustee, but in the name of the Issuer, and the Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable, and to withdraw sufficient funds from the Bond Fund for other purposes authorized in Section 3.04 hereof.

(b) Amounts on deposit in the Bond Fund shall be held in trust solely for the benefit of the Registered Owners and the Beneficial Owners and applied only in accordance with the provisions of this Indenture, and the Borrower shall not have any legal, equitable nor reversionary interest in, or right to, such amounts. In the event of any Act of Bankruptcy

by the Borrower, the Borrower has no right to assert, claim or contend that any portion of the Bond Fund is property of its bankruptcy estate as defined by 11 U.S.C. Section 541.

**Section 3.06. Payments Into and Use of Moneys in the Project Fund; Disbursements.**

With respect to the Series 2025 Bonds, the Trustee shall deposit the proceeds of the Series 2025 Bonds described in Section 3.02(b)(iii) hereof into the Project Fund. With respect to the Series 2025 Bonds, any balance remaining in the Project Fund on [DATE] shall be transferred to the Bond Fund in accordance with Section 4.02 of the Loan Agreement. With respect to each Series of Additional Bonds, the amount of proceeds to be deposited in the Project Fund shall be provided for in the related Supplemental Indenture. The Trustee is hereby authorized and directed to make each disbursement required by the provisions of Section 4.02 of the Loan Agreement and, with respect to any Series of Additional Bonds, the Trustee is hereby authorized and directed to make each disbursement, if any, required by the provisions of the related Supplemental Indenture and to disburse amounts in the Project Fund.

**Section 3.07. [Reserved].**

**Section 3.08. Custody of the Project Fund.** The Project Fund shall be in the custody of the Trustee, but in the name of the Issuer, and the Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Project Fund for Costs of the Project requisitioned by the Borrower in accordance with the Loan Agreement, which authorization and direction the Trustee hereby accepts.

**Section 3.09. Payments into and Use of Moneys in the Cost of Issuance Fund.** With respect to the Series 2025 Bonds, the Trustee shall deposit the proceeds of the Series 2025 Bonds described in Section 3.02(b)(i) hereof into the Cost of Issuance Fund. With respect to each Series of Additional Bonds, there shall be deposited into the Cost of Issuance Fund that amount as provided in the related Supplemental Indenture. Except as provided in Section 3.14 hereof, such moneys shall be expended to pay issuance expenses in accordance with the provisions of Section 4.04 of the Loan Agreement. The Trustee is hereby authorized and directed to disburse amounts in the Cost of Issuance Fund for each payment in accordance with Section 4.04 of the Loan Agreement. The Trustee shall keep and maintain adequate records pertaining to the Cost of Issuance Fund and all payments therefrom, which shall be open to inspection by the Borrower, the Issuer or their duly authorized agents during normal business hours of the Trustee upon reasonable advance written notice.

**Section 3.10. Termination of Cost of Issuance Fund.** With respect to the Series 2025 Bonds, any amounts remaining on deposit in the Cost of Issuance Fund 90 days after the Bond Closing Date for the Series 2025 Bonds, shall be transferred to the Bond Fund and disbursed pursuant to Section 3.04 hereof. With respect to each Series of Additional Bonds, any amounts remaining on deposit in the Cost of Issuance Fund on the date 90 days after the Bond Closing Date for the related Series of Bonds shall be transferred, (i) prior to delivery of any required certificate of completion, to the Project Fund (if one is open) and disbursed pursuant to Section 3.06 hereof, thereafter, to the Bond Fund and disbursed pursuant to Section 3.04 hereof, or (ii) alternatively, if after the delivery of any certificate of completion or if no Project Fund is open, to the Bond Fund and disbursed pursuant to Section 3.04 hereof.

**Section 3.11. Custody of the Cost of Issuance Fund.** The Cost of Issuance Fund shall be in the custody of the Trustee, but in the name of the Issuer and the Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Cost of Issuance Fund for the purposes set forth in Section 4.04 of the Loan Agreement and Section 3.09 hereof, which authorization and direction the Trustee hereby accepts.

**Section 3.12. [Reserved].**

**Section 3.13. Payments into and Use of Moneys in the Repair and Replacement Fund.**

(a) On the date of issuance of the Series 2025 Bonds, no proceeds of the Series 2025 Bonds will be deposited in the Repair and Replacement Fund. Commencing with the June 2026 Scheduled State Payment Date, the Borrower will begin making the Repair and Replacement Fund Monthly Deposit pursuant to Section 5.01(j) of the Loan Agreement. Pursuant to Section 8.15 of the Loan Agreement, the Borrower has covenanted to select an Independent Consultant to complete, on or before each Capital Needs Assessment Date as long as any Bonds are Outstanding, a capital needs assessment of the Facilities projecting the Borrower's capital needs at the Facilities and the total cost thereof over the next succeeding five years (each a "Capital Needs Assessment"). The total projected costs of such capital needs set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Fund, divided by 60, shall be the "Repair and Replacement Fund Contribution" for such five year period; provided, however, that in the event the Borrower pays all or a portion of the cost of a capital need projected in the Capital Needs Assessment from a source of funds other than the Repair and Replacement Fund, as certified in writing by an Authorized Representative of the Borrower to the Trustee, the Repair and Replacement Fund Contribution for the remainder of the applicable five year period shall be decreased by the amount of such projected cost that is paid from such other source of funds divided by the number of Repair and Replacement Fund Contribution payments remaining in the applicable five year period. There shall be deposited into the Repair and Replacement Fund as and when received (a) all payments by the Borrower pursuant to Section 5.01(j) of the Agreement, (b) all other moneys deposited into the Repair and Replacement Fund pursuant to the Agreement or this Indenture, and (c) all other moneys received by the Trustee when accompanied by directions from an Authorized Representative of the Borrower not inconsistent with the Agreement or this Indenture that such moneys are to be paid into the Repair and Replacement Fund. There shall also be retained in the Repair and Replacement Fund, interest and other income received on investment of moneys in the Repair and Replacement Fund to the extent provided in Section 6.01 hereof. Any amounts on deposit in the Repair and Replacement Fund on any Capital Needs Assessment Date in excess of the Repair and Replacement Fund Requirement shall be transferred by the Trustee to the Bond Fund and applied to the payment of the interest on the Bonds.

(b) All calculations of the Repair and Replacement Fund Requirement and the Repair and Replacement Fund Contribution shall be made by the Borrower and shall be certified to the Trustee. The Trustee shall be entitled to rely upon the determination and certifications of the Borrower.



(c) Absent an Event of Default, the Trustee is hereby authorized and directed to make each disbursement required by the provisions of Section 4.11 of the Agreement and to issue its checks therefor. The Trustee shall keep and maintain adequate records pertaining to the Repair and Replacement Fund and all disbursements therefrom and shall annually file an accounting thereof with the Issuer and the Borrower.

(d) The moneys in the Repair and Replacement Fund may be used for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Fund and the Debt Service Reserve Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date or otherwise. Upon the occurrence of an Event of Default hereunder and the exercise by the Trustee of the remedy specified in Section 8.02(a)(i) hereof, any moneys in the Repair and Replacement Fund shall be transferred by the Trustee to the Bond Fund and applied in accordance with Section 8.05 hereof. On the final maturity date of the Bonds, any moneys in the Repair and Replacement Fund may, upon the direction of the Borrower, be transferred to the Bond Fund and used to pay the principal of and interest on such Bonds on such final maturity date. In the event of the redemption of the Bonds in whole, any moneys in the Repair and Replacement Fund may, upon the direction of the Borrower, be transferred to the Bond Fund and applied to the payment of the principal of, premium, if any, and interest on such Bonds.

(e) The Repair and Replacement Fund shall be in the custody of the Trustee but in the name of the Issuer and the Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Repair and Replacement Fund for the purposes described in this Section 3.13 hereof, which authorization and direction the Trustee hereby accepts.

#### **Section 3.14. Rebate Fund.**

(a) There shall be established for each Series of Tax-Exempt Bonds a separate subaccount in the Rebate Fund related to such Series of Tax-Exempt Bonds. There shall be deposited in each subaccount of the Rebate Fund as and when received (i) investment income on moneys in the related Funds to the extent provided in the direction of the Borrower pursuant to Section 4.08 of the Loan Agreement and subject to the limitations in Section 6.01 hereof, (ii) moneys received from the Borrower pursuant to Section 5.01(e) of the Loan Agreement, (iii) moneys transferred to the Rebate Fund from the Debt Service Reserve Fund (but only to the extent that the amount on deposit therein is in excess of the related Debt Service Reserve Fund Requirement), the Cost of Issuance Fund, the Project Fund, the Repair and Replacement Fund and the Bond Fund pursuant to the provisions of this Section, and (iv) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into the related subaccount of the Rebate Fund. All amounts in the Rebate Fund, including income earned from investment of such amounts, shall be held by the Trustee, in trust, free and clear of the lien of this Indenture. Amounts in the Rebate Fund shall not be used for the payment of debt service on the Bonds.

(b) Pursuant to Section 4.06 of the Loan Agreement, with respect to each Series of Tax-Exempt Bonds, fifteen (15) days after each fifth Rebate Year, beginning June 30,

2029, and not later than 10 days after the redemption, payment at maturity or other retirement of the last bond of any Series of Tax-Exempt Bonds, the Borrower shall engage, and furnish information to, the Rebate Analyst and cause the Rebate Analyst to calculate the Rebate Amount with respect to that Series of Tax-Exempt Bonds and provide a written report. Copies of the written report shall be delivered to the Trustee, Issuer and Borrower. Upon receipt of the Rebate Analyst's report, the Trustee shall determine the amount in the related subaccount of the Rebate Fund and notify the Borrower of the amount. If the amount in the related subaccount of the Rebate Fund is in excess of the amount required to be therein in accordance with the report of the Rebate Analyst, then such excess shall be transferred to the Bond Fund. To the extent the moneys in the related subaccount of the Rebate Fund are less than the amount required to be deposited therein, the Trustee shall notify the Borrower and transfer such amounts necessary to reserve for the anticipated Rebate Amount payment to the United States Department of the Treasury from the Revenue Fund in accordance with Section 3.20, paragraph THIRD hereof.

(c) If at any time the Borrower is required to retain the Rebate Analyst to calculate the Rebate Amount but fails to retain a Rebate Analyst and to deliver the report in a timely manner, then an Event of Default shall be deemed to have occurred under the Loan Agreement and, unless otherwise directed in writing by the Issuer, the Trustee is hereby directed by the Issuer to retain a Rebate Analyst. If the Trustee pays the Rebate Analyst, then the Trustee, after delivering to the Borrower a demand for payment of an amount sufficient to pay the Rebate Analyst, shall withdraw such amount as may be needed to pay the Rebate Analyst in the following order of priority: from the Expense Fund, from the subaccount of the Debt Service Reserve Fund related to the applicable Series of Bonds (but only to the extent that the amount on deposit therein is in excess of the Debt Service Reserve Fund Requirement), the Cost of Issuance Fund, the Project Fund, the Repair and Replacement Fund and the Bond Fund.

(d) The Trustee shall have the right, but shall not be obligated, to seek further written instructions from any Rebate Analyst as it deems necessary, concerning any payments to be made by it from the Rebate Fund and shall be free from any liability for acting in accordance with such instructions.

(e) The Trustee, on behalf of the Issuer, is hereby directed to pay to the United States Department of the Treasury from time to time the amounts as required by the report of the Rebate Analyst to the extent of the Rebate Fund or as otherwise provided by the Borrower, provided that the Trustee shall pay over to the United States Department of the Treasury: (1) no later than 60 days after the end of each fifth Rebate Year, an amount equal to 100% of the Rebate Amount allocable to that Series of Tax-Exempt Bonds set forth in the report of the Rebate Analyst (and not theretofore paid to the United States Department of the Treasury) and (2) not later than 60 days after the redemption, payment at maturity or other retirement of the last bond of a Series of Tax-Exempt Bonds, 100% of the Rebate Amount allocable to such Series of Tax-Exempt Bonds.

(f) If, at any time when the Trustee is required to withdraw money from the Rebate Fund, the moneys on deposit in a subaccount of the Rebate Fund are insufficient for the purposes thereof, notwithstanding any investment of moneys requirements in

Section 6.01 hereof, the Trustee, after first delivering a demand for such deficiency to the Borrower and no money for such purpose is provided by the Borrower, shall transfer moneys to the Rebate Fund from the following Funds in the following order of priority: the subaccount of the Debt Service Reserve Fund related to the applicable Series of Bonds (but only to the extent that the amount on deposit therein is in excess of the Debt Service Reserve Fund Requirement), the Cost of Issuance Fund, the Project Fund, the Repair and Replacement Fund and the Bond Fund.

(g) The Trustee shall comply with the instructions contained in this Indenture provided that computations and payments may be made on other bases, at other times, and in other amounts, or omitted altogether, all as shall be set forth in an opinion of Bond Counsel to the effect that compliance with such instructions will not adversely affect any exclusion of interest on any of the Tax-Exempt Bonds from gross income for federal income tax purposes (the “Subsequent Rebate Instructions”), even if such Subsequent Rebate Instructions are different from or inconsistent with this Section. The Trustee shall be entitled to rely conclusively on the calculations made pursuant to this Section and any Subsequent Rebate Instructions and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in reliance upon those calculations.

(h) Within 60 days after the end of each fifth Rebate Year, the Trustee, in reliance upon the report of the Rebate Analyst, shall deliver to the Issuer a certificate stating whether or not it has (i) received the report of the Rebate Analyst calculating the Rebate Amount, and (ii) paid the Rebate Amount, if any, in accordance with Section 148(f) of the Code and the direction of the Rebate Analyst.

(i) This section shall supersede all other sections of this Indenture, to the end that the excludability from gross income for the purposes of federal income taxation of interest on Series of Tax-Exempt Bonds shall not be adversely affected as a result of the inadequacy at any time of the Rebate Fund, unless the total amount held by the Trustee under all Funds established hereunder is insufficient.

(j) The Trustee shall retain records of the Rebate Analyst’s determination of the amount required to be deposited in the Rebate Fund, of the proceeds of any investments of money in the Rebate Fund, and of the amounts paid to the United States Department of the Treasury until the date six years after the discharge of the last of the Tax-Exempt Bonds.

**Section 3.15. Custody of the Rebate Fund.** The Rebate Fund shall be in the custody of the Trustee, but in the name of the Issuer and the Issuer authorizes and directs the Trustee to withdraw funds from the Rebate Fund for the purposes set forth in Section 3.14 hereof, which authorization and direction the Trustee hereby accepts.

**Section 3.16. Nonpresentment of Bonds.** In the event any Bonds, or portions thereof, shall not be presented for payment when the principal thereof becomes due, either at maturity, the date fixed for redemption thereof, or otherwise, if funds sufficient for the payment thereof, including accrued interest thereon, shall have been deposited into the Bond Fund or otherwise made available to the Trustee for deposit therein, then on and after the date principal becomes due, all interest thereon shall cease to accrue and all liability of the Issuer to the Registered Owner or

Registered Owners thereof for the payment of such Bonds, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds in a separate trust account for the benefit of the Registered Owner or Registered Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her or their part under this Indenture with respect to the Bond or on, or with respect to, the Bond. Such moneys shall not be required to be invested during such period by the Trustee. If any Bond shall not be presented for payment within the period of two years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall return to the Borrower such funds theretofore held by it for payment of such Bonds. Thereafter, the Registered Owner of that Bond shall look only to the Borrower for payment. The obligations of the Trustee under this Section shall be subject, however, to any law applicable to the unclaimed funds or the Trustee providing other requirements for the disposition of unclaimed property.

**Section 3.17. Moneys to be Held in Trust.** All moneys required to be deposited with or paid to the Trustee under any provision of this Indenture shall be held by the Trustee in trust for the purposes specified in this Indenture, and (except for moneys deposited with or paid to the Trustee for the payment or redemption of specific Bonds, including under Section 3.16 or those no longer Outstanding pursuant to Section 7.01, and moneys held by the Trustee in the Rebate Fund) shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

**Section 3.18. Insurance and Condemnation Proceeds.** Reference is hereby made to the provisions of the Loan Agreement wherein it is provided that under certain circumstances the Net Proceeds of insurance payments and condemnation awards are to be paid to the Trustee and to be disbursed and paid out as therein provided. The Trustee hereby agrees to disburse Net Proceeds in accordance with the terms specified in the Loan Agreement. The Trustee shall, subject to Article IX, fully cooperate with the Borrower in the handling and conduct of any prospective or pending insurable event or condemnation proceeding with respect to the Facilities or any part thereof.

**Section 3.19. Repayment to Borrower from the Funds.** Any amounts remaining in the Funds after payment in full of the Bonds (or making provision for such payment), and all the Trustee's Fees and Trustee's Expenses and all other amounts required to be paid hereunder or under the Loan Agreement to the Issuer and the Trustee and others (including payments into the Rebate Fund and to the United States Treasury), shall be transferred to the Borrower upon the discharge of this Indenture.

**Section 3.20. Revenue Fund.** There shall be deposited in the Revenue Fund as and when received, the State Payments paid to the Trustee pursuant to Section 5.01(a) of the Loan Agreement, all Revenues and all other moneys deposited into the Revenue Fund pursuant to the Loan Agreement or this Indenture.

All moneys deposited in the Revenue Fund shall be disbursed by the Trustee commencing on the dates provided below and in the following order of priority:

FIRST:           on each Scheduled State Payment Date, to the Bond Fund (i) an amount of moneys, less any credits received against such amounts (including any

amounts already on deposit in the Bond Fund and designated to be used for interest on such Scheduled State Payment Date), equal to a fraction of the interest due on the Bonds on the next Interest Payment Date where the numerator is the interest due on the Bonds on the next Interest Payment Date and the denominator is the number of Scheduled State Payment Dates that will occur during the period beginning on the last Interest Payment Date (or, if an Interest Payment Date has not occurred, the Bond Closing Date for the Series 2025 Bonds) and ending on the day preceding the next Interest Payment Date, plus (ii) an amount of moneys, less any credits received against such amount, equal to a fraction of the principal due on the Bonds on the next Principal Payment Date where the numerator is the principal due on the Bonds on the next Principal Payment Date and the denominator is the number of Scheduled State Payment Dates that will occur during the period beginning on the last Principal Payment Date (or, if a Principal Payment Date has not yet occurred, [June 1, 20\_\_]) and the day preceding the next Principal Payment Date, and plus (iii) any amount previously due under this paragraph but that remains unpaid because of an insufficiency in moneys available therefor;

SECOND: [RESERVED];

THIRD: on each Scheduled State Payment Date, to the Rebate Fund, commencing in the month following the determination of the Rebate Amount and continuing until the full amount is so paid, any amount of moneys, as calculated by the Rebate Analyst, required to be deposited in the Rebate Fund;

FOURTH: on each Scheduled State Payment Date, to the Expense Fund, (i) an amount of moneys equal to a fraction of the Trustee's Fee where the numerator is the Trustee's Fees and the denominator is the number of Scheduled State Payment Dates that will occur during the period beginning on the last date on which such fees were paid (or, if such fees have not yet been paid, the Bond Closing Date for the Series 2025 Bonds) and the day preceding the next Interest Payment Date, (ii) the amount of money equal to any amounts payable as Trustee's Expenses, plus (iii) any amount previously due under this paragraph but that remains unpaid because of an insufficiency in moneys available therefor;

FIFTH: on each Scheduled State Payment Date, to the Expense Fund (i) amounts, if any, that the Issuer notifies the Trustee in writing is payable in connection with the Issuer's Unassigned Rights, plus (ii) an amount of money that the Issuer notifies the Trustee in writing is equal to a fraction of the amount owed to the Rebate Analyst on the next July 1 where the numerator is the amount owed and the denominator is the number of Scheduled State Payment Dates that will occur during the period beginning on the last July 1 (or, if later, the Bond Closing Date for the Series 2025 Bonds) and ending on the day preceding the next July 1, plus (iii) any amount previously due

under this paragraph but that remains unpaid because of an insufficiency in moneys available therefor;

- SIXTH: on each Scheduled State Payment Date, to the Debt Service Reserve Fund an amount of money equal to the amount necessary to cure any deficiency in the Debt Service Reserve Fund, as determined pursuant to Section 3.24(b) hereof;
- SEVENTH: commencing with the June 2026 Scheduled State Payment Date, for deposit in the Repair and Replacement Fund, an amount of money equal to the Repair and Replacement Fund Monthly Deposit; and
- EIGHTH: on each Scheduled State Payment Date, if no Event of Default exists, all amounts of money remaining on deposit in the Revenue Fund after the Trustee has made the disbursements required in paragraphs FIRST through SEVENTH above.

If an Actual State Payment Date does not occur by the fifth day after a Scheduled State Payment Date, the Trustee will immediately notify the Issuer and the Borrower in writing of such nonpayment.

**Section 3.21. Expense Fund.** There shall be deposited into the Expense Fund as and when received (a) all moneys transferred from the Revenue Fund to the Expense Fund pursuant to Section 3.20 hereof, (b) all other moneys required to be deposited therein pursuant to the Loan Agreement or this Indenture, and (c) all other moneys received by the Trustee when accompanied by directions from an Authorized Representative of the Borrower not inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into the Expense Fund.

**Section 3.22. Use of Moneys in the Expense Fund.** The Issuer hereby authorizes and directs the Trustee to withdraw sufficient funds from the Expense Fund to pay (i) on each Interest Payment Date, commencing [\_\_\_\_\_], to the Trustee an amount equal to one-half of the Trustee's Fees for that year; (ii) at the written request of the Issuer, when due, amounts, if any, payable in connection with the Issuer's Unassigned Rights and Trustee's Expenses; (iii) on [July 1, 2025] and on each July 1 thereafter so long as any Tax-Exempt Bonds remain Outstanding, to the Rebate Analyst, any amount the Borrower notifies the Trustee in writing is owed as payment for its services as set forth in an invoice of the Rebate Analyst that is delivered to the Trustee.

**Section 3.23. Payments into the Debt Service Reserve Fund.** With respect to the Series 2025 Bonds, the Trustee shall deposit the proceeds of the Series 2025 Bonds described in Section 3.02(b)(ii) hereof into the Debt Service Reserve Fund, which amount is equal to the Series Debt Service Reserve Requirement for the Series 2025 Bonds. Upon the issuance of each Series of Additional Bonds for which there is a Series Debt Service Reserve Requirement, there shall be deposited into the Debt Service Reserve Fund, an amount specified in the related Supplemental Indenture equal to the related Series Debt Service Reserve Fund Requirement. There also shall be deposited into the Debt Service Reserve Fund (a) all moneys transferred to the Debt Service Reserve Fund from the Bond Fund, (b) all other moneys required to be deposited therein pursuant to the Loan Agreement or this Indenture, and (c) all other moneys received by the Trustee when

accompanied by directions from an Authorized Representative of the Borrower not inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into the Debt Service Reserve Fund.

**Section 3.24. Use of Moneys in the Debt Service Reserve Fund.**

(a) Except as provided in Section 3.14 hereof, moneys in the Debt Service Reserve Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an Interest Payment Date, sinking fund redemption date, maturity date or otherwise. On the final maturity date of the Bonds, any moneys in the Debt Service Reserve Fund shall be used to pay the principal of and interest on the Bonds on such final maturity date. In the event of the redemption of the Bonds in whole, any moneys in the Debt Service Reserve Fund shall be transferred to the Bond Fund and applied to the payment of the principal of and premium, if any, on the Bonds. In the event of a prepayment in whole of amounts due under the Loan Agreement and the defeasance pursuant to Section 7.01 hereof of all of the Outstanding Bonds, any moneys in the Debt Service Reserve Fund shall be applied to the defeasance of the Bonds.

(b) The Trustee shall value the Investment Obligations in the Debt Service Reserve Fund semiannually on each Interest Payment Date of each year at the lesser of their market value or face amount. If on any valuation date the amount in the Debt Service Reserve Fund is greater than the Debt Service Reserve Fund Requirement, the Trustee shall transfer such excess to the Bond Fund. In the event amounts on deposit in the Debt Service Reserve Fund are less than the Debt Service Reserve Fund Requirement, whether because of a decreased value of the Investment Obligations therein or a transfer to cure a shortfall in the Bond Fund, the Trustee shall, within five Business Days of when the Trustee has knowledge of such deficiency, give written notice to the Issuer and the Borrower of the deficiency and request replenishment. The Borrower has agreed pursuant to Section 5.01 of the Loan Agreement to pay to the Trustee the amount of such deficiency, over a period not longer than one year, in substantially equal installments beginning on the Scheduled State Payment Date following such deficiency, and provided that no such installment shall be less than \$5,000.

(c) Upon the occurrence of an Event of Default and the exercise by the Trustee of the remedy specified in Section 10.02(a) of the Loan Agreement and Section 8.02(a) hereof, any moneys in the Debt Service Reserve Fund shall be transferred by the Trustee to the Bond Fund.

(d) Amounts on deposit in the Debt Service Reserve Fund shall be held in trust for the benefit of the Registered Owners of the Bonds and such amounts shall be applied only in accordance with the provisions of this Indenture. The Borrower has no legal, equitable or reversionary interest in, or right to, such amounts. In the event of any Act of Bankruptcy, the Borrower shall not assert, claim or contend that any portion of the Debt Service Reserve Fund is property of its bankruptcy estate as defined by 11 U.S.C. Section 541.

**Section 3.25. Custody of the Debt Service Reserve Fund.** The Debt Service Reserve Fund shall be in the custody of the Trustee, but in the name of the Issuer, and the Issuer hereby authorizes and directs the Trustee to withdraw funds from the Debt Service Reserve Fund for the purposes described in Sections 3.14, 3.24, and 8.05 hereof, which authorization and direction the Trustee hereby accepts.

## **ARTICLE IV.**

### **COVENANTS OF THE ISSUER**

#### **Section 4.01. Performance of Covenants.**

(a) Subject to the proviso in the last sentence of Section 4.08(b) hereof, the Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond and in all proceedings of the Issuer pertaining thereto. The Issuer covenants, represents, warrants and agrees that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds and to execute this Indenture, to pledge the Trust Estate in the manner and to the extent herein set forth, that all actions on its part required for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken or will be duly taken as provided herein, and that this Indenture is a valid and enforceable instrument of the Issuer and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof, except as the enforceability thereof may be limited by insolvency, bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or against public corporations such as the Issuer and by the application of general principles of equity.

(b) The Issuer covenants that it will take no action reasonably within its control that will permit an investment or other use of the proceeds of Tax-Exempt Bonds and will take no action with respect to the amounts payable under the Loan Agreement that would cause the Tax Exempt Bonds to be arbitrage bonds under Section 148(a) of the Code and the Regulations thereunder or "federally guaranteed" within the meaning of Section 149(b) of the Code and the Regulations thereunder, and it further covenants that it will comply with the requirements of such Sections and Regulations. The foregoing covenants shall extend throughout the term of the Tax-Exempt Bonds, to all Funds and accounts created under this Indenture and all money on deposit to the credit of any such Fund or account, and to any other amounts that are Tax-Exempt Bond proceeds for purposes of Section 148 of the Code and the Regulations thereunder.

(c) The Issuer covenants that it will take no action and permit no action within its control to be taken that would adversely affect the exemption from federal income tax of interest on the Tax-Exempt Bonds. The Issuer is deemed to have complied with this paragraph if the Issuer complies with this Indenture, to grant the security interest herein provided, to assign and pledge the Loan Agreement and the Promissory Note (except as otherwise provided herein) and to assign and pledge the amounts hereby assigned and pledged in the manner and to the extent herein set forth; all action on its part for the issuance



of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken; and that the Bonds in the hands of the owners thereof are and will be valid and enforceable limited and special obligations of the Issuer according to the terms thereof and hereof. The Issuer covenants that it will comply with the Tax Certificate.

**Section 4.02. Instruments of Further Assurance.** The Issuer covenants that it will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered by the parties within its control, such instruments supplemental hereto and such further acts, instruments, and transfers as the Trustee may reasonably require for the better assuring, transferring, mortgaging, conveying, pledging, assigning, and confirming unto the Trustee, the Issuer's interest in and to all interests, revenues, proceeds, and receipts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds in the manner and to the extent contemplated herein. The Issuer shall be under no obligation to prepare, record, or file any such instruments or transfers and any fees, costs and expenses incurred in connection therewith, including reasonable attorneys' fees, shall be the sole responsibility of the Borrower.

**Section 4.03. Payment of Principal, Premium, if any, and Interest.** The Issuer will promptly pay or cause to be paid the principal of, premium, if any, and interest on all Bonds issued hereunder according to the terms hereof. The principal, premium, if any, and interest payments are payable solely from the Trust Estate, which is hereby specifically pledged to the payment thereof in the manner and to the extent herein specified. Nothing in the Bonds or in this Indenture shall be considered or construed as pledging any funds or assets of the Issuer other than those pledged hereby or creating any liability of the Issuer Indemnified Parties.

**Section 4.04. Unrelated Bond Issues.** Prior to the issuance of the Bonds, the Issuer has issued, and subsequent to the issuance of the Bonds, the Issuer expects to issue, various series of bonds in connection with the financing of other projects (said bonds together with any bonds issued by the Issuer between the date hereof and issuance of the Bonds shall be referred to herein as the "Other Bonds"). Any pledge, mortgage, or assignment made in connection with any Other Bonds shall be protected, and any funds pledged or assigned for the payment of principal, premium, if any, or interest on the Other Bonds shall not be used for the payment of principal, premium, if any, or interest on the Bonds. Correspondingly, any pledge, mortgage, or assignment made in connection with the Bonds shall be protected, and any funds pledged or assigned for the payment of the Bonds shall not be used for the payment of principal, premium, if any, or interest on the Other Bonds.

**Section 4.05. Security Instruments.** In connection with the issuance of the Series 2025 Bonds, the Issuer has caused (and in connection with the issuance of any Additional Bonds to finance or refinance Facilities other than the Series 2025 Facilities, the Issuer will cause) the Trustee, in its capacity as assignee of the Issuer, to be named as the beneficiary under a recorded Deed of Trust and to be named as the secured party under a filed financing statement, as appropriate, for the Facilities (in the form prepared on the Bond Closing Date for the applicable Series of Bonds). The Borrower, in the Loan Agreement, has agreed to cause all supplements and amendments thereto to be recorded, registered and filed. The Borrower, in the Loan Agreement, has agreed to cause any continuation statements to be filed as required by law. The Trustee shall have no obligation to prepare, file or record any security instrument or financing statement or continuation or modification thereto.

#### **Section 4.06. Rights Under the Loan Agreement.**

(a) The Issuer will observe all of the obligations, terms and conditions required on its part to be observed or performed under the Loan Agreement. The Issuer agrees that to the extent the Loan Agreement gives the Trustee some right or privilege, or in any way attempts to confer upon the Trustee the ability for the Trustee to protect the security for payment of the Bonds, that such parts of the Loan Agreement shall be as though they were set out in this Indenture in full.

(b) The Issuer agrees that the Trustee as assignee of the Loan Agreement may enforce, in its name or in the name of the Issuer, all rights of the Issuer (other than the Issuer's Unassigned Rights) and all obligations of the Borrower under and pursuant to the Loan Agreement (subject to certain exceptions stated in the granting clauses hereof) for and on behalf of the Registered Owners, whether or not the Issuer is in default hereunder.

#### **Section 4.07. Performance of Obligations.**

(a) Any liability of the Issuer arising from the performance by the Issuer of its duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, shall be limited solely to the Trust Estate, including revenues and receipts derived from the Loan Agreement, the Promissory Note and the Deed of Trust, and the Issuer and the Issuer Indemnified Parties shall be protected as to actions taken in carrying out its or their duties, obligations, powers or covenants hereunder (except for any fraud or intentional misrepresentation thereby).

(b) Subject to Section 4.03 hereof, the Issuer shall have no liability or obligation with respect to the payment of the principal of and premium, if any, or interest on the Bonds. None of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless payable from the Revenues, or the Issuer shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability that may be incurred thereby. The Issuer shall not be under any obligation hereunder to perform any record keeping, it being understood that such services shall be performed or provided by the Trustee or the Borrower. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in this Indenture, in every Bond executed, authenticated, and delivered hereunder, in the Loan Agreement and in all of its proceedings pertaining thereto; provided, however, that (i) the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrower or the Trustee, and (ii) the Issuer shall have received the instrument to be executed, and, at the Issuer's option, shall have received from the Borrower assurance satisfactory to the Issuer that the Issuer shall be reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument.

**Section 4.08. Provisions for Payment of Expenses.** The Issuer shall not be obligated to execute any documents or take any other action under or pursuant to this Indenture, the Loan Agreement or any other document in connection with the Bonds unless and until provision for the payment of expenses of the Issuer shall have been made. Provisions for expenses shall be deemed to have been made upon arrangements reasonably satisfactory to the Issuer for the provision of expenses being agreed upon by the Issuer and the party requesting such execution.

## ARTICLE V.

### REDEMPTION OF BONDS PRIOR TO MATURITY

#### **Section 5.01. Optional Redemption of Bonds.**

(a) The Series 2025 Bonds are subject to redemption at the option of the Issuer (which option shall be exercised, upon the written direction of the Borrower, from prepayment of the Series 2025 Promissory Note made by the Borrower pursuant to Section 11.01 of the Loan Agreement) in whole or in part on any date commencing on [\_\_\_\_], at a redemption price (expressed as percentages of principal amount), together with accrued interest to the date fixed for redemption, as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
_____	_____

(b) Additional Bonds shall be subject to optional redemption at such times and upon such terms as shall be fixed by the related Supplemental Indenture.

(c) In case of optional redemption of the Bonds, the Borrower shall, at least 45 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), deliver a written request to the Issuer and the Trustee notifying the Issuer and the Trustee of such redemption date and of the principal amount of the Bonds to be redeemed and shall, prior to the redemption date, deliver to the Trustee moneys sufficient to pay the redemption price of all Bonds subject to redemption.

**Section 5.02. Redemption of Bonds Upon Occurrence of Certain Events.** The Bonds of a Series are also subject to extraordinary redemption at the expense of the Borrower from the Net Proceeds of any insurance policy or condemnation award and in the event the Facilities or any portion thereof is damaged or destroyed or taken in condemnation proceedings as provided in Section 7.02 of the Loan Agreement; provided, such Net Proceeds are in excess of \$500,000. If called pursuant to this Section 5.02, such Bonds are callable on the earliest date practicable selected by the Trustee, in whole or in part, from and to the extent of funds on deposit under this Indenture and available for this purpose at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date, without premium.

**Section 5.03. Mandatory Sinking Fund Redemption.**

(a) The Series 2025 Bonds maturing on [June 1, 20\_\_] are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

<u>Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
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\_\_\_\_\_  
\*Maturity Date

The Series 2025 Bonds maturing [June 1, 20\_\_] are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount so to be redeemed plus accrued interest to the redemption date, in accordance with the following schedule:

<u>Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
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\_\_\_\_\_  
\*Maturity Date

The Series 2025 Bonds maturing [June 1, 20\_\_] are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount so to be redeemed plus accrued interest to the redemption date, in accordance with the following schedule:

<u>Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
--------------------------------	-----------------------------------	--------------------------------	-----------------------------------

\_\_\_\_\_  
\*Maturity Date

(b) Additional Bonds may be subject to mandatory sinking fund redemption at such times and upon such terms as shall be fixed by the related Supplemental Indenture relating to such Bonds.

**Section 5.04. Mandatory Redemption Upon Determination of Taxability.** The Tax-Exempt Bonds of a Series are subject to mandatory redemption as a whole at the principal amount thereof, plus accrued interest thereon to the date of redemption, plus a premium equal to 3 percent of the principal amount of the Tax-Exempt Bonds so redeemed, upon the occurrence of a Determination of Taxability related to such Tax-Exempt Bonds; provided, however, that the Trustee shall not redeem Tax-Exempt Bonds unless the Trustee shall have on deposit funds in the amount sufficient to pay the principal amount of and the redemption premium on, plus accrued interest on, the Tax-Exempt Bonds to be redeemed to the date of such redemption. The redemption date shall be the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than six months following the finalization of the Determination of Taxability.

**Section 5.05. [Reserved].**

**Section 5.06. [Reserved].**

**Section 5.07. Method of Selecting Bonds.** Unless otherwise specifically stated herein, any partial redemption within a Series of Bonds shall be at the direction of the Borrower or, if no direction is given, shall be redeemed in inverse order of maturity, or if less than all of the Bonds in a single maturity shall be redeemed, the Bonds redeemed shall be selected randomly by lot within such maturity.

**Section 5.08. Notices of Redemption.**

(a) All or a portion of the Bonds shall be called for optional redemption pursuant to Section 5.01 hereof by the Trustee as herein provided upon receipt by the Trustee at least 45 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee) of a certificate of the Borrower specifying the principal amount of the Bonds to be called for redemption, the applicable redemption price or prices, and the provision or provisions of this Indenture pursuant to which such Bonds are to be called for redemption. In the case of every redemption, the Trustee shall cause notice of such redemption by mailing by first-class mail a copy of the redemption notice to the Registered Owners of the Bonds designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 60 nor less than 30 days prior to the redemption date, provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. The Trustee may state that the redemption is conditioned upon receiving from the Borrower, prior to the redemption date, sufficient moneys to redeem such Bonds and that if such money is not so received, no Bonds shall be redeemed. The Trustee shall furnish the Borrower and the Issuer with a copy of each notice of redemption given with respect to any optional redemption under Section 5.01 hereof, any extraordinary

redemption under Section 5.02 hereof or any mandatory redemption under Section 5.04 hereof, as soon as practicable after the delivery of notice to the Registered Owners.

(b) Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof to be redeemed.

**Section 5.09. Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue.** On or before the redemption date specified in any notice of redemption of the Borrower delivered pursuant to Section 5.08 hereof, the Borrower shall deposit, or cause to be deposited, with the Trustee sufficient moneys to redeem all the Bonds called for redemption at the appropriate redemption price, including accrued interest to the date fixed for redemption. On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date and redemption premium, if any, shall become due and payable; and from and after such date, notice having been given and deposit having been made in accordance with the provisions of this Article, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given and such deposit having been made) the Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the Issuer shall be under no further liability in respect thereof, except as provided in Section 3.16 hereof.

**Section 5.10. Cancellation.** All Bonds that have been redeemed and all Bonds delivered to the Trustee by the Borrower for cancellation shall be cancelled by the Trustee and destroyed as provided in Section 2.09 hereof.

**Section 5.11. Partial Redemption of Bonds.** Upon surrender of any Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Registered Owner thereof, the cost of which shall be paid by the Borrower, a new Bond or Bonds of the same Series and maturity and of Authorized Denominations, in an aggregate principal amount equal to that portion of the Bond not redeemed.

**Section 5.12. No Partial Optional Redemption in Event of Default.** Notwithstanding any provisions of this Article, the Bonds shall not be subject to partial optional redemption pursuant to Section 5.01 hereof if an Event of Default has occurred and has not been cured or otherwise waived by the Trustee.

## ARTICLE VI.

### INVESTMENTS

#### **Section 6.01. Investment of Moneys.**

(a) Moneys in the Funds and accounts shall be invested and reinvested by the Trustee in Investment Obligations, at the written direction of an Authorized Representative of the Borrower, which initial direction shall be received by the Trustee at or before the Bond Closing Date. If no initial written investment direction is received, the Trustee shall hold such moneys un-invested until direction is received. At no time shall any funds constituting gross proceeds of the Tax-Exempt Bonds be used in any manner to cause or result in a prohibited payment under applicable regulations pertaining to, or in any other fashion as would constitute failure of compliance with, Section 148 of the Code. Investments of moneys in the Bond Fund shall mature or be redeemable without penalty at the option of the Trustee at the times and in the amounts necessary to provide moneys to pay the principal of and premium, if any, and interest on the Bonds as they become due at stated maturity or by redemption. Each investment of moneys in the Project Fund, Cost of Issuance Fund, Expense Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund and the Rebate Fund shall mature or be redeemable without penalty at such time as may be necessary to make payments from such Fund.

(b) Subject to the receipt of any directions from the Authorized Representative of the Borrower with respect thereto, which directions shall be in compliance with Section 3.14 hereof relating to the Rebate Fund from time to time, the Trustee may sell those investments and reinvest the proceeds therefrom in Investment Obligations maturing or redeemable as stated in subsection (a) above. The Trustee shall not be liable for interest on moneys received hereunder except as may be agreed upon. Any of those investments may be purchased from or sold to the Trustee or any bank, trust company or savings and loan association affiliated with the Trustee. The Trustee shall sell or redeem investments credited to the Bond Fund to produce sufficient moneys applicable hereunder to and at the times required for the purposes of paying the principal of and premium, if any, and interest on the Bonds when due as aforesaid, and shall do so without necessity for any order on behalf of the Issuer and without restriction by reason of any order. An investment made from moneys credited to any Fund shall constitute part of that respective Fund. Proceeds of the sale of and income on investments in the Funds shall be credited to such Funds. For purposes of this Indenture, the Investment Obligations shall be valued by the Trustee on each Interest Payment Date at face amount or market value.

(c) The Issuer (and the Borrower by its execution of the Loan Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer and the Borrower periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

(d) Except during the continuation of an Event of Default, the Borrower shall have the duty to direct the Trustee to invest or reinvest all money held for the credit of the Funds established by this Indenture in accordance with this Indenture.

## **ARTICLE VII.**

### **DISCHARGE OF INDENTURE**

#### **Section 7.01. Discharge of Indenture.**

(a) If the Bonds secured hereby are paid in accordance with their terms (or payment of the Bonds is provided for in the manner set forth in the following paragraph), together with all other sums payable hereunder, all amounts payable to the Issuer and the Trustee under the Loan Agreement and all amounts payable to the United States Treasury pursuant to Section 148 of Code, or provision is made for the payment of the same, then this Indenture and the Trust Estate and all rights granted hereunder will thereupon cease, terminate and become void and be discharged and satisfied. Also if all Outstanding Bonds secured hereby are purchased by the Borrower and delivered to the Trustee for cancellation, and all other sums payable hereunder, all amounts payable to the Issuer and the Trustee under the Loan Agreement, and all amounts payable to the United States Treasury pursuant to Section 148 of the Code are paid, or provision is made for the payment of the same, then this Indenture and the Trust Estate and all rights granted hereunder will thereupon cease, terminate and become void and be discharged and satisfied. In such events, upon the request of the Borrower, the Trustee shall assign and transfer to the Borrower all property then held by the Trustee hereunder with respect to the Borrower and shall execute such documents as may be reasonably required by the Borrower and shall transfer to the Borrower any surplus in any Fund pursuant to Section 3.19 hereof.

(b) Payment of any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been provided for within the meaning and with the effect expressed in this Section if: (i) in the case that the Bond is to be redeemed on any date prior to its maturity, the Borrower shall have given to the Trustee in form satisfactory to it irrevocable instructions to give, on a date in accordance with the provisions of Section 5.08 hereof, notice of redemption of such Bond on said redemption date, such notice to be given in accordance with the provisions of Section 5.08 hereof; (ii) there shall have been deposited with the Trustee either moneys in an amount that shall be sufficient, or Government Obligations that shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys that, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said Bond on and prior to the redemption date or maturity date thereof, as the case may be; (iii) there shall have been delivered to the Trustee a certificate from a firm of certified public accountants certifying as to the sufficiency of the deposit made pursuant to the preceding clause (ii), provided, however, such certificate shall not be required if the deposit consists solely of moneys to be held by the Trustee without need for any investment thereof; (iv) there shall have been delivered to the Trustee an opinion of Bond Counsel satisfactory to



the Issuer that such payment does not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds; and (v) in the event the Bond is not by its terms subject to redemption within the next 45 days, the Borrower shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to Section 5.08 hereof, a notice to the Registered Owner of such Bond that the deposit required by (ii) above has been made with the Trustee and that payment of the Bond has been provided for in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on the Bond. Neither such securities nor moneys deposited with the Trustee pursuant to this Section or principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on the Bond; provided any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities of the type described in clause (ii) of this paragraph maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, and interest to become due on the Bond on or prior to such redemption date or maturity date thereof, as the case may be. At such time as payment of a Bond has been provided for as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of any payment from such moneys or securities deposited with the Trustee.

(c) The release of the obligations of the Issuer and Borrower under this Section shall be without prejudice to the right of the Trustee or the Issuer to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements incurred on or about the administration of the trust hereby created and the performance of its powers and duties hereunder.

(d) The provisions contained in this Section 7.01 apply equally to the discharge of the lien of this Indenture for all of the Bonds or any portion thereof.

**Section 7.02. Survival.** Notwithstanding the payment in full of the Bonds, the discharge of this Indenture as set forth in Section 7.01 above, and the termination or expiration of the Loan Agreement and the Deed of Trust, all provisions in this Indenture concerning (a) the tax-exempt status of the Tax Exempt Bonds (including, but not limited to provisions concerning the payment of the Rebate Amount), (b) the interpretation of this Indenture, (c) the governing law, (d) the forum for resolving disputes, (e) the Issuer's right to rely on facts or certificates, (f) the indemnity of the Issuer Indemnified Parties from liability, (g) the lack of pecuniary liability of the Issuer and the State; and (h) the indemnity of the Trustee and the rights, powers and duties of the Trustee as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds, shall survive and remain in full force and effect.

## **ARTICLE VIII.**

### **DEFAULTS AND REMEDIES**

#### **Section 8.01. Events of Default.**

(a) Each of the following is hereby defined as and shall be deemed an “Event of Default” with respect to Bonds issued under this Indenture:

(i) Failure in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, on a sinking fund payment date or upon proceedings for redemption.

(ii) Failure in the payment of any installment of interest on any Bond when the same shall become due and payable.

(iii) Failure to observe or perform any other covenant, agreement, contract or other provision of the Bonds or this Indenture (other than as referred to in (i) or (ii) above) and such failure shall continue for a period of 30 days after written notice to the Issuer and the Borrower by the Trustee specifying such default and requiring the same to be remedied, provided, with respect to any such failure described by this subsection (iii), no Event of Default will be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced by the Borrower within such 30-day period, the Borrower shall have informed the Trustee of the plan to cure, the Borrower diligently pursues the cure to completion, and the failure is remedied within 90 days of the Trustee’s default notification to the Borrower. The Borrower shall deliver a written report to the Trustee at least once every 30 days setting forth the status of all attempts to cure such default(s).

(iv) The occurrence of an “Event of Default” under the Loan Agreement or the Deed of Trust.

(b) Upon actual knowledge of the occurrence of an Event of Default, the Trustee shall notify the Borrower and the Issuer in writing as soon as practicable; provided, however, that the Trustee need not provide notice if the Borrower delivered written acknowledgement of the existence of an Event of Default to the issuer and Trustee. Each notification of the occurrence of an Event of Default shall set forth the specific nature of the Event of Default or Events of Default.

(c) The time periods for cure set forth in (a)(iii) above shall not be applicable to any events or actions that cause or might cause a Determination of Taxability.

#### **Section 8.02. Remedies for Events of Default Under Indenture.**

(a) Upon the occurrence of an Event of Default with respect to Bonds issued hereunder, the Trustee shall have the following rights and remedies:

(i) Acceleration. In the event the Borrower is in default under the Loan Agreement, the Trustee (A) may by notice in writing given to the Issuer and the Borrower or (B) shall, upon the written request of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable. Upon any declaration of acceleration hereunder, the Issuer and the Trustee shall immediately declare all Loan Payments under the Loan Agreement to be immediately due and payable as provided in Section 10.02 of the Loan Agreement. In addition, an Event of Default under Section 10.01(a)(iv) or (v) of the Loan Agreement shall be treated as though an acceleration has occurred that caused the principal and interest of all the Outstanding Bonds to become immediately due and payable.

(ii) Receivership. Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Registered Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers, with respect to the Borrower of the rents, revenues, income, products and profits related to the Borrower and the Facilities, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to, the Trustee.

(iii) Foreclosure. The Trustee shall have the right of foreclosure on all or any portion of the Facilities or any interest of the Issuer or Borrower therein including pursuant to the power of sale under the Deed of Trust and may realize upon the security interest in the Pledged Revenues, and exercise all of the rights and remedies of a secured party under the Uniform Commercial Code of the State with respect thereto.

(iv) Suit for Judgment on the Bonds. The Trustee shall be entitled to sue for and recover judgment, either before or after or during the pendency of any proceedings for the enforcement of the lien of this Indenture, for the enforcement of any of its rights, or the rights of the Registered Owners, but any such judgment against the Issuer shall be enforceable only against the Trust Estate. No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of this Indenture or any rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the Registered Owners, but such lien, rights, powers and remedies of the Trustee and of the Registered Owners shall continue unimpaired as before.

(b) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute.

(c) If any Event of Default has occurred, the Trustee may institute and maintain such suits and proceedings as it reasonably determines is necessary or expedient (i) to prevent any impairment of the security hereunder or (ii) to preserve or protect the interests of the Registered Owners of such Bonds.

**Section 8.03. Direction of Remedies.** Anything in this Indenture to the contrary notwithstanding, the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver, or any other proceedings or remedies permitted in accordance with the provisions hereof. The Trustee shall not be required to act on any direction given to it pursuant to this Section unless indemnified or receiving other assurances as provided in Section 9.01 hereof.

**Section 8.04. Rights and Remedies of Registered Owners.** No Registered Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in Section 9.01 hereof, or of which by Section 9.01 hereof it is deemed to have notice, nor unless such default shall have become an Event of Default and the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless they have also offered to the Trustee indemnity or other assurances as provided in Section 9.01 hereof nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request, and offer of indemnity or other assurances are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Registered Owners shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the Registered Owners of the Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Registered Owner to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of or premium, if any, or interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and premium, if any, and interest on each of the Bonds to the respective Registered Owners at the time and place, from the source and in the manner herein and in the Bonds expressed.

**Section 8.05. Application of Moneys.** If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (except for moneys deposited with or paid to the Trustee for the payment or redemption of specific Bonds, including under Section 3.16 or those no longer

Outstanding pursuant to Section 7.01 and moneys held by the Trustee in the Rebate Fund) shall be applied by the Trustee in the following order:

(a) To the payment of expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds, and payment of reasonable fees and expense of the Trustee (including reasonable fees and expenses of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the costs and expenses of the Registered Owners;

(c) To the payment of principal and interest then due on the Bonds as follows:

(i) Unless the principal of all the Bonds in default shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST, to the payment to the Persons entitled thereto of all of interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full any particular installment or installments maturing on the same date, then to the payment ratably, according to the amounts due, to the Persons entitled thereto, without any discrimination or preference; and

SECOND, to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds that shall have become due (other than Bonds subject to Section 3.16 of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all the Bonds shall have become due or shall have been declared or deemed due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon all of the Bonds, without preference or priority of principal over interest or of interest over principal, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(iii) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (ii) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (i) of this Section.

(d) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee

shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds; it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Registered Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid;

(e) Whenever all of the Bonds, the premium, if any, and interest thereon have been paid under the provisions of this Section and all Trustee's Fees, all Trustee's Expenses, the Issuer's Fee and all other amounts to be paid to the Issuer or the Trustee or the United States Treasury hereunder or under the Loan Agreement have been paid, or provision is made for the payment thereof in accordance herewith, any balance remaining in the Funds shall be applied as provided in Section 3.19 hereof; and.

(f) Whenever the Trustee reasonably determines that no additional funds are likely to be received or collected by the Trustee, the Trustee shall be entitled to notify the Registered Owners of the Bonds that the application of any money remaining after paying the expenses allowed under (a) above, constitutes a final distribution. Following the final distribution, the Bonds will be cancelled and considered no longer Outstanding under this Indenture, regardless of whether all the principal of, and interest on, the Bonds has been paid in full.

**Section 8.06. Trustee May Enforce Rights Without Bonds.** All rights of action and claims under this Indenture or any of the Bonds Outstanding may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Registered Owners.

**Section 8.07. Proofs of Claim.**

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer, the Borrower or any other obligor upon the Bonds or the property of the Issuer, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, from prepayment on the Promissory Note, as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer and/or the Borrower for the payment of overdue principal or interest) shall be entitled and empowered, by intervention of such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the

reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Registered Owners allowed in such judicial proceeding; and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

(ii) and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Registered Owner to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Registered Owners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel.

(b) So long as Bonds are Outstanding the Trustee is hereby appointed, and the successive respective Registered Owners, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Registered Owners, with authority to make or file, in the respective names of the Registered Owners or on behalf of all Registered Owners, as a class, any proof of debt, amendment to proof of debt, petition or other documents and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Registered Owners as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claim of the Registered Owners against the Issuer, the Borrower or any other obligor allowed in receivership, insolvency, liquidation, bankruptcy or other proceeding, to which the Issuer, the Borrower or any other obligor, as the case may be, shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

**Section 8.08. Delay or Omission No Waiver.** No delay or omission of the Trustee or of any Registered Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Indenture may be exercised from time to time and as often as may be deemed expedient.

**Section 8.09. No Waiver of One Default to Affect Another.** No waiver of any default hereunder, whether by the Trustee or the Registered Owners, shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon.

**Section 8.10. Discontinuance of Proceedings on Default; Position of Parties Restored.** In case the Trustee or the Registered Owners shall have proceeded to enforce any rights under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or the Registered Owners, then and in every such case the Issuer, the Trustee and the Registered Owners shall be restored to their former position and rights hereunder with respect to the Trust Estate, and all rights, remedies, and powers of the Issuer, the Trustee and the Registered Owners shall continue as if no such proceedings had been taken.

**Section 8.11. Waivers of Events of Default.** The Trustee may waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the Registered Owners of at least a majority of the aggregate principal amount of the Bonds then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds at the date of maturity or redemption thereof or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of the principal and premium, if any, and all expenses of the Trustee, and all amounts to be paid to the Issuer and the Trustee hereunder and under the Agreement, in connection with such default shall have been paid or provided for, or (b) any default in the payment of amounts set forth in Section 5.01(e) of the Loan Agreement. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Issuer, the Trustee and the Registered Owners shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

## **ARTICLE IX.**

### **CONCERNING THE TRUSTEE**

**Section 9.01. Duties of the Trustee.** The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under similar circumstances in the conduct of his or her own affairs.

(b) The Trustee may execute any of the trusts hereof or powers hereunder and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standards specified above and in subsection (g) of this Section, and shall be entitled to act upon advice or an Opinion of Counsel concerning all matters of the trust hereof and its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon advice or an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such advice or Opinion of Counsel; provided, however, at any time the Trustee is to receive an Opinion of Counsel upon which it will rely in taking or omitting to take action, the Trustee shall specifically request that the Issuer be named as an



addressee of such Opinion of Counsel. If the Trustee is informed that counsel will not name the Issuer as an addressee of such opinion, the Trustee will promptly send notice to the Issuer and the Trustee will refrain from acting upon any such Opinion of Counsel for a period of three (3) business days unless in the opinion of the Trustee such delay would adversely affect the interests of the owners of the Bonds. Notwithstanding anything to the contrary, in no event shall any failure of the Trustee to request that the Issuer be named an addressee of an Opinion of Counsel or to provide such notice to the Issuer in accordance with the foregoing prevent the Trustee from taking any act or refraining from taking any act that in the opinion of the Trustee is in the best interests of the owners of the Bonds.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for insuring the Facilities or collecting any insurance moneys or for the validity of the execution by the Issuer of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the Facilities, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer, or on the part of the Borrower; but the Trustee may require of the Borrower full information and advice as to the performance of the covenants, conditions, and agreements as to the condition of the Facilities contained herein or in the Loan Agreement. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.01 hereof.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Beneficial Owner or the Registered Owner of any Bonds with the same rights that it would have if not Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or the consent of the Issuer or any person who at the time of making such request or giving such consent is the Registered Owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by an Authorized Representative of the Issuer or on behalf of the Borrower by an Authorized Representative of the Borrower or such other person as may be designated for such purpose by the Issuer or the Borrower as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct and shall not be answerable for any negligent act of its attorneys, agents or receivers that have been selected by the Trustee with due care, subject to Section 9.01(a) hereof.

(h) The Trustee shall not be deemed to have notice of any default or Event of Default or the Borrower's failure to observe or perform any covenant, agreement, contract or other provisions of the Bonds or this Indenture or the Loan Agreement other than a failure to make a payment under Section 8.01(a)(i) or (ii) unless an officer in the trust department of the Trustee with responsibility for administering this Indenture has actual notice thereof or the Trustee shall be specifically notified in writing of such default by the Issuer, the Borrower or the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding. All notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the address of the Trustee provided for in Section 11.09 hereof, and, in the absence of such notice so delivered, the Trustee may conclusively assume that there is no default except in the case of a payment default under Section 8.01(a)(i) or (ii).

(i) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Indenture or law.

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, but shall not be required, to inspect any and all of the Trust Estate, including all books, papers and records of the Issuer or the Borrower pertaining to the School, the Facilities and the Bonds.

(k) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Issuer or the Borrower to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee.

(m) Before taking any action under Article VIII hereof or otherwise at the request or direction of the Holders, the Trustee may require that reasonable indemnity or other assurances satisfactory to the Trustee be furnished to it for the reimbursement of all expenses that it may incur and to protect it against all risk and liability by reason of any action so taken, including without limitation any and all environmental liability, and except

only any liability resulting from its negligence or willful misconduct. The Trustee may take action without requiring such indemnification or other assurances and in such event, the Trustee shall be entitled to indemnification by the Borrower pursuant to Section 8.06 of the Loan Agreement and to reimbursement of its fees and expenses pursuant to Section 9.02 hereof.

(n) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure document prepared or distributed in connection with the Bonds.

(o) The Trustee shall not be liable for any failure of the Borrower to pay any tax or taxes with respect to the Facilities, or any part thereof, nor shall the Trustee be under any duty with respect to any tax that may be assessed against it or the Registered Owners regarding the Facilities or the Pledged Revenues.

(p) To the extent that it is necessary for the Trustee to determine whether any Person is a Beneficial Owner under a book-entry system maintained by a securities depository, the Trustee shall be entitled to make such determination on a certification of such Person (on which the Trustee may conclusively rely) setting forth in satisfactory detail the principal balance and bond certificate owned and any Participants through which such bond certificate is held. The Trustee shall be entitled to rely conclusively on information it receives from DTC or other applicable securities depository, its direct Participants and the indirect participating brokerage firms for such Participants with respect to the identity of a Beneficial Owner. The Trustee shall not be deemed to have actual or constructive knowledge of the books and records of DTC or its Participants.

(q) No provision of this Indenture, the Loan Agreement or the Deed of Trust shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder or thereunder, or in the exercise of any of its rights or powers.

(r) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding relating to, or in exercising, the timing, method and place of conducting any proceeding for any remedy available to it.

(s) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(t) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural

catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services.

(u) The Trustee agrees to accept and act on instructions or directions pursuant to this Indenture sent by the Borrower or the Authority by unsecured email, facsimile transmission, or other similar unsecured electronic methods, provided, however, that the Borrower shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing, and the Authority may act through an Authorized Signatory. If the Borrower or the Authority elects to give the Trustee email or facsimile instructions (or instructions by a similar electronic method) and the Trustee acts upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs, or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction that the Trustee receives after the Trustee has acted on a previous direction. The Borrower agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on instructions, and the risk of interception or misuse of any information by third parties.

(v) The Trustee shall have no duty to investigate or analyze documents, including any reports, financial statements, insurance policies, or other material delivered to the Trustee under the terms of this Indenture or the Loan Agreement and the Trustee is entitled to rely on any written request or certificate executed by an Authorized Borrower Representative.

**Section 9.02. Fees and Expenses of Trustee.** The Trustee shall be entitled to payment and reimbursement for its reasonable fees, for its services rendered hereunder as and when the same become due, and for all expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, including reasonable attorneys' fees and expenses, as and when the same become due as provided in Section 5.01 of the Loan Agreement. After an Event of Default, the Trustee shall have a first lien on the Trust Estate with right of payment prior to payment on account of interest, principal and premium, if any, on the Bonds for all administrative expenses, advances, disbursements and counsel fees and costs incurred or made in and about execution of the trusts and performance of the duties of the Trustee under this Indenture and for the cost and expense incurred in defending against any liability (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee).

**Section 9.03. Resignation or Replacement of Trustee.**

(a) The present or any future Trustee may resign by giving to the Issuer, the Borrower and the Registered Owners 60 days' notice of such resignation. Such resignation shall take effect immediately on the appointment of a successor. The present or any future Trustee may be removed at any time by an instrument or concurrent instruments in writing signed by the Issuer, by the Registered Owners of a majority in aggregate principal amount of the Bonds Outstanding or, if the Borrower is not in default under the Loan Agreement,

by the Borrower and such removal shall take effect immediately on the appointment of a successor. The Trustee may also be removed at any time for any breach of the trust set forth herein.

(b) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Registered Owners of a majority in aggregate principal amount of the Bonds Outstanding by an instrument or concurrent instruments signed by such Registered Owners, or their attorneys-in-fact duly appointed; provided that the Issuer (with the consent of the Borrower if it is not then in default under the Loan Agreement) or the Borrower (if it is not then in default under the Loan Agreement), with the consent of the Issuer, may appoint a successor until a new successor shall be appointed by the Registered Owners of a majority in aggregate principal amount of Bonds Outstanding as herein authorized. The Issuer, upon making or consenting to the appointment, shall forthwith give notice thereof to the Registered Owners and the Borrower, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed or agreed to by the Issuer shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding. In the event that the Issuer, the Borrower or the Registered Owners fail to appoint a successor, the Trustee may petition a court of competent jurisdiction for appointment of a successor trustee.

(c) Every successor trustee shall always be a bank or trust company in good standing, be qualified to act hereunder, be subject to examination by a federal or state authority and have capital and surplus of not less than \$75,000,000. Any successor appointed hereunder shall execute, acknowledge and deliver to the Issuer an instrument accepting such appointment hereunder, and thereupon such successor shall, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein; but the Trustee retiring shall, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the predecessor (subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its fees and expenses pursuant to Section 9.02 hereof and to be indemnified pursuant to Section 8.06 of the Loan Agreement), and shall duly assign, transfer and deliver to the successor all properties and moneys held by it under this Indenture. Should any instrument in writing from the Issuer be reasonably required by any successor for such vesting and confirming, the Issuer shall execute, acknowledge and deliver the said deeds, conveyances and instruments on the request of such successor.

(d) The notices provided for in this Section to be given to the Registered Owners shall be given by the Trustee by mailing to the Registered Owners at their addresses as the same shall last appear upon the registration records. The notices provided for in this Section to be given to the Issuer, the Borrower and the retiring Trustee shall be given in accordance with Section 11.09 hereof.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been filed and/or recorded.

**Section 9.04. Conversion, Consolidation or Merger of Trustee.** Any bank or trust company into which the Trustee or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or transfer its trust business as a whole shall be the successor of the Trustee under this Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any of the Bonds to be issued hereunder shall have been authenticated, but not delivered, any successor Trustee may adopt the certificate of any predecessor Trustee, and deliver the same as authenticated; and, in case any of such Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of such successor Trustee.

## **ARTICLE X.**

### **SUPPLEMENTAL INDENTURES AND AMENDMENTS OF LOAN AGREEMENT AND DEED OF TRUST**

**Section 10.01. Supplemental Indentures Not Requiring Consent of Registered Owners.** The Issuer may and, at the request of the Borrower, the Trustee may, without the consent of, or notice to, the Registered Owners or the Beneficial Owners, enter into Supplemental Indentures (which Supplemental Indentures shall thereafter form a part hereof) for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the Issuer contained in this Indenture for the protection or benefit of the Registered Owners, other covenants and agreements thereafter to be observed for the protection or benefit of the Registered Owners, or to surrender or limit any right or power herein reserved or conferred upon the Issuer;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this Indenture or to make any provisions with respect to matters arising under this Indenture or for any other purpose if such provisions are necessary or desirable and do not materially adversely affect the interests of the Registered Owners of the Bonds;

(c) To subject to the lien of this Indenture additional revenues, properties or collateral;

(d) To modify, alter, amend or supplement this Indenture in such a manner as shall permit the qualification hereof under the Trust Indenture Act of 1939, as from time to time amended; or

(e) To provide for the issuance of Additional Bonds, unless consent is required pursuant to Section 2.11 hereof.

## **Section 10.02. Supplemental Indentures Requiring Consent of Registered Owners.**

(a) Exclusive of Supplemental Indentures covered by Section 10.01 hereof, the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such Supplemental Indenture or Supplemental Indentures as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that without the consent of the Registered Owners of at least 75 percent of the aggregate principal amount of the Bonds at the time Outstanding and adversely affected thereby nothing herein contained (exclusive of Supplemental Indentures covered by Section 10.01 hereof) shall permit, or be construed as permitting:

(i) an extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Bond;

(ii) the deprivation of the Registered Owner of any Bond then Outstanding of the lien or the priority of the lien created by this Indenture (other than as permitted hereby when such Bond was initially issued);

(iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds; or

(iv) a reduction in the aggregate principal amount of the Bonds, if any, required for consent to such Supplemental Indenture or amendment to the Loan Agreement; provided further, however, that any of the modifications referred to in subsections (i) through (iv) above shall be made in a manner which affects all Bonds Outstanding hereunder equally and ratably.

(b) If at any time the Issuer shall request the Trustee to enter into such Supplemental Indenture for any of the purposes of this Section, the Trustee shall, upon being reasonably indemnified by the Borrower (to the extent reasonably required by the Trustee) with respect to expenses, mail by first-class mail notice of the proposed execution of such Supplemental Indenture to the Registered Owners at their addresses as the same shall last appear upon the registration records. The Borrower shall be responsible for such expenses. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Beneficial Owners. If, within 60 days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Registered Owners or Beneficial Owners shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

**Section 10.03. Execution of Supplemental Indentures.** The Trustee is authorized to join with the Issuer in the execution of any such Supplemental Indenture and to make further agreements and stipulations that may be contained therein, but the Trustee shall not be obligated to enter into any such Supplemental Indenture that materially adversely affects its rights, duties, or immunities under this Indenture. The Trustee shall require delivery of (a) an Opinion of Counsel to the Issuer to the effect that each such Supplemental Indenture has been validly authorized and duly executed by the Issuer and is enforceable against the Issuer in accordance with its terms, (b) an opinion of Bond Counsel to the effect that such Supplemental Indenture will not adversely affect the qualification of the Bonds as obligations that may be issued pursuant to the Act, will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes, and is permitted pursuant to the terms of this Indenture. Any Supplemental Indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Bonds issued thereafter, if any.

**Section 10.04. Issuer Consent Required to Less Restrictive Requirements of Indenture and Loan Agreement.** The Issuer has imposed certain requirements on the Borrower, the ownership or operation of the Facilities or the Bonds that are more restrictive than those required by the Act, the Regulations or the Code, and, for that reason, any proposed amendment, modification, or supplement to this Indenture or the Loan Agreement that provides for less restrictive covenants than required by the Issuer, but permitted by law, shall require the Issuer's consent, which may be withheld for any reason.

**Section 10.05. Amendments of Loan Agreement Not Requiring Consent of Registered Owners.** The Issuer and the Trustee may, without the consent of or notice to the Registered Owners or the Beneficial Owners, consent to any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) in connection with any other change therein that is not to the adverse prejudice of the Trustee nor materially adversely affects the interests of the Registered Owners or the Beneficial Owners.

**Section 10.06. Amendments of Loan Agreement Requiring Consent of Registered Owners.** Except for the amendments, changes or modifications referred to in Section 10.05 hereof, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement without the giving of notice to and receiving the written approval or consent of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, subject to the same limitations set forth in Section 10.02 hereof. Such notice and consent shall be given and procured as provided in Section 10.02 hereof. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement, the Trustee shall, upon being reasonably indemnified by the Borrower with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the designated office of the Trustee for inspection by all Beneficial Owners. If, within 60 days



following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution of the agreement reflecting such amendment, change or modification thereof as herein provided, no Registered Owners or Beneficial Owners shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Borrower or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

**Section 10.07. Execution of Amended Loan Agreement.** The Trustee shall, prior to its consent to any supplemental amendment or change to the Loan Agreement, require delivery of (a) an opinion of the Issuer's legal counsel to the effect that such supplemental amendment or change to the Loan Agreement has been validly authorized and duly executed by the Issuer and is enforceable against the Issuer in accordance with its terms, (b) an opinion of legal counsel to the Borrower to the effect that such supplemental amendment or change to the Loan Agreement has been validly authorized and duly executed by the Borrower and is enforceable against the Borrower in accordance with its terms, and (c) an opinion of Bond Counsel to the effect that such supplemental amendment or change to the Loan Agreement will not adversely affect the qualification of the Bonds as obligations that may be issued pursuant to the Act, will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes, and is permitted pursuant to the terms of this Indenture. After execution thereof, any supplemental amendment, modification or change to the Loan Agreement executed in accordance with the provisions of this Article shall thereafter form a part of the Loan Agreement and all the terms and conditions contained in any such amendment, modification or change to the Loan Agreement as to any provision authorized to be contained therein shall be deemed to be part of the Loan Agreement for any and all purposes.

**Section 10.08. Amendments of Deed of Trust Not Requiring Consent of Registered Owners.** The Trustee may, without the consent of or notice to the Registered Owners or the Beneficial Owners, consent to any amendment, change or modification of the Deed of Trust as may be required (a) by the provisions of the Deed of Trust or this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission or (c) in connection with any other change therein that is not to the adverse prejudice of the Trustee nor materially adversely affects the interests of the Registered Owners or the Beneficial Owners.

**Section 10.09. Amendments of Deed of Trust Requiring Consent of Registered Owners.** Except for the amendments, changes or modifications referred to in Section 10.08 hereof, neither the Borrower nor the Trustee shall consent to any other amendment, change or modification of the Deed of Trust without the giving of notice and the written approval or consent of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, subject to the same limitations set forth in Section 10.02 hereof. Such notice and consent shall be given and procured as provided in Section 10.02 hereof. If at any time the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Deed of Trust, the Trustee shall, upon being reasonably indemnified by the Borrower with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state

that copies of the instrument embodying the same are on file at the designated office of the Trustee for inspection by all Beneficial Owners. If, within 60 days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification, shall have consented to and approved the execution of the agreement reflecting such amendment, change or modification thereof as herein provided, no Registered Owners or Beneficial Owners shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Borrower from executing the same or from taking any action pursuant to the provisions thereof.

**Section 10.10. Execution of Amended Deed of Trust.** The Trustee shall, prior to its consent to any supplemental amendment or change to the Deed of Trust, require delivery of (a) an opinion of legal counsel to the Borrower and the trustor thereunder (if the Borrower is not the trustor) to the effect that such supplemental amendment or change to the Deed of Trust has been validly authorized and duly executed by the Borrower and the trustor thereunder (if the Borrower is not the trustor) and is enforceable against the Borrower and the trustor thereunder (if the Borrower is not the trustor) in accordance with its terms, and (b) an opinion of Bond Counsel to the effect that such supplemental amendment or change to the Deed of Trust will not adversely affect the qualification of the Bonds as obligations that may be issued pursuant to the Act, will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes, and is permitted pursuant to the terms of this Indenture. After execution thereof, any supplemental amendment, modification or change to the Deed of Trust executed in accordance with the provisions of this Article shall thereafter form a part of the Deed of Trust and all the terms and conditions contained in any such amendment, modification or change to the Deed of Trust as to any provision authorized to be contained therein shall be deemed to be part of the Deed of Trust for any and all purposes.

## **ARTICLE XI.**

### **MISCELLANEOUS**

#### **Section 11.01. Evidence of Signature of Registered Owners and Ownership of Bonds.**

(a) Any request, consent or other instrument that this Indenture may require or permit to be signed and executed by the Registered Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Registered Owners in person or by their attorneys appointed in writing. Subject to Section 9.01(p) hereof, proof of the execution of any such instrument, or of an instrument appointing any such attorney, by the Registered Owners shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) The fact and date of the execution by any Registered Owner or his or her attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the

execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public.

(ii) The Registered Owner of any Bond and the amount and numbers of such Bonds and the date of owning the same shall be proved by the registration records of the Issuer kept by the Trustee.

(b) Any request or consent of the Registered Owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer or the Trustee in accordance therewith.

**Section 11.02. Parties Interested Herein.** With the exception of rights herein expressly conferred on the Borrower, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon or to give to any person other than the Issuer, the Issuer Indemnified Parties, the Borrower, the Trustee and the Registered Owners any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Issuer Indemnified Parties, the Borrower, the Trustee and the Registered Owners.

**Section 11.03. Titles and Headings.** The titles and headings of the articles, sections, and subsections of this Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

**Section 11.04. Severability.** In the event any provision of this Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 11.05. Third Party Beneficiaries.** Each of the Issuer Indemnified Parties (other than the Issuer) and the Borrower, to the extent of the rights expressly conferred on the Borrower herein, shall be considered to be intended third party beneficiaries of this Indenture. Nothing in this Indenture shall confer any right upon any person other than the parties hereto and the specifically designated third party beneficiaries of this Indenture.

**Section 11.06. Governing Law.** This Indenture shall be governed by and construed in accordance with the laws and judicial decisions of the State, without reference to any choice of law principles, except as such laws may be preempted by any federal rules, regulations and laws applicable to the Issuer. The parties hereto expressly acknowledge and agree that any judicial action to interpret or enforce the terms of this Indenture against the Issuer shall be brought and maintained in the Superior Court of the State of Arizona, in and for the County of Maricopa, the United States District Court in and for the District of Arizona, or any United States Bankruptcy Court in any case involving or having jurisdiction over the Borrower or the Facilities.

**Section 11.07. Execution in Counterparts.** This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

#### **Section 11.08. Limitation of Liability of Officials of Issuer.**

(a) Anything in this Indenture to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Trustee or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer.

(b) No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in this Indenture, any other Issuer Documents, or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or the issuance and sale of the Bonds, against any of the Issuer Indemnified Parties, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any of the Issuer Indemnified Parties, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into by the Issuer with the Borrower or the Trustee, or to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against each of the Issuer Indemnified Parties is, by the execution of the Bonds, this Indenture, and the other Issuer Documents, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Indenture, and the other Issuer Documents, is expressly waived and released.

(c) No agreements or provisions contained herein, or any agreement, covenant, or undertaking by the Issuer in connection with the Project or the issuance, sale, and/or delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer financially in any way, except as may be payable from the revenues pledged hereby for the payment of the Bonds and their application as provided in this Indenture. No failure of the Issuer to comply with any term, covenant, or agreement contained in the Bonds, this Indenture or the Loan Agreement, or in any document executed by the Issuer in connection with the Project, the Facilities or the issuance and sale of the Bonds, shall subject the Issuer to liability for any claim for damages, costs, or other financial or pecuniary charge, except to the extent the same can be paid or recovered from the Revenues pledged for the payment of the Bonds or other revenues derived under the Loan Agreement. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant, or agreement herein; provided that no costs, expenses, or other monetary relief shall be recoverable from the Issuer, except as may be payable from the Revenues pledged under this Indenture for the payment of the Bonds or other revenue derived under the Loan Agreement. No provision, covenant, or agreement contained herein, or any obligations imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against the Issuer's general credit. In making the agreements, provisions, and covenants set forth in this Indenture, the Issuer has not

(d) Nothing contained in this Indenture shall in any way obligate the Issuer to pay any debt or meet any financial obligations to any Person at any time except from moneys received under the provisions of this Indenture or from the exercise of the Issuer's rights hereunder. Nothing contained in this Indenture shall in any way obligate the Issuer to pay such debts or meet such financial obligations from moneys received for the Issuer's own purposes. The Bonds secured by this Indenture do not now and shall never constitute a general obligation or debt of the Issuer or the State or a pledge of the faith and credit of the State, or any other political subdivision thereof, and each covenant and undertaking by the Issuer in this Indenture and in the Bonds to make payments is not a general obligation or debt of the Issuer or the State or a pledge of the faith and credit of the State, but is a special, limited obligation payable solely from the Revenues and Funds pledged for their payment in accordance with this Indenture.

If to the Issuer:

The Industrial Development Authority  
of the City of Sierra Vista  
6049 AZ-90  
Sierra Vista, AZ 85635  
Attn: Demetry Simonton, President  
Email: [board@sierravistaida.biz](mailto:board@sierravistaida.biz)  
Attn: Stephen Peterson, Operations Manager  
Email: [oimanager@sierravistaida.biz](mailto:oimanager@sierravistaida.biz)

With a copy to: Slania Law PLLC  
2980 North Swan Road, Suite 222  
Tucson, Arizona 85712  
Attn: Michael A. Slania, Esq.  
Telephone: (520) 999-2117

66

With a copy to: Mangum Wall Stoops & Warden PLLC  
112 North Elden Street  
Flagstaff, Arizona 86001  
Attention: Brandon Kavanagh, Esq.  
Telephone: (928) 779-6951

If to the Trustee: UMB Bank, National Association  
6034 West Courtyard Drive, Ste. 370  
Austin, Texas 78730  
Attention: Saul Ramirez  
Telephone: (512) 582-5858

**Section 11.10. Payments Due on Days Other Than Business Days.** If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day unless otherwise provided herein with the same force and effect as if done on the nominal date provided in this Indenture.

**Section 11.11. No Personal Liability of Officials of Trustee.** No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any officer, agent, servant, employee or member of the board of directors of the Trustee in his or her individual capacity, and no officer or employee of the Trustee shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

**Section 11.12. Bonds Owned by Issuer or Borrower.** In determining whether Registered Owners in the requisite aggregate principal amount have concurred in any direction, consent or waiver under this Indenture, Bonds that are owned by the Issuer or the Borrower or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Borrower (unless the Issuer, the Borrower or such person owns all the Bonds that are then Outstanding), shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only the Bonds that the Trustee knows are so owned shall be so disregarded. The Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Borrower or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Borrower. In case of a dispute as to such right, any decision by the Trustee taken in good faith upon the advice of counsel shall be full protection to the Trustee.

**Section 11.13. Undertaking to Provide Ongoing Disclosure.** Pursuant to Section 2.05 of the Loan Agreement, the Borrower has undertaken all responsibility for compliance with continuing disclosure requirements, and the Issuer and the Trustee shall have no liability to the Registered Owners, the Beneficial Owners or any other person with respect to Securities Exchange Commission Rule 15c2-12, as amended. Notwithstanding any other provision of this Indenture, failure of the Borrower to comply with the Continuing Disclosure Undertaking shall not be

considered an Event of Default hereunder or under the Loan Agreement; however, a Registered Owner or a Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the noncompliant Borrower to comply with its obligations under Section 2.05 of the Loan Agreement.

**Section 11.14. Right to Inspect.**

(a) Following reasonable notice to the Borrower, at any and all times, the Trustee and the Issuer and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right during regular business hours fully to inspect the School and the Facilities, including all books and records of the Borrower (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired. Such right is subject to State laws regarding school visitors, fingerprinting (if applicable), and Borrower's own visitor policies and procedures. Such right is subject to State laws regarding school visitors, fingerprinting (if applicable), and Borrower's own visitor policies and procedures. Such right is subject to State laws regarding school visitors, fingerprinting (if applicable), and Borrower's own visitor policies and procedures.

(b) Additionally, at the direction of the Borrower, the Issuer hereby appoints the Trustee to keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts and disbursements received or disbursed according to this Indenture, and such books shall be available for inspections by the Registered Owner of any of the Bonds and the Borrower during normal business hours of the Trustee and under reasonable conditions.

**Section 11.15. Incorporation of Terms of Loan Agreement.** The parties hereto acknowledge and agree that to the extent applicable, the terms defined in the Loan Agreement are incorporated herein as if they were contained in this Indenture.

**Section 11.16. Notice of A.R.S. Section 38-511 – Cancellation.** Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to contracts of the nature of this Indenture under the law of the State.

**Section 11.17. Remedies of the Issuer.** Notwithstanding any contrary provision in this Indenture, the Issuer shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Issuer, the State and the respective personnel and for collection reimbursements. The Issuer may enforce its rights under the Loan Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained therein and herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Issuer under the Loan Agreement, including court costs, reasonable attorneys' fees and other costs and expenses incurred in enforcing such obligations.

**Section 11.18. Limitation on Actions.** The Issuer shall not be required to monitor, or provide information or disclosure concerning the financial condition of the Borrower or other

matters relating to the Bonds and shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder or under the Loan Agreement. The Issuer shall not be required to take notice of any breach or default except when given notice thereof by the Trustee or the Registered Owners, as the case may be. The Issuer shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Issuer, upon written request of the Registered Owners or the Trustee, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Indenture.

**Section 11.19. Responsibility.** The Issuer shall be entitled to the advice of counsel (who may be counsel for any party or for any Registered Owner unless an opinion of independent counsel or opinion of Bond Counsel is required hereunder) and shall be wholly protected as to any actions taken or omitted to be taken in good faith in reliance on such advice. The Issuer may rely conclusively on any notice, certificate or other document furnished to it hereunder or pursuant to the Loan Agreement or the Bond Purchase Agreement and reasonably believed by it to be genuine. The Issuer shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it because it was reasonably believed to be beyond the discretion or power conferred upon it or taken by it pursuant to any direction or instruction by which it is governed hereunder or omitted to be taken by it by reason of the lack of direction or instruction required for such action hereunder, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Issuer is called for by this Indenture or the Loan Agreement, the Issuer may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act in the Issuer shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Issuer shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any Person. No recourse shall be had by the Borrower, the Trustee or any Registered Owner for any claim based on this Indenture or the Bonds against any of the Issuer's directors, officers, employees, counsel, financial advisors or agents unless such claim is based upon the willful dishonesty or intentional violation of law of such person.

**Section 11.20. Storage.** The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 11.21. Electronic Signatures.** The parties agree that the electronic signature of a party to this Indenture shall be as valid as an original signature of such party and shall be effective to bind such party to this Indenture. For purposes hereof: (i) "electronic signature" means a manually signed original signature that is then transmitted by electronic means or a digital signature provided by DocuSign or other digital signature provider; and (ii) "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a portable document format ("pdf") or other replicating image attached to an electronic mail or internet message.



IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be executed in their respective corporate names by their duly authorized officers, all as of the date first above written.

**THE INDUSTRIAL DEVELOPMENT  
AUTHORITY OF THE CITY OF SIERRA  
VISTA, as Issuer**

By: \_\_\_\_\_  
Demetry Simonton, President

**UMB BANK, NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Paul Briggs, Vice President

## **EXHIBIT A**

### **FORM OF BONDS**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURE, THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

THIS BOND HAS NOT BEEN AND IS NOT INTENDED TO BE REGISTERED UNDER THE SECURITIES AND EXCHANGE ACT OF 1934 AND ALL APPLICABLE SECURITIES LAWS OF THE STATE OF ARIZONA OR REGISTERED OR OTHERWISE QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION.

THIS BOND MAY ONLY BE TRANSFERRED, IN WHOLE OR IN PART, IN CONNECTION WITH A SALE TO OR THROUGH A BROKER/DEALER ONLY TO (I) ANY ACCREDITED INVESTOR (WITHIN THE MEANING OF RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED) OR QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED), (II) ANY BANK, SAVINGS INSTITUTION OR INSURANCE COMPANY (WHETHER ACTING IN A TRUSTEE OR CUSTODIAL CAPACITY FOR ANY ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER OR ON ITS OWN BEHALF), OR (III) ANY TRUST OR CUSTODIAL ARRANGEMENT OF EACH OF THE BENEFICIAL OWNERS OF WHICH IS AN ACCREDITED INVESTOR OR QUALIFIED INSTITUTIONAL BUYER.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF SIERRA VISTA  
EDUCATION FACILITY REVENUE BOND  
(FLAGSTAFF JUNIOR ACADEMY PROJECT)  
SERIES [\_\_\_\_\_]**

NO. R – \_\_\_\_\_ \$ \_\_\_\_\_

<u>Maturity Date</u>	<u>Dated Date</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
June 1, 20____	[_____]	____% per annum	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA (the “Issuer”), a nonprofit corporation designated a political subdivision of the State of Arizona (the “State”), incorporated with the approval of the City of Sierra Vista (the “City”), pursuant to the provisions of the Constitution of the State and under Title 35, Chapter 5, Arizona Revised Statutes, as amended (the “Act”), for value received, hereby promises to pay, from the sources hereinafter described, the principal amount stated above and the premium on such amount, if any, in lawful money of the United States of America to the Registered Owner named above, or registered assigns, on the maturity date stated above (unless this bond shall have been called for prior redemption, in which case on such redemption date), upon the presentation and surrender hereof at the designated corporate trust office of UMB Bank, National Association, as trustee (the “Trustee”) under an Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), by and between the Issuer and the Trustee, and to pay, from like sources, to the person who is the Registered Owner hereof on the 15th day of the month next preceding any Interest Payment Date (the “Regular Record Date”) by check or draft mailed to such Registered Owner (except that registered owners of at least \$500,000 in aggregate principal amount of the Bonds (as defined below) Outstanding (as defined in the Indenture) may, by written request received by the Trustee at least ten Business Days (as defined in the Indenture) prior to the Regular Record Date, receive payment of interest by wire transfer at the address specified in such request, which address must be in the United States of America) at his or her address as it last appears on the registration books kept for that purpose at the offices of the Trustee, interest on said sum in like coin or currency from the date hereof at the interest rate set forth above, payable semiannually on June 1 and December 1 of each year, commencing [\_\_\_\_\_] 1, 20\_\_\_\_], until payment of the principal hereof has been made or provided for. Any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner hereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner hereof at the close of business on a Special Record Date for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Registered Owners of the Bonds not less than ten days prior thereto.

This bond is one of The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series [ ] (the “Series [ ] Bonds”) duly authorized by the Issuer in the aggregate principal amount of \$[PAR], issued under and equally and ratably secured by the Indenture. In accordance with the Act, the Issuer issued the Series [ ] Bonds to make a loan to Flagstaff Junior Academy, an Arizona nonprofit corporation (the “Borrower”), to finance the Series [ ] Project.

As provided in the Indenture, additional bonds of the Issuer may be issued only with respect to the Project (as defined in the Indenture) and may be secured on a parity basis with the Series [ ] Bonds (the “Additional Bonds” and, together with the Series [ ] Bonds, the “Bonds”). Additional Bonds may be issued from time to time in one or more series, in various principal amounts and for the benefit of the Borrower, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Indenture, and the aggregate principal amount of the Bonds issued and to be issued under the Indenture is not limited.

This bond is a special, limited obligation of the Issuer payable solely from and secured by a first priority lien on the Trust Estate, which includes an assignment and pledge of (i) the rights and interests of the Issuer in the Loan Agreement, dated as of April 1, 2025 (the “Loan Agreement”), between the Issuer and the Borrower (except the Issuer’s Unassigned Rights as defined in the Loan Agreement) and the promissory notes executed by the Borrower (collectively, the “Promissory Note”), including amounts payable thereunder; (ii) the rights, title and interests of the Issuer in the Facilities, subject to Permitted Encumbrances (each as defined in the Indenture); (iii) certain moneys and securities held under and pursuant to the Indenture and the Loan Agreement; and (iv) the rights and interests under the deed of trust given by the Borrower (the “Deed of Trust”) in connection with the issuance of the Bonds.

THE FINANCING OF THE SERIES [ ] PROJECT HAS BEEN AUTHORIZED BY A RESOLUTION DULY ADOPTED BY THE ISSUER PURSUANT TO THE LAWS OF THE STATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM REVENUES AND RECEIPTS UNDER THE LOAN AGREEMENT. THE BONDS DO NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE STATE OR THE CITY, OR OF ANY POLITICAL SUBDIVISION THEREOF. THE BONDS SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, EMPLOYEE, COUNSEL, ADVISOR OR AGENT OF THE ISSUER, OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR

THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE, OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, EMPLOYEES, COUNSEL, ADVISORS, AGENTS OR EXECUTIVE DIRECTOR, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THIS BOND.

#### Redemption Provisions

The Series [ ] Bonds are subject to redemption as set forth in the Indenture.

Method of Selecting Bond; Notices. Unless otherwise specifically stated in the Indenture, if less than all of the Series [ ] Bonds shall be redeemed, the Series [ ] Bonds shall be redeemed in inverse order of maturity. If less than all of the Series [ ] Bonds in a single maturity shall be redeemed, the Series [ ] Bonds to be redeemed shall be selected randomly by lot within such maturity.

In the case of every redemption, the Trustee shall cause notice of such redemption by mailing by first-class mail a copy of the redemption notice to the Registered Owners of the Bonds designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 60 nor less than 30 days prior to the redemption date, provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. The Trustee may state that the redemption is conditioned upon receiving from the Borrower, prior to the redemption date, sufficient moneys to redeem such Bonds and that if such money is not so received, no Bonds shall be redeemed.

Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof to be redeemed.

Bonds that are delivered upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Bonds. The Bonds shall initially be issued as a single fully registered bond for each Series and maturity thereof.

This bond is fully transferable by the Registered Owner hereof in person or by his or her duly authorized attorney on the registration books kept by the Trustee, upon surrender of this bond together with a duly executed written instrument of transfer satisfactory to the Trustee; subject, however, to the terms of the Indenture that limit the transfer and exchange of Bonds during certain periods. Upon such transfer a new fully registered Bond or Bonds of the same series and Authorized Denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor, all subject to the terms, limitations and conditions set forth in the Indenture.

The Trustee and the Issuer shall require the payment by any Registered Owner of this bond requesting exchange or transfer of the reasonable expenses of the Issuer, if any, of a reasonable transfer or exchange fee and of any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof, whether or not this bond shall be overdue, for the purpose of receiving payment and for all other purposes, except to the extent otherwise provided herein and in the Indenture with respect to Regular Record Dates and Special Record Dates for the payment of interest, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding the foregoing, so long as the ownership of the Bonds is maintained in book-entry form by The Depository Trust Company (the “Securities Depository”) or a nominee thereof, this bond may be transferred in whole but not in part only to the Securities Depository or a nominee thereof or to a successor Securities Depository or its nominee.

To the extent permitted by, and as provided in, the Indenture, modifications or amendments of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Issuer and of the Registered Owners of the Bonds may be made by the Issuer and the Trustee but without the consent of the Registered Owners of the Bonds in certain cases described in the Indenture, including any change that does not materially adversely affect the interests of the Registered Owners of the Bonds. Certain other amendments may be made by the Issuer and the Trustee with the consent of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that, without the consent of the Registered Owners of at least 75 percent of the aggregate principal amount of the Bonds at the time Outstanding and adversely affected thereby, no such modification or amendment shall be made that will constitute an extension of the maturity of, or a reduction in the principal amount of, or a reduction of the rate of interest on or an extension of the time of payment of interest on, or a reduction of any premium payable upon redemption of, any Bond; the deprivation of the Registered Owner or Registered Owner of any Bond of the lien or the priority of the lien created by the Indenture; a privilege or priority of any Bond over any other Bond; or a reduction in the aggregate principal amount of the Bonds required for consent to an amendment to the Indenture or the Loan Agreement. Any such consent by the Registered Owner of this bond shall be conclusive and binding upon such Registered Owner and upon all future Registered Owners of this bond and of any Bond issued upon the transfer or exchange of this bond whether or not notation of such consent is made upon this bond.

The Registered Owner of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the pledge, assignment or covenants made therein or to take any action with respect to an event of default under the Indenture or to institute, appear in, or defend any suit, action or other proceeding at law or in equity with respect thereto, except as provided in the Indenture. In case an event of default under the Indenture shall occur, the principal of all of the Bonds at any such time Outstanding may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Indenture. The Indenture provides that such declaration may in certain events be rescinded by the Trustee, with the consent of the Registered Owners of a requisite principal amount of the Bonds then Outstanding.

None of the members of the board of directors of the Borrower, the board of directors of the Issuer or any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

The liability and obligations of the Issuer under the Loan Agreement and the Indenture with respect to all or any portion of the Bonds may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Loan Agreement and the Indenture.

No covenant or agreement contained in the Bonds or in the Indenture shall be deemed to be the covenant or agreement of any elected or appointed official, officer, agent, servant or employee of the Issuer in his or her individual capacity or of any officer, agent, servant or employee of the Trustee in his or her individual capacity, and neither the members of the governing body of the Issuer nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No covenant or agreement contained in the Loan Agreement shall be deemed to be the covenant or agreement of any appointed official, officer, agent, servant or employee of the Borrower in his or her individual capacity, and the members of the governing body of the Borrower shall not be liable personally or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution or statutes of the State or by the Act or the Indenture to exist, to have happened or to have been performed precedent to the issuance of this bond exist, have happened and have been performed.

Copies of the Indenture, the Loan Agreement, the Promissory Note, the Deed of Trust and other documents relating to the Bonds are on file at the designated office of the Trustee, and reference is made to those instruments for the provisions relating, among other things, to the limited liability of the Borrower, the terms of and security for the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the Registered Owners of the Bonds, amendments, and the rights, duties and obligations of the Issuer and the Trustee to all of which the Registered Owner hereof, by acceptance of this bond, assents.

This bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any propose until the Trustee shall have signed the certificate of authentication hereon.

[Remainder of page intentionally left blank; signature page follows]



IN WITNESS WHEREOF, The Industrial Development Authority of the City of Sierra Vista has caused this bond to be signed in its name and on its behalf by the manual or facsimile signature of its President or Vice President and attested by the manual or facsimile signature of its Secretary or Assistant Secretary.

**THE INDUSTRIAL DEVELOPMENT  
AUTHORITY OF THE CITY OF SIERRA  
VISTA**

By: \_\_\_\_\_  
Demetry Simonton, President

ATTEST:

By: \_\_\_\_\_  
Brandy Kea, Secretary

## **CERTIFICATE OF AUTHENTICATION**

Date of Authentication: \_\_\_\_\_

This is one of the Series [\_\_\_\_\_] Bonds described in the within mentioned Indenture of Trust.

**UMB BANK, NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

---

(Social Security or Federal Taxpayer Identification Number)

---

(Please print or typewrite Name and Address, including Zip Code, of Assignee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints the Trustee under the Indenture as registrar and attorney to register the transfer of the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

Signature guaranteed by:

---

NOTICE: Signature of the registered owner must be guaranteed by an eligible guarantor institution pursuant to Securities and Exchange Rule 17Ad-15.

---

NOTICE: The signature of the registered owner to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

**EXHIBIT B**  
**FORM OF INVESTOR LETTER**

[DATE]

The Industrial Development Authority  
of the City of Sierra Vista  
Sierra Vista, Arizona 85635

City of Sierra Vista  
Sierra Vista, Arizona 85635

Slania Law, PLLC  
Tucson, Arizona 85712

Raymond James & Associates, Inc.  
Minneapolis, Minnesota 55402

Re:     \$[PAR] The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”)

Ladies and Gentlemen:

The undersigned, [ ] (the “Purchaser”), is the purchaser of \$ \_\_\_\_\_ in aggregate principal amount of the Series 2025 Bonds. In connection with such purchase, The Industrial Development Authority of the City of Sierra Vista (the “Issuer”) requires that the Purchaser make certain representations as to the Purchaser’s willingness to accept the risks of investing in the Series 2025 Bonds, the Purchaser’s investigation of such risks, and such other matters. Accordingly, without limiting or affecting its rights under the Bond Purchase Agreement for the Series 2025 Bonds, the Purchaser represents and warrants to the Issuer and the other addressees hereof as follows:

- A.     **QUALIFICATION.** The Purchaser is (i) an “accredited investor” (within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”), an “Accredited Investor”) or a “qualified institutional buyer” (within the meaning of Rule 144A promulgated under the Securities Act, a “Qualified Institutional Buyer”), (ii) any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any Accredited Investor or Qualified Institutional Buyer or on its own behalf), or (iii) any trust or custodial arrangement of each of the beneficial owners of which is an Accredited Investor or Qualified Institutional Buyer (each (i) through (iii), an “Approved Transferee”).
- B.     **NO REGISTRATION; NO RATING; TRANSFERABILITY.** The Purchaser understands that the Indenture relating to the Series 2025 Bonds has not been registered under the Securities Act, the securities laws of any state or the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein. The Purchaser acknowledges that the Series 2025 Bonds (i) are not being registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state; (ii) will not be listed on any securities exchange; [ and are not rated]. Purchaser is purchasing the Series 2025 Bonds for investment for its own account or for its loan portfolio and is not purchasing the Series 2025 Bonds for resale or other disposition, and Purchaser has no present intention of reselling or otherwise disposing of all or any part of the Series 2025 Bonds. The

Purchaser has been informed and agrees that the Series 2025 Bonds may not be transferred to any person that is not an Approved Transferee, unless and until the Purchaser has been notified by the Trustee that Flagstaff Junior Academy (the “Borrower”) has received a rating letter by Fitch, S&P or Moody’s indicating that the Series 2025 Bonds are rated “BBB-” or “Baa3,” as applicable, or better.

- C. **INDEPENDENT EVALUATION; WAIVER OF ISSUER’S DUE DILIGENCE; RELEASE.** The Purchaser has independently evaluated the factors associated with its investment decision, without reliance upon others. The Purchaser has conducted such investigations relating to the Issuer, the Borrower and its financial, statistical, demographic, and other information, the Series 2025 Project, and the Series 2025 Bonds, as in the opinion of the Purchaser was necessary in connection with its purchase of the Series 2025 Bonds. Further, Purchaser acknowledges that the Borrower and other knowledgeable parties have made available to it and its representatives the opportunity to ask any questions it may have, and receive satisfactory answers, concerning the Borrower and the security and the source of payment of the Series 2025 Bonds. The Purchaser acknowledges that the Issuer, the City of Sierra Vista (the “City”), the State of Arizona (the “State”) and any of their past, present, and future directors, officers, members, employees, counsel, advisors and agents of any of the foregoing (each individually an “Issuer Party” and all collectively the “Issuer Parties”) have not undertaken to furnish information to the Purchaser, or to ascertain the accuracy or completeness of any information that may have been furnished to the Purchaser by or on behalf of the Issuer or the Borrower relating to the operations, financial condition or future prospects of the Borrower or the Series 2025 Project and that none of the Issuer Parties have made any representations concerning the accuracy or completeness of any information supplied to the Purchaser or relating to the Borrower and the Series 2025 Project. The Purchaser further acknowledges that the Borrower has not undertaken to furnish information to the Purchaser regarding the Issuer that may have been furnished to the Purchaser by or on behalf of the Issuer and that the Borrower has not made any representations concerning the accuracy or completeness of any information supplied to the Purchaser relating to the Issuer. The Purchaser hereby waives any requirements of due diligence in investigation or inquiry on the part of any of the Issuer Parties and all claims, actions, or causes of action which the Purchaser may have directly or indirectly from or relating to any action which the Issuer or the City took, or could have taken, in connection with the issuance and sale of the Series 2025 Bonds to the Purchaser. The Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors regarding the investment in the Series 2025 Bonds, as it deemed necessary. The representations in this Investment Letter shall not relieve the Borrower or Issuer from any obligation to disclose any information required by the documents in connection with the issuance of the Series 2025 Bonds or required by applicable law.
- D. **BUSINESS BUYING SECURITIES.** The Purchaser is a bank, a savings institution, an insurance company, a securities dealer, a mutual fund, or an agency or instrumentality of the United States of America or of a state thereof, or a person, a principal part of whose business consists of buying securities.
- E. **SOPHISTICATION.** The Purchaser is a sophisticated investor who has such sufficient knowledgeable and experience in financial and business matters, including the purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Series 2025 Bonds without reliance upon others. In reaching the conclusion that it desires to acquire the Series 2025 Bonds, the Purchaser has carefully evaluated all risks associated with this purchase and acknowledges that it is able to bear the economic risk, including a complete loss, of this purchase.
- F. **LEGAL AUTHORIZATION.** The Purchaser is duly and legally authorized to purchase the Series 2025 Bonds, and the Purchaser is duly and legally authorized to execute this Investor Letter. The

Purchaser has satisfied itself that the Series 2025 Bonds are a lawful investment for it under all applicable laws. The Purchaser agrees to the terms and provisions set forth in the Series 2025 Bonds.

- G. SPECIAL LIMITED OBLIGATIONS. The Purchaser understands that the Series 2025 Bonds are special limited, and not general, obligations of the Issuer payable solely from the revenues received by UMB Bank, National Association, as trustee (the "Trustee"). The Purchaser understands that the Series 2025 Bonds are not secured by any obligations or the pledge of any monies received or to be received from taxation or from the State or any political subdivision or taxing district thereof (including, without implied limitation, the Issuer and the City), and that the Series 2025 Bonds will never represent or constitute a general obligation, debt, or bonded indebtedness of the City, the State, or any political subdivision thereof, for the payment of the principal of, premium, if any, and interest on the Series 2025 Bonds, and that payment of the principal of, premium, if any, and interest on the Series 2025 Bonds depends upon the general credit of the Borrower and upon the net cash flow from the Series 2025 Project. The Purchaser understands that the Issuer has no taxing power.
- H. SURVIVAL. All representations of the Purchaser contained herein shall survive the sale and delivery of the Series 2025 Bonds to the Purchaser as representations of fact existing as of the date of execution and delivery of this Investor Letter.
- I. DEFINED TERMS. The initial capitalized terms not defined herein shall have the meaning ascribed to such terms in the Indenture securing payment of the Series 2025 Bonds.

This Investment Letter is expressly for your benefit and may not be relied upon by any other party.

Investor: [\_\_\_\_\_]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

# **LOAN AGREEMENT**

between

**THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF SIERRA VISTA,**  
as Issuer

and

**FLAGSTAFF JUNIOR ACADEMY,**  
as Borrower

\$(PAR)  
The Industrial Development Authority  
of the City of Sierra Vista  
Education Facility Revenue Bonds  
(Flagstaff Junior Academy Project)  
Series 2025

Dated as of April 1, 2025

Pursuant to the Indenture (as defined herein), the Issuer has granted, bargained, sold, alienated, pledged, set over and confirmed to the Trustee (as defined herein) for the benefit of the Registered Owners (as defined herein), all rights and interests of the Issuer in this Loan Agreement, as amended from time to time, except for the Issuer's Unassigned Rights (as defined herein).

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## LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of April 1, 2025 (this “Loan Agreement”), is between THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA (the “Issuer”), a nonprofit corporation designated as a political subdivision of the State of Arizona (the “State”), incorporated with the approval of the City of Sierra Vista (the “City”), pursuant to the provisions of the Constitution of the State and under Title 35, Chapter 5, Arizona Revised Statutes, as amended, and FLAGSTAFF JUNIOR ACADEMY (the “Borrower”), an Arizona nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), that operates charter schools established under Arizona Revised Statutes Title 15, Chapter 1, Article 8, as amended (the “Charter School Act”).

### WITNESSETH:

WHEREAS, the Issuer is authorized by Arizona Revised Statutes Title 35, Chapter 5, Section 35-701 et seq. (as amended, the “Act”), to issue revenue bonds for the purpose of financing and refinancing the costs of “projects” (as defined in the Act), including the Project (as defined herein); and

WHEREAS, pursuant to and in accordance with the Act, the Issuer proposes to make a loan (the “Loan”) to the Borrower pursuant to this Loan Agreement for the purposes of paying the costs of (i) financing, refinancing and/or reimbursing the Borrower for the acquisition, construction, improving, renovating, operating and equipping of land and/or facilities located at 1800 North Gemini Drive, Flagstaff, Arizona 86001 (collectively, the “Series 2025 Facilities”), (ii) funding of any required reserves as set forth in the Indenture (defined below), (iii) paying capitalized interest on the Series 2025 Bonds (defined below), and (iv) paying certain issuance expenses (collectively, the “Series 2025 Project”); and

WHEREAS, the Issuer has agreed to issue The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 in the aggregate principal amount of \$[PAR] (the “Series 2025 Bonds”) under an Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), between the Issuer and UMB Bank, National Association, as trustee (the “Trustee”), in order to fund the Loan; and

WHEREAS, the Issuer proposes to loan to the Borrower and the Borrower desires to borrow from the Issuer the proceeds of the Series 2025 Bonds for the purposes described above upon the terms and conditions hereinafter set forth in this Loan Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto formally covenant, agree and bind themselves as follows:

## ARTICLE I DEFINITIONS

**Section 1.01. Indenture Definitions.** All terms defined in Article I of the Indenture and not otherwise defined herein shall have the same meaning in this Loan Agreement.

**Section 1.02. Additional Definitions.** The following terms shall have the respective meanings set forth below:

“Accountant” means any Independent certified public accounting firm licensed to practice in the State (which may be the firm of accountants that regularly prepares or audits the books and accounts of the Borrower) from time to time selected by the Borrower.

“Act” means Arizona Revised Statutes Sections 35-701 et seq., as amended.

“Additional Bonds” means Additional Bonds as defined in the Indenture.

“Affiliate” or “Affiliates” means any Person sharing common ownership, management or control.

“Agreement” or “Loan Agreement” means this Loan Agreement and any amendments and supplements hereto made in conformity with the requirements hereof and of the Indenture.

“Authorized Representative” means, in the case of the Issuer, any officer of the Issuer and any other person at the time designated to act on behalf of the Issuer by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by one of its authorized signatories, which certificate may designate an alternate or alternates, and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document; or, in the case of the Borrower, the Executive Director, the President, or the Secretary of the Borrower or any other officer, board member or person authorized by a resolution of the Board of Directors of the Borrower, and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

“Balloon Indebtedness” means long-term Indebtedness (or short-term Indebtedness intended to be refinanced upon or prior to its maturity so that such short-term Indebtedness and the Indebtedness intended to be used to refinance such short-term Indebtedness will be outstanding for a total of more than 365 days as certified in a certificate signed by an Authorized Representative of the Borrower) 25 percent or more of the principal of which becomes due (either by maturity, mandatory redemption or mandatory tender) during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date.

“Beneficial Owner(s)” means the person or entity for whom the Bonds were deposited with DTC (in the name of its nominee, Cede & Co.). A Person’s qualification as a Beneficial Owner shall be demonstrated by such showing as shall be reasonably acceptable to the Trustee.

“Bond Counsel” means Ice Miller LLP, or such other firm of nationally recognized attorneys, acceptable to the Issuer and the Borrower, with a proven reputation in the field of municipal finance and experienced in the financing of facilities for non-exempt persons through the issuance of tax-exempt revenue bonds under the exemption provided under Section 103 of the Code.

“Bond Fund” means the Bond Fund created in Section 3.02 of the Indenture.

“Bond Purchase Agreement” means (i) as to a Series of Additional Bonds, the bond purchase agreement among the Issuer, the underwriter named therein and the Borrower related to such Series of Additional Bonds and, (ii) as to the Series 2025 Bonds, means the Bond Purchase Agreement, dated [Pricing Date], 2025, among the Issuer, the Underwriter and the Borrower.

“Bonds” means, collectively, the Series 2025 Bonds and any Additional Bonds.

“Borrower” means Flagstaff Junior Academy, an Arizona nonprofit corporation, and an organization described in Section 501(c)(3) of the Code, or any surviving, resulting or transferee corporation, as provided in Section 8.02 hereof.

“Borrower Documents” means this Loan Agreement, the Deed of Trust, the Promissory Notes, the Bond Purchase Agreement, the Continuing Disclosure Undertaking, the Tax Certificate and each of the other agreements, certificates, contracts or instruments to be executed by the Borrower in connection with the issuance of a Series of Bonds or the financing of a portion of the expenses associated with the Project.

“Capital Improvements” means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions which, under Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items.

“Capital Needs Assessment” means a capital needs assessment conducted by an Independent Consultant pursuant to Section 8.15 of this Agreement and Section 3.13 of the Indenture.

“Charter School Act” means Arizona Revised Statutes Title 15, Chapter 1, Article 8, as amended.

“Charter School Contract” means the Renewal Charter Contract between the Borrower and the Arizona State Board for Charter Schools, with a term from July 1, 2011 through and including June 30, 2031, as amended and modified from time to time, pursuant to which the Borrower operates the School.

“City” means the City of Sierra Vista, Arizona.

“Closing Memorandum” means, as to the Series 2025 Bonds, the closing memorandum delivered in connection with the Series 2025 Bonds, as to any other Series of Bonds, the closing memorandum delivered in connection with the issuance of such Series of Bonds.

“Code” means the Internal Revenue Code of 1986, as amended. References to the Code and Sections of the Code include relevant applicable Regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Tax-Exempt Bonds.

“Completion Indebtedness” means any Long-Term Indebtedness incurred by any Person for the purpose of financing the completion of Capital Improvements, for which such Long-Term Indebtedness was incurred under the Indenture, to the extent necessary to provide for completion of the Capital Improvements in substantially the same type and scope contemplated at the time that such Long-Term Indebtedness was incurred. Completion Indebtedness may also finance interest on the Completion Indebtedness for a period up to three years from the date of issuance thereof, any reserve funds related to such Completion Indebtedness and the costs and expenses of issuing such Completion Indebtedness.

“Consulting Architect” means an individual or an Independent engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Borrower for other purposes) selected by the Borrower.

“Continuing Disclosure Undertaking” means, (i) with respect to the Series 2025 Bonds, the Continuing Disclosure Undertaking, dated the Bond Closing Date for the Series 2025 Bonds, executed by the Borrower pursuant to Section 2.05 of the Loan Agreement and, (ii) as to any Series of Additional Bonds, the continuing disclosure undertaking executed by the Borrower in connection with the issuance of such Additional Bonds.

“Cost of Issuance Fund” means the Cost of Issuance Fund created in Section 3.02 of the Indenture.

“Costs of the Project” means, in connection with the construction, acquisition, improvement or equipping of a Series Project, any cost incurred or estimated to be incurred by the Borrower which is reasonable and necessary for carrying out all works and undertakings in providing such Series Project for the Borrower, including the acquisition of real property and any buildings thereon, the cost of equipment and furnishings, the construction, acquisition, improvement or equipping of a Series Project, the cost of necessary studies, surveys, plans and specifications, architectural, engineering, legal or other special services, development, construction and reconstruction necessary or useful in connection with such Series Project, the reasonable cost of financing or refinancing incurred by the Borrower or the Issuer in connection with the execution of this Agreement, or in the course of the construction, acquisition, improvement or equipping of a Series Project, including capitalized interest on amounts disbursed in stages, and the cost of such other items as may be reasonable and necessary for the construction, acquisition, improvement and equipping of a Series Project as permitted under the Act.

“Days Cash on Hand” means (i) the sum of cash, cash equivalents, liquid investments, board designated investments, unrestricted marketable securities (valued at the lower of cost or market) of the Borrower, as shown on the audited financial statements of the Borrower for the Fiscal Year, divided by (ii) the quotient of Operating Expenses, as shown on the audited financial statements of the Borrower for such Fiscal Year, divided by 365.

“Debt Service Coverage Ratio” means, for any Fiscal Year, the ratio obtained by dividing the Net Income Available for Debt Service for such Fiscal Year by the Debt Service Requirement for such Fiscal Year.

“Debt Service Coverage Ratio Requirement” means, commencing with the Fiscal Year ending June 30, 2026, (i) a Debt Service Coverage Ratio of at least one hundred percent (100%) of the Debt Service Requirement during such Fiscal Year if the Borrower’s unrestricted Days Cash on Hand is at least one hundred (100) Days Cash on Hand for such Fiscal Year; or (ii) a Debt Service Coverage Ratio of at least one hundred ten percent (110%) of the Debt Service Requirement during such Fiscal Year if the Borrower’s unrestricted Days Cash on Hand is less than one hundred (100) Days Cash on Hand for such Fiscal Year.

“Debt Service Requirement” means, for any period of time for which such determination is made, the principal and interest payment requirements (net of any Debt Service Reserve Fund balance to be applied in the year of final maturity of the Bonds) with respect to all Bonds Outstanding and any Indebtedness secured by the Pledged Revenues and/or the Facilities on a parity with the Bonds; provided, however, with respect to Balloon Indebtedness, the interest rate on such Balloon Indebtedness shall be assumed to be at such rate which the Borrower at the date of computation of Debt Service Requirement for the Balloon Indebtedness could reasonably expect to borrow by issuing long-term Indebtedness with a term of 25 years (as certified in a certificate signed by an Authorized Representative of the Borrower delivered to the Trustee and confirmed by a commercial bank or an investment banker or municipal advisory firm selected by the Borrower), and such Balloon Indebtedness shall be treated as Balloon Indebtedness with substantially level debt service over a period of 25 years from the date of incurrence of such Balloon Indebtedness.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund created in Section 3.02 of the Indenture.

“Deed of Trust” means, individually and collectively, as applicable, each Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing, among the Borrower, as trustor, the Trustee, as beneficiary, and the Title Company, as trustee, and any amendments and modifications thereto, relating to the Facilities.

“Dissemination Agent” means, as to the Series 2025 Bonds Choice Advisors LLC and, as to any Series of Additional Bonds, the dissemination Agent named in the Supplemental Indenture.

“EMMA” means the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board, or any successor thereto.

“Environmental Laws” means, collectively, the following statutes: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Sections 9601 et seq.; the federal Hazardous Materials Transportation Law, 49 U.S.C. Sections 5101 et seq.; the Toxic Substances Control Act, 15 U.S.C. Sections 2601 et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Sections 6901 et seq.; the Clean Water Act, 33 U.S.C. Sections 1251 et seq.

and the Clean Air Act, 42 U.S.C. Sections 7401 et seq.; the Arizona Hazardous Waste Disposal regulations, Arizona Revised Statutes Sections 49-901, et seq.

“Environmental Report” means the Phase I Environmental Site Assessments relating to the Facilities.

“Event of Default” means those defaults specified in Section 10.01 hereof and in Section 8.01 of the Indenture.

“Facilities” means, collectively, the Series 2025 Facilities, the Other Facilities, and all additional land, buildings and equipment owned by the Borrower and at any time and pledged to the Trustee to secure the Bonds.

“Fiscal Year” means the fiscal year of the Borrower, which currently begins on July 1 and ends on June 30 of each calendar year.

“Funds” means the Funds as defined in the Indenture.

“Generally Accepted Accounting Principles” means those accounting principles applicable in the preparation of financial statements of the Borrower, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants.

“Hazardous Substances” means any substance or material at the level defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous or toxic chemical, a hazardous, toxic or radioactive substance, petroleum or other similar term, by any federal, State or local environmental statute, regulation or ordinance presently in effect or that may be promulgated in the future, as such statutes, regulations and ordinances may be amended from time to time, including, but not limited to, the Environmental Laws.

“Indebtedness” means all indebtedness of the Borrower for borrowed moneys, or which has been incurred or assumed in connection with the acquisition, construction, improvement, operation and/or equipping of the Facilities, all indebtedness, no matter how created, secured by any of the Facilities or the Pledged Revenues, whether or not such indebtedness is assumed by the Borrower, including, but not limited to, any leases required to be capitalized in accordance with Generally Accepted Accounting Principles, installment purchase obligations and guaranties.

“Indenture” means the Indenture of Trust, dated as of April 1, 2025, between the Issuer and the Trustee, including any indentures supplemental thereto made in conformity therewith, pursuant to which the Bonds are authorized to be issued and secured.

“Independent” means a Person who is not a member of the governing body of the Borrower or its Affiliates or an officer or employee of the Borrower or its Affiliates.

“Independent Consultant” means an Independent management consultant or certified public accountant experienced in the management and operations of charter schools in Arizona.



“Insurance Consultant” means an Independent insurance consultant and/or risk management firm or an insurance broker or an insurance agent (which may be a consultant, firm, broker or agent with whom the Borrower or the Issuer regularly transacts business) selected by the Borrower.

“Interest Payment Date” means, as to a Series of Additional Bonds, the Interest Payment Date established in the related Supplemental Indenture and, as to the Series 2025 Bonds, means each June 1 and December 1, commencing [\_\_\_\_\_]1, 20\_\_].

“Investment” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Irrevocable Deposit” means the irrevocable deposit in trust of cash in an amount (or Government Obligations, the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a specified portion of the principal of, premium, if any, and/or the interest on, as the same shall become due, any Indebtedness that would otherwise be considered Outstanding. The trustee of such deposit shall have possession of any cash and securities (other than book-entry securities) and may be the Trustee or any other trustee authorized to act in such capacity.

“Irrevocable Pledge and Assignment” means, collectively, the letter from the Borrower to the State Treasurer, dated on or before the Bond Closing Date for the Series 2025 Bonds, setting forth the irrevocable pledge and assignment by the Borrower of the State Payments to the Trustee, and the related consent and agreement thereto by the State Treasurer, dated on or before the Bond Closing Date for the Series 2025 Bonds, acknowledging such irrevocable pledge and assignment.

“Issuer Indemnified Party” or “Issuer Indemnified Parties” means the Issuer, its past, present, and future directors, officers, counsel, advisors, and agents, and the City, its past, present, and future members of the City Council, employees, and agents, individually and collectively.

“Issuer’s Fee” means, as to the Series 2025 Bonds, a one-time up-front fee paid to the Issuer on the Closing Date, and as to any Series of Additional Bonds, the Issuer’s Fee as defined in the related Supplemental Indenture or Loan Agreement.

“Liabilities” means any causes of action (whether in contract, tort or otherwise), claims, costs, damages, demands, judgments, liabilities, losses, suits and expenses (including, without limitation, reasonable costs of investigation, and attorney’s fees and expenses) of every kind, character and nature whatsoever.

“Lien” means any mortgage or pledge of, security interest in, or lien or encumbrance on, any property that secures any Indebtedness or other obligation of the Borrower relating to the Facilities or the School, excluding liens applicable to property in which the Borrower has only a leasehold interest unless the lien secures Indebtedness.

“Loan” means the loan by the Issuer to the Borrower of the proceeds from the sale of the Bonds pursuant to this Loan Agreement.

“Loan Agreement” means this Loan Agreement and any amendments and supplements hereto made in conformity with the requirements hereof and of the Indenture.

“Loan Payments” means those payments required to be paid by the Borrower pursuant to Section 5.01 hereof.

“Long-Term Indebtedness” means Indebtedness having an original maturity greater than one year or renewable at the option of the Borrower for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least 20 consecutive days during each calendar year.

“Maximum Annual Debt Service” means, as of any date of calculation, the highest Debt Service Requirement for the current or any succeeding Fiscal Year.

“Net Income Available for Debt Service” means, for any period of determination thereof, the Pledged Revenues for such period, plus the interest earnings on moneys held in the Debt Service Reserve Fund established under the Indenture minus the total Operating Expenses for such period but excluding (i) any profits or losses that would be regarded as extraordinary items under Generally Accepted Accounting Principles, (ii) gain or loss in the extinguishment of Indebtedness, (iii) proceeds of any Series of Bonds and any other Indebtedness permitted by this Loan Agreement, and (iv) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of the Borrower, proceeds of any sale, transfer or other disposition of the Facilities, and any condemnation or any other damage award received by or owing to the Borrower.

“Net Proceeds” means, when used with respect to any insurance payment or condemnation award, the gross proceeds thereof less the expenses (including attorneys’ fees) incurred in the collection of such gross proceeds.

“Offering Statement” means, as to the Series 2025 Bonds, the Limited Offering Memorandum, dated [Pricing Date], 2025, prepared in connection with the sale of the Series 2025 Bonds, and, as to any Series of Additional Bonds, the offering document prepared in connection with the sale of such Series of Additional Bonds.

“Operating Expenses” means fees and expenses of the Borrower, including maintenance, repair expenses, utility expenses, administrative and legal expenses, miscellaneous operating expenses, advertising costs, payroll expenses (including taxes), the cost of materials and supplies used for current operations of the Borrower, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Borrower, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but that are such as may reasonably be expected to be incurred in accordance with Generally Accepted Accounting Principles, all in such amounts as reasonably determined by the Borrower; provided, however, “Operating Expenses” shall not include depreciation, amortization, expenses or other amounts paid into and from the Repair and Replacement Fund or other non-cash expenses or those expenses that are actually paid from any revenues of the Borrower that are not Pledged Revenues, expenses characterized as extraordinary under Generally Accepted Accounting Principles or payments for improvements to the Facilities that are capitalized for accounting purposes.

“Opinion of Counsel” means an opinion in writing of legal counsel, who may be counsel to the Issuer, the Trustee or the Borrower, reasonably acceptable to the addressees thereof.

“Other Facilities” means, collectively, the land and charter school facilities owned by the Borrower and located at 306 West Cedar Avenue, Flagstaff, Arizona 86001.

“Permitted Encumbrances” means as of any particular time, those items described on Exhibit B to the Deed of Trust and any of the following:

- (a) Liens for taxes and special assessments on the Facilities not then delinquent;
- (b) the Deed of Trust;
- (c) purchase money security interests with respect to any item of equipment used in connection with the operation of any of the School as permitted by this Loan Agreement;
- (d) utility, access, and other easements and rights-of-way, mineral rights and reservations, restrictions and exceptions that would not in the aggregate (i) materially interfere with or impair any present use of the Facilities or any reasonably probable future use of the Facilities, or (ii) materially reduce the value that would be reasonably expected to be received for the Facilities upon any sale (including any foreclosure of the mortgage granted by the Deed of Trust);
- (e) mechanics’ and materialmen’s Liens on the Facilities when payment of the related bill is not overdue and as may be permitted by this Loan Agreement;
- (f) mechanics’ and materialmen’s Liens, security interests or other encumbrances on the Facilities to the extent permitted in Section 6.01 hereof;
- (g) judgment liens against the Borrower so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;
- (h) (i) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license or permit, or provision of law, affecting the Facilities, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Facilities or materially and adversely affect the value thereof, or (B) purchase, condemn, appropriate, or recapture, or designate a purchaser of, the Facilities; (ii) Liens on the Facilities for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges not yet due or delinquent; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to the Facilities that do not materially impair the use of the Facilities or materially and adversely affect the value thereof; or (iv) rights reserved to or vested in any municipality or public authority to control or regulate the Facilities or to use the Facilities in any manner, which rights do not materially impair the use of the Facilities or materially and adversely affect the value thereof;
- (i) Liens and any other restrictions, exceptions, leases, easements or encumbrances that are existing on the date of initial issuance and delivery of the related Series of Bonds, provided

that no such Lien (or the amount of Indebtedness secured thereby), restriction, exception, lease, easement or encumbrance may be increased, extended, renewed or modified to apply to the Facilities not subject to such Lien on such date, unless such Lien as so extended, renewed or modified would otherwise qualify as a Permitted Encumbrance hereunder or is otherwise permitted pursuant to Section 8.13 hereof;

(j) Liens on the Facilities or the Pledged Revenues to secure payment of Indebtedness that meets the conditions described in Section 8.13 hereof; and

(k) Liens arising by reason of an Irrevocable Deposit.

“Person” includes an individual, association, corporation, partnership, limited liability company, joint venture or a government or an agency or a political subdivision thereof.

“Pledged Revenues” means, to the extent permitted by law, all revenues, rentals, fees, third-party payments, receipts or other income of the Borrower derived from the operation of Facilities, including the rights to receive such revenues and the proceeds thereof (including without limitation rights to payment intangibles relating thereto) (each subject to Permitted Encumbrances), all as calculated in accordance with Generally Accepted Accounting Principles, including, without limitation, State Payments (whether paid to the Borrower or to the Trustee on behalf of the Borrower), proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets of the Borrower, whether now or hereafter owned, held or possessed by the Borrower; and, to the extent permitted by the terms thereof and by law, all gifts, grants, bequests, donations and contributions (including income and profits therefrom).

“Principal Payment Date” or “sinking fund payment date” means, as to a Series of Additional Bonds, the Principal Payment Date or sinking fund payment date established for that Series of Bonds in the related Supplemental Indenture and, as to the Series 2025 Bonds, means each [June 1, commencing June 1, 20\_\_].

“Project” means, collectively, with respect to the Series 2025 Bonds, the Series 2025 Project and, as to any Series of Additional Bonds, that Series Project described in the related amendment or supplement to this Agreement.

“Promissory Note” means, individually and collectively, as applicable, the Series 2025 Promissory Note and any Additional Promissory Note.

“Rebate Amount” means the Rebate Amount with respect to a Series of Tax-Exempt Bonds determined in accordance with Section 3.14 of the Indenture.

“Rebate Analyst” means an Independent certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution, experienced in making the arbitrage and rebate calculations required pursuant to Section 148(f) of the Code, selected and retained by the Borrower and compensated by the Borrower to make the computations and give the directions required under Section 3.14 of the Indenture.

“Rebate Fund” means the Rebate Fund created in Section 3.02 of the Indenture.

“Rebate Year” means, as to a Series of Tax-Exempt Bonds, the period beginning on the date of issuance of that Series of Tax-Exempt Bonds and ending on the next succeeding June 30 and for all other Rebate Years, the one-year period beginning on the day after the end of the preceding Rebate Year and ending on the following June 30, unless the Borrower, the Issuer and the Trustee are advised by the Rebate Analyst that another period is required by law; provided, however, that the last Rebate Year for a Series of Tax-Exempt Bonds shall end on the date the Bonds of such Series are no longer Outstanding.

“Registered Owner” means the Person or Persons in whose name or names a particular Bond is registered on the registration records maintained for that purpose pursuant to Section 2.05 of the Indenture, and so long as the Bond is in book-entry form Registered Owner shall also mean Beneficial Owner.

“Regulations” means the temporary or final Income Tax Regulations applicable to the Tax-Exempt Bonds issued pursuant to Sections 103 and 141 through 150 of the Code or predecessor sections of the Internal Revenue Code of 1954. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to Sections 103 and 141 through 150 of the Code and applicable to the Tax-Exempt Bonds.

“Repair and Replacement Fund Monthly Deposit” means, (i) commencing June 1, 2026, an amount equal to \$1,500.00, or such lesser amount as may be necessary to reach the Repair and Replacement Fund Requirement, and (ii) commencing July 1, 2030, the Repair and Replacement Fund Contribution (as defined in Section 3.13 of the Indenture).

“Repair and Replacement Fund Requirement” means, (i) from June 1, 2026, through June 30, 2030, an amount equal to \$150,000.00, and (ii) commencing July 1, 2030, the amount set forth in the Capital Needs Assessment divided by 5, as certified by the Borrower to the Trustee.

“Scheduled State Payment Date” means the date during a calendar month, if any, on which the State Treasurer is scheduled to remit the State Payments to the Trustee pursuant to the Irrevocable Pledge and Assignment; provided that if the State Treasurer is scheduled to remit the State Payments after the 25th day of any calendar month, such State Payments shall be treated as scheduled to be remitted, and such Scheduled State Payment Date shall be treated as occurring, on the first day of the immediately succeeding month. From the date of execution of this Loan Agreement until the Trustee is otherwise notified in writing by an Authorized Representative of the Borrower of a change thereof pursuant to Section 8.05(b) hereof, the Scheduled State Payment Dates are the first day of every month in each Fiscal Year.

“School” means the charter school operated by the Borrower pursuant to the Charter School Contract.

“Series 2025 Bonds” means The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 issued in the original aggregate principal amount of \$[PAR].

“Series 2025 Facilities” means, collectively, the land and charter school facilities owned by the Borrower and located at 1800 North Gemini Drive, Flagstaff, Arizona 86001.

“Series 2025 Project” means (i) financing, refinancing and/or reimbursing the Borrower for the acquisition, construction, improving, renovating, operating and equipping of the Series 2025 Facilities, (ii) funding of any required reserves as set forth in the Indenture, (iii) paying capitalized interest on the Series 2025 Bonds, and (iv) paying certain issuance expenses.

“Series 2025 Promissory Note” means the Series 2025 Promissory Note executed by the Borrower and made payable to the Issuer and endorsed by the Issuer to the Trustee, in the aggregate principal amount of \$[PAR], the form of which is attached hereto as Exhibit A.

“Short-Term Indebtedness” means all Indebtedness having an original maturity less than or equal to one year and not renewable at the option of the Borrower for a term greater than one year from the date of original incurrence or issuance unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least 20 consecutive days during each Fiscal Year.

“State” means the State of Arizona.

“State Payments” means any and all payments made by the State Treasurer to the Borrower pursuant to the Charter School Contract with respect to the School that is permitted by State law to be used for the purposes set forth in this Loan Agreement and the Indenture.

“State Treasurer” means the Treasurer of the State of Arizona or any authorized representative of that office.

“Tax Certificate” means with respect to each Series of Tax-Exempt Bonds, the Tax Certificate, dated as of the Bond Closing of such Series of Tax-Exempt Bonds, by the Issuer and the Borrower, as amended from time to time.

“Tax-Exempt Bonds” means those Bonds the interest on which, in the opinion of Bond Counsel delivered at the time of issuance thereof, is excludable from gross income of the Beneficial Owner thereof for federal income tax purposes, including the Series 2025 Bonds.

“Title Company” means the title company selected by the Borrower as trustor under a Deed of Trust and its successors, Affiliates or assigns.

“Title Policy” means an ALTA extended coverage lender’s policy of title insurance in a form acceptable to the Underwriter.

“Trustee” means UMB Bank, National Association and its successors and assigns.

“Trustee Indemnified Parties” means the Trustee, its officers, directors, employees and agents, individually and collectively.

“Underwriter” means, (i) as to the Series 2025 Bonds, Raymond James & Associates, Inc. and, (ii) as to any Series of Additional Bonds, the underwriter named in the Supplemental Indenture.

## **ARTICLE II REPRESENTATIONS AND COVENANTS**

**Section 2.01. Representations by the Issuer.** The Issuer represents that:

- (a) The Issuer is a nonprofit corporation designated as a political subdivision of the State, created and existing under the Constitution and laws of the State;
- (b) The Issuer has found and hereby declares that the issuance of the Series 2025 Bonds to assist the financing of the Series 2025 Project is in furtherance of the public purposes set forth in the Act;
- (c) In order to finance the Series 2025 Project, in an amount estimated by the Borrower, the Issuer has duly authorized the execution, delivery, and performance on its part of the Issuer Documents (as defined in the Indenture);
- (d) To accomplish the foregoing, the Issuer has authorized the issuance of not to exceed \$15,000,000 in aggregate principal amount of its Series 2025 Bonds immediately following the execution and delivery of this Loan Agreement. The date, denomination or denominations, interest rate or rates, maturity schedule, redemption provisions and other pertinent provisions with respect to the Series 2025 Bonds are set forth in the Indenture;
- (e) The Issuer makes no representation or warranty that the amount of the Loan will be adequate or sufficient to finance the Series 2025 Project or that the Series 2025 Facilities will be adequate or sufficient for the purposes of the Borrower; and
- (f) The Issuer has not pledged, assigned or granted, and will not pledge, assign or grant any of its rights or interest in or under this Loan Agreement for any purpose other than as provided for in the Indenture.

**Section 2.02. Representations by and Covenants of the Borrower.** The Borrower represents and covenants that:

- (a) It is duly organized and validly existing as an Arizona nonprofit corporation and is authorized to conduct business in the State, each charter school it operates is an education institution or organization established under the Charter School Act and it is in good standing under the laws of the State, it will maintain, extend and renew its authorization to do business under the laws of the State, and it will not do, suffer or permit any act or thing to be done whereby its right to transact its functions might or could be terminated or its activities restricted.
- (b) The Borrower is organized and operated with the specific power to acquire, develop, construct, renovate, operate, equip, and maintain, as applicable, the Facilities. The Borrower has been duly authorized to execute each of the Borrower Documents and consummate all of the transactions contemplated thereby, and the execution, delivery, and performance of the Borrower Documents will not conflict with or constitute a breach of or default by the Borrower under any other instrument or agreement to which the Borrower is a party or by which its property is bound.

(c) The Borrower's execution, delivery, and performance of the Borrower Documents will not constitute a violation of any order, rule, or regulation of any court or governmental agency having jurisdiction over the Borrower.

(d) There are no pending or, to the Borrower's knowledge, threatened actions, suits, or proceedings of any type whatsoever affecting the Borrower, the Borrower's property, or the Borrower's ability to execute, deliver, and perform with respect to any of the Borrower's Documents, except as otherwise set forth in the Offering Statement.

(e) The Facilities financed or refinanced with proceeds of the Loan are or will be comprised of land, buildings, facilities, equipment and/or other items for public charter schools and are a "project" within the provisions of the Act.

(f) Neither the representations of the Borrower contained in the Borrower Documents nor any oral or written statement, furnished by or on behalf of the Borrower to the Issuer or the Underwriter in connection with the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading. There are no facts that the Borrower has not disclosed to the Issuer or the Underwriter in writing that materially and adversely affect or in the future may (so far as the Borrower can now reasonably foresee) materially and adversely affect the properties, business, prospects, profits, or condition (financial or otherwise) of the Borrower, or the ability of the Borrower to perform its obligations under the Borrower Documents or any documents or transactions contemplated hereby or thereby.

(g) The federal employer identification number of the Borrower is 86-0665304.

(h) During the term of this Agreement, the Borrower intends to and will utilize or cause the land, buildings, facilities, fixtures, equipment, and other items financed with the proceeds of the Bonds to be utilized as a "project" within the meaning of the Act as in effect on the date hereof.

(i) The use of the Facilities, as it is proposed to be operated, complies or will comply with all presently applicable or future zoning, development, pollution control, water conservation, environmental, and other laws, regulations, rules, and ordinances of the federal government and the State and the respective agencies thereof and the political subdivisions in which the Facilities are located.

(j) The Borrower will comply with the Charter School Contract in all material respects and will take all reasonable action to maintain, extend and renew the Charter School Contract so long as any amounts under this Agreement are due and payable.

(k) The Borrower has obtained, or will obtain before they are required, all necessary approvals of and licenses, permits, consents, and franchises from federal, State, county, municipal, or other governmental authorities having jurisdiction over the Facilities for the Borrower to acquire, construct, renovate, improve, equip and operate, as applicable, the Facilities and for the Borrower to enter into, execute, and perform its obligations under this Loan Agreement and the other Borrower Documents.



(l) The Facilities, as designed and as operated or caused to be operated by the Borrower and the use of the Facilities meets or will meet all material requirements of law, including requirements of any federal, State, county, city or other governmental authority having jurisdiction over the Facilities or their use and operation.

(m) To the best of the Borrower's knowledge, none of the Issuer Indemnified Parties has any significant or conflicting interest, financial, employment, or otherwise, in the Borrower, the Facilities, the School or any of the transactions contemplated under the Borrower Documents.

(n) There has been no material adverse change in the financial condition, results of operations, or business affairs of the Borrower or the feasibility or physical condition of the Facilities or the School subsequent to the date on which the Issuer granted its resolution approving the issuance of the Series 2025 Bonds.

(o) The Borrower (i) understands the nature of the structure of the transactions related to the financing and refinancing of the Series 2025 Project; (ii) is familiar with all the provisions of the documents and instruments related to such financing to which the Borrower or the Issuer is a party or of which the Borrower is a beneficiary; (iii) understands the risk inherent in such transactions, including, without limitation, the risk of loss of the Facilities; and (iv) has not relied on the Issuer or the Underwriter for any guidance or expertise in analyzing the financial consequences of such financing transactions or otherwise relied on the Issuer in any manner, except to issue the Series 2025 Bonds in order to provide funds for the Loan.

(p) Subsequent to April 1, 2025 and prior to the execution and recordation by the Borrower of the Deed of Trust and the filing of the related financing statement, the Borrower will not grant any Liens on the Facilities or the Pledged Revenues (other than the lien against the Pledged Revenues effected by this Loan Agreement and Permitted Encumbrances).

(q) No portion of the Facilities is located on property that is less than one-quarter mile from agricultural land regulated pursuant to Arizona Revised Statutes Section 3-365, as amended, in violation of Arizona Revised Statutes Section 3-365, as amended.

(r) The Borrower shall retain a Rebate Analyst if, as and when advised or required to do so under the Indenture, this Loan Agreement or the Tax Certificate.

(s) The Borrower affirmatively represents, warrants and covenants that as of the date of this Agreement, it is an organization organized and operated: (a) exclusively for charitable purposes; (b) not for pecuniary profit; and (c) no part of the net earnings of which inure to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended; the Borrower agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this paragraph.

### **Section 2.03. Tax Covenants.**

(a) The Borrower represents and covenants that it will comply with the Tax Certificate and will not take any action or omit to take any action, which action or omission will adversely affect the exclusion from gross income of the interest on the Tax-Exempt Bonds for federal income tax purposes or cause the interest on the Tax-Exempt Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon an opinion of Bond Counsel, and in all cases at the sole expense of the Borrower, as may rescind or otherwise negate such action or omission. The Borrower will not, directly or indirectly, use or permit the use of any Bond Proceeds of the Tax-Exempt Bonds or any other funds of the Borrower, or take or omit to take any action, that would cause the Tax-Exempt Bonds to be or become “arbitrage bonds” within the meaning of Section 148(a) of the Code (or their statutory predecessor) or to fail to meet any other applicable requirement of Sections 141, 148, 149 and 150 of the Code (or their statutory predecessor) or cause the interest on the Tax-Exempt Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, or would cause interest on the Tax-Exempt Bonds to lose their exclusion from Arizona taxable income under present Arizona law. To that end, the Borrower will comply with all requirements of Sections 141, 148, 149 through 150 of the Code (or their statutory predecessor) to the extent applicable to the Tax-Exempt Bonds. In the event that at any time the Borrower is of the opinion that, for purposes of this Section 2.03, it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee or otherwise, the Borrower shall so instruct the Trustee in writing.

(b) The Borrower covenants to deposit in the Rebate Fund such amount as may be necessary to maintain the deposit in the Rebate Fund as required under the Indenture.

(c) The Issuer and the Borrower hereby covenant and agree, each solely as to itself, that they shall not enter into any arrangement, formal or informal, pursuant to which the Borrower (or any “related party,” as defined in Regulations Section 1.150-1(b)) shall purchase the Tax-Exempt Bonds. This covenant shall not prevent the Borrower from purchasing Bonds in the open market for the purpose of tendering them to the Trustee for purchase and retirement.

(d) All covenants and obligations of the Borrower contained in this Section 2.03 of this Agreement shall remain in effect and be binding upon the Borrower until all Bonds have been paid, notwithstanding any earlier termination of this Agreement or any provision

for payment of principal of and premium, if any, and interest on the outstanding Bonds and Loan Payments and release and discharge of the Indenture.

**Section 2.04. Borrower's Covenant to Comply with Charter School Laws and Maintain Charter School Contract.** The Borrower covenants to comply fully and in all respects with the provisions of the Charter School Act and to take all reasonable action to maintain, extend and renew the Charter School Contract so long as any amounts under this Loan Agreement are due and payable and so long as any Bonds remain Outstanding.

**Section 2.05. Continuing Disclosure.** The Borrower hereby covenants to enter into the Continuing Disclosure Undertaking for the benefit of the holders of the Series 2025 Bonds required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, Section 240.15c2-12) contemporaneously with the issuance of the Series 2025 Bonds and each Registered Owner shall be a beneficiary of this Section 2.05 and such undertaking with the right to enforce this Section 2.05 and undertaking directly against the Borrower. The Borrower will engage the Dissemination Agent to assist in complying with the provisions of the Continuing Disclosure Undertaking.

**Section 2.06. Irrevocable Pledge and Assignment.** The Borrower has delivered the fully-executed Irrevocable Pledge and Assignment to the Trustee. The Borrower agrees that the Irrevocable Pledge and Assignment shall remain irrevocable so long as any obligations of the Borrower hereunder remain outstanding or unsatisfied. The Borrower, at its expense, will cooperate with the Trustee with respect to the enforcement of the Irrevocable Pledge and Assignment during the term of this Loan Agreement. In the event the Borrower receives any State Payments directly from the State Treasurer in violation of the Irrevocable Pledge and Assignment, the Borrower shall immediately remit the same to the Trustee for application in accordance with Section 5.01 of this Loan Agreement.

**Section 2.07. Environmental Matters.**

(a) To the best of its knowledge, and after due inquiry (which inquiry consists solely of reviewing the Environmental Report and from having had control thereof since before the date of the Environmental Report related thereto), except as set forth in the Environmental Report, the Borrower has not been informed of, nor does the Borrower have any knowledge of (i) the presence of any Hazardous Substances on any of the Facilities, or (ii) any spills, releases, threatened releases, discharges or disposals of Hazardous Substances that have occurred or are presently occurring on or onto any of the Facilities or any properties adjacent to any of the Facilities, or (iii) any spills or disposals of Hazardous Substances that have occurred or are presently occurring on any other properties as a result of any construction on or operation and use of the Facilities.

(b) In connection with the construction on or operation and use of any of the Facilities, the Borrower represents that it will comply with any applicable local, state or federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, treatment, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Substances.

(c) The Borrower represents and warrants that it has not given any release or waiver of liability that would impair any claim based upon Hazardous Substances to a previous or current owner of the Facilities or to any party who may be potentially responsible for the presence of Hazardous Substances thereon nor has it made promises of indemnification regarding Hazardous Substances on or associated with the Facilities to any person other than the Issuer, the Issuer Indemnified Parties, the Trustee or the Trustee Indemnified Parties.

(d) In the event that the Borrower becomes aware of the release of any Hazardous Substances on, or other environmental condition or liability with respect to, the Facilities in violation of the Environmental Laws, the Borrower agrees to promptly notify the Issuer and the Trustee in writing of such condition. The Borrower further agrees to take actions to investigate and clean up the release of any Hazardous Substances on, or other environmental condition, problem or liability affecting, the Facilities, promptly after the Borrower becomes aware of any such condition and to keep the Issuer and the Trustee advised of all such actions taken by the Borrower.

(e) The representations and warranties set forth in this Section 2.07 shall survive the expiration or termination of the Borrower Documents, the payment of the Series 2025 Bonds, and the discharge of any obligations owed by the parties to each other and will survive any transfer of title to the Facilities, whether by foreclosure, or otherwise and shall not be affected by any investigation by or on behalf of the Issuer or the Trustee or any information which the Issuer or the Trustee may have or obtain with respect thereto.

### **ARTICLE III TERM OF LOAN AGREEMENT**

**Section 3.01. Term of Loan Agreement.** This Loan Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the payments on the Promissory Note shall have been fully paid or provision is made for such payment pursuant to Section 11.01 hereof and the Indenture and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Promissory Note, all fees and expenses of the Issuer accrued and to accrue through final payment of the Promissory Note and all other liabilities of the Borrower accrued and to accrue through final payment of the Promissory Note under this Loan Agreement and the Indenture have been paid or provision is made for such payments pursuant to Section 11.01 hereof and the Indenture; provided, however, notwithstanding any other provision hereof (a) the indemnification provisions of Section 8.06 hereof and agreements contained in Section 10.04 hereof shall survive after the termination of the term of this Loan Agreement and, with respect to the Trustee, its resignation or removal; (b) all agreements, representations and certifications by the Borrower as to the exclusion from gross income of interest on the Bonds shall survive termination of the term hereof until the expiration of statutes of limitation applicable to the liability of the Registered Owners of the Bonds for federal and state income taxes with respect to interest on the Bonds; and (c) upon the defeasance of the Indenture, all such indemnification provisions shall be enforceable by the Issuer Indemnified Parties and the Trustee Indemnified Parties, and all such agreements, representations and certifications regarding the exclusion from gross income of the interest on the Bonds shall be enforceable by the Registered Owners of the Bonds, directly against the Borrower.

**ARTICLE IV**  
**THE SERIES 2025 PROJECT; ISSUANCE OF THE SERIES 2025 BONDS**

**Section 4.01. Agreement to Issue Series 2025 Bonds.** In order to provide funds to make the Loan, the Issuer will sell and cause to be delivered to the Underwriter the Series 2025 Bonds and will make such Loan and direct the Trustee to make the deposits from or apply the proceeds of the Series 2025 Bonds as set forth in Section 3.02(b) of the Indenture and the Closing Memorandum.

**Section 4.02. Disbursements from the Project Fund.**

(a) The Issuer has, in the Indenture, authorized and directed the Trustee to disburse the moneys in the Project Fund to pay Costs of the Project. The Trustee shall disburse amounts set forth on Exhibit E attached hereto to the parties listed on such exhibit upon receipt of written direction therefor from the Borrower. In addition, the Trustee shall transfer moneys in the Project Fund to pay Costs of the Project no more often than twice per month within five days of receipt by the Trustee of a completed requisition, in the form attached hereto as Exhibit B, signed by an Authorized Representative of the Borrower.

(b) Any amounts of Series 2025 Bond proceeds remaining on deposit in the Project Fund on November 15, 2025 shall be transferred by the Trustee to the Bond Fund.

**Section 4.03. Certificate of Occupancy.** The Borrower shall deliver to the Trustee, no later than August 1, 2025, a final certificate of occupancy for the Series 2025 Facilities (the “COO”). Failure to deliver such COO shall be an Event of Default hereunder.

**Section 4.04. Disbursements from the Cost of Issuance Fund.**

(a) The Issuer has, in the Indenture, authorized and directed the Trustee to make payments from the Cost of Issuance Fund for the payment of issuance expenses as provided in this Section. Payments shall be made from the Cost of Issuance Fund only for paying the costs of legal, accounting, organization, marketing, trustee or other special services and other fees and expenses, incurred or to be incurred by or on behalf of the Issuer or the Borrower in connection with the issuance of the Bonds. The Issuer does not make any warranty either express or implied that the moneys in the Cost of Issuance Fund available for payment of the foregoing costs will be sufficient to pay such costs in full, and the Borrower agrees to pay such costs in excess of the amount in the Cost of Issuance Fund from any moneys legally available for such purpose. The Borrower shall not be entitled as a result of paying the issuance expenses pursuant to this Section to any reimbursement therefor from the Issuer, the Trustee, the Registered Owners or the Beneficial Owners, nor shall it be entitled to any diminution in or postponement of the Loan Payments or other amounts required to be paid under this Loan Agreement. Each payment out of the Cost of Issuance Fund shall be made only upon receipt by the Trustee of a written request of the Authorized Representative of the Borrower.

(b) Any amounts remaining on deposit in the Cost of Issuance Fund 90 days after the Bond Closing Date for the Series 2025 Bonds shall be transferred by the Trustee to the Bond Fund.

**Section 4.05. [Reserved].**

**Section 4.06. Rebate.** With respect to each Series of Tax-Exempt Bonds, fifteen (15) days after each fifth Rebate Year, beginning June 30, 2029, and not later than 10 days after the redemption, payment at maturity or other retirement of the last bond of any Series of Tax-Exempt Bonds, the Borrower shall engage, and furnish information to, the Rebate Analyst and cause the Rebate Analyst to calculate the Rebate Amount with respect to that Series of Tax-Exempt Bonds and deliver to the Trustee and the Issuer a copy of the report of the Rebate Analyst. No later than 30 days after the end of each fifth Rebate Year, the Borrower (i) shall provide to the Trustee and the Issuer a certificate to the effect that (a) all requirements of this Agreement, the Indenture and the Tax Certificate with respect to the Rebate Fund have been met on a continuing basis, and (b) the Rebate Amount as calculated by the Rebate Analyst, and (ii) shall deposit moneys with the Trustee amounts that, together with amounts on deposit in the Rebate Fund, are sufficient to pay the Rebate Amount due and owing, together with a direction from the Borrower to the Trustee to pay such money over to the United States Treasury.

If the certificate described in the preceding paragraph is not delivered to the Trustee on or before its due date, the Borrower shall hire a Rebate Analyst so that the Borrower can make such certification as soon as possible.

**Section 4.07. Obligation of the Borrower to Furnish Documents to Trustee.** The Borrower agrees that the requisitions and certificates referred to in Sections 4.02, 4.04, 4.06 and 4.11 hereof must be furnished to the Trustee before the Trustee will disburse funds held under the Indenture.

**Section 4.08. Investment of Moneys.** Any moneys held as a part of the Funds or accounts shall be invested, reinvested and transferred to other Funds by the Trustee at the written direction of the Authorized Representative of the Borrower as provided in Article VI of the Indenture. In addition, the Borrower covenants that any money held as a part of such Funds and accounts shall be invested in compliance with the procedures established by the Tax Certificate to the extent required to comply with the covenants contained in Section 2.03 hereof.

**Section 4.09. Tax Covenant.** The Borrower covenants, represents and warrants that it will comply with the procedures set forth in the Tax Certificate implementing the covenants in Section 2.03 to the extent necessary under the Code to maintain the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes (except to the extent noted in the preceding paragraph) or to avoid the application of any penalties under the Code, subject to any applicable statute of limitations.

**Section 4.10. Title Insurance; Security Interest.**

(a) On the date of issuance of a Series of Bonds, the Borrower will provide the Trustee with an irrevocable, binding commitment of the Title Company to issue an extended form Lender's title insurance policy or policies insuring the Trustee's interest in and Lien against the Facilities owned by the Borrower, subject to any Permitted Encumbrances, in an amount not less than the Outstanding principal amount of the Series 2025 Bonds. Such title policy may remain open until the closing of the acquisition of the

Facilities. Each such policy shall be in the form of a standard or extended American Land Title Association Policy, as applicable, and may not permit the title insurer to purchase any Bonds in lieu of providing payment under the policy unless, upon purchase, such Bonds are cancelled. Each Deed of Trust shall be recorded in the real property records of the applicable county in Arizona, and provide the Trustee with a perfected first position Lien on and security interest in the Facilities owned by the Borrower, subject to any Permitted Encumbrances.

(b) Upon the execution by the Borrower of each Deed of Trust and subsequent recording, and upon the filing of the UCC financing statement related to each Deed of Trust on the date of issuance of the applicable Series of Bonds or closing of the acquisition of the Facilities, as applicable, the Trustee will have a valid first position Lien on the Mortgaged Estate (as defined in each Deed of Trust) and a valid security interest in the personal property subject to no Liens, charges or encumbrances other than the Permitted Encumbrances, and the Borrower will take all necessary actions, including filing continuation statements, to preserve such Lien and security interest.

**Section 4.11. Disbursements from the Repair and Replacement Fund.** The Issuer has, in the Indenture, authorized and directed the Trustee to make payments from the Repair and Replacement Fund as provided in this Section. Payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of a written requisition from an Authorized Representative of the Borrower, in the form set forth as Exhibit C hereto setting forth the amount and the payee for the purpose of paying the cost of capital expenditures related to maintenance, improvements and replacements which may be required for the Facilities, including, but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment.

## **ARTICLE V PAYMENT PROVISIONS**

### **Section 5.01. Loan Payments and Other Amounts Payable.**

(a) During the term of this Loan Agreement, the Borrower shall pay as repayment of the Loan until the principal of and premium, if any, and interest on the Promissory Note have been paid or provision for the payment thereof otherwise has been made in accordance with this Loan Agreement, into the Revenue Fund on each Scheduled State Payment Date, commencing with the first Scheduled State Payment Date following the Bond Closing Date, (i) an amount equal to a fraction of the interest due on the Bonds on the next Interest Payment Date where the numerator is the amount of interest due on the Bonds on the next Interest Payment Date and the denominator is the number of Scheduled Monthly Payment Dates that will occur during the period beginning on the last Interest Payment Date (or, if an Interest Payment Date has not yet occurred, the first Scheduled State Payment Date following the Bond Closing Date) and ending on the day preceding the next Interest Payment Date, and (ii) an amount equal to a fraction of the principal due on the Bonds on the next Principal Payment Date where the numerator is the amount of principal due on the Bonds on the next Principal Payment Date and the denominator is the

number of Scheduled State Payment Dates that will occur during the period beginning on the last Principal Payment Date (or, if a Principal Payment Date has not yet occurred, [\_\_\_\_]) and the day preceding the next Principal Payment Date; provided, however, the Borrower shall be entitled to a credit against such amounts owed equal to the amounts then on deposit in the Bond Fund and available for payment of such principal and interest.

(b) On or before the redemption date specified in any notice of redemption sent pursuant to Section 5.08 of the Indenture, the Borrower shall pay as repayment of the Loan for deposit into the Bond Fund an amount of money that, together with the payments made by the Borrower on its Promissory Note then on deposit in the Bond Fund, is sufficient to pay the principal of and premium, if any, and interest accrued to the redemption date on the Bonds called for redemption.

(c) [Reserved].

(d) The Borrower agrees to pay or cause to be paid to the Trustee the reasonable fees and expenses of the Trustee incurred in performing its duties related to the Bonds, including its attorney fees and expenses, as and when the same become due, upon submission of a statement therefor; provided that the Borrower may, without creating a default hereunder, contest in good faith the amount of any such fees or expenses.

(e) The Borrower shall pay or cause to be paid to the Trustee for deposit to the Rebate Fund all amounts required to be deposited in the Rebate Fund pursuant to Section 3.14 of the Indenture. The Borrower shall also pay to the Trustee an amount necessary to pay the fees and expenses of the Rebate Analyst when due.

(f) The Borrower agrees to pay or cause to be paid to the Issuer the Issuer fees, plus any amounts required to reimburse the Issuer for any expenses incurred by the Issuer, whether out-of-pocket or internal, in connection with the Issuer Documents, the Project or any other instrument or action relating to the foregoing, including fees and disbursements of attorneys of the Issuer. The Borrower agrees that the payment under this Loan Agreement shall be a net return to the Issuer over and above any taxes or charges of any nature whatsoever that may currently or hereafter be imposed on the receipts of the Issuer under this Loan Agreement.

(g) In the event of a Determination of Taxability and mandatory redemption resulting therefrom as set forth in Section 5.04 of the Indenture, the Borrower agrees to prepay the applicable Promissory Note and pay all premiums required by such redemption in full.

(h) [Reserved].

(i) The Borrower shall pay or provide for the payment of the required amount into the Debt Service Reserve Fund upon notice of any deficiency therein in accordance with Section 3.24 of the Indenture. If the Trustee determines that the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, whether because of a decreased value of the Investment Obligations therein or a transfer to cure a shortfall in the Bond Fund, the Borrower agrees pursuant to this Section 5.01 to pay to the



Trustee the amount of such deficiency in not more than one year in substantially equal installments beginning on the first Scheduled State Payment Date after the month in which such deficiency occurs; provided that no such installment shall be less than \$5,000.

(j) Commencing on the June 2026 Scheduled State Payment Date and on any Scheduled State Payment Date thereafter, the Borrower shall pay or cause to be paid to the Trustee an amount equal to the Repair and Replacement Fund Monthly Deposit.

(k) In the event the Borrower should fail to make or fail to cause to be made any of the payments required by this Section, the item or installment in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same and, with respect to the payments required by subsections (a), (b), (d), (e) and (f) of this Section 5.01, to pay interest at the highest rate of interest borne by any of the Bonds, or the maximum rate permitted by law if less than such rate.

**Section 5.02. Pledge By Borrower.** In fulfillment of its obligations hereunder, the Borrower hereby grants, bargains, sells, assigns, pledges, sets over and confirms unto the Issuer to secure the payment of the Loan and the Promissory Note securing such Loan, the following:

(a) all of the Borrower's right, title and interest in and to the Facilities, including all related additions, replacements, substitutions and proceeds thereof for the purposes of securing such Loan;

(b) all Pledged Revenues; and

(c) any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Borrower or by anyone on its behalf.

**Section 5.03. Payees of Payments.** The Loan Payments provided for in Section 5.01(a) and (b) and the payments under 5.01(g) hereof shall be paid in immediately available funds to the Trustee for the account of the Issuer and shall be deposited into the Revenue Fund for transfer to the Bond Fund as appropriate. The payments to be made to the Trustee under Section 5.01(d) hereof shall be paid directly to the Trustee for its own use. The payments provided for in Section 5.01(e) hereof shall, with respect to payments required in Section 3.14 of the Indenture, be paid to the Trustee for the account of the Issuer and deposited into the Revenue Fund for transfer to the Rebate Fund and, with respect to the fees of the Rebate Analyst, be paid to the Trustee and deposited into the Revenue Fund for transfer to the Expense Fund. The payments to be made to the Issuer under Section 5.01(f) hereof shall be paid to the Trustee and deposited into the Expense Fund for further credit to the Issuer. The payments provided for under Section 5.01(i) hereof shall be paid to the Trustee for deposit into Revenue Fund for transfer to the Debt Service Reserve Fund and further applied for the purposes of the Debt Service Reserve Fund as provided in Section 3.24 of the Indenture. The payments provided for under Section 5.01(j) shall be paid to the Trustee for deposit into the Revenue Fund for transfer to the Repair and Replacement Fund and further applied for the purposes of the Repair and Replacement Fund as provided in Section 3.13 of the Indenture.

**Section 5.04. Obligations of Borrower Hereunder Unconditional.** Except as provided herein, the obligations of the Borrower to make the payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional. The Borrower (a) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for herein, (b) will perform and observe all of its other agreements and obligations contained in this Loan Agreement and all other Borrower Documents, and (c) except as provided in Article XI hereof, will not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure to complete the Project, failure of consideration, eviction or constructive eviction, destruction of or damage to the Facilities, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Loan Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied. The Borrower may at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons that the Borrower deems reasonably necessary in order to secure or protect the rights of the Borrower to possession, occupancy and use of the Facilities.

## **ARTICLE VI MAINTENANCE, TAXES AND INSURANCE**

**Section 6.01. Maintenance and Modifications of Facilities by Borrower.** The Borrower agrees that during the term of this Loan Agreement the Borrower shall operate and maintain the Facilities, in compliance with all governmental laws, building codes, ordinances, and regulations and zoning laws as shall be applicable to such Facilities, unless the same are being contested in good faith by appropriate proceedings. The Borrower agrees that during the term of this Loan Agreement the Borrower will at its own expense (a) keep the Facilities in as safe of a condition as required by law and (b) except to the extent the Borrower has determined that any portion of the Facilities is obsolete or not useful in its operations, keep the Facilities in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof all of which shall be accomplished in a workmanlike manner in accordance with all applicable laws. Subject to Section 8.02, the Borrower may dispose of portions of the Facilities that the Borrower determines to be obsolete or not useful to operations of the Facilities. The Borrower, at its own expense, also may make from time to time any additions, modifications or improvements to the Facilities it may deem desirable for its purposes that do not substantially reduce its value; provided that all such additions, modifications and improvements made by the Borrower that are affixed to the Facilities shall become a part of the Facilities and subject to the Deed of Trust. The Borrower will not permit the removal of any personal property from the Facilities unless such personal property is obsolete, sold for fair market value or will be replaced with personal property of an equal or greater value.

The Borrower will not permit any Liens, security interests or other encumbrances, other than Permitted Encumbrances, to be established or to remain against the Facilities for labor or materials furnished in connection with the Facilities. However, if no Event of Default has occurred

and is continuing, and after notifying the Trustee of its intention to do so, the Borrower may permit the Liens to remain undischarged and unsatisfied while the Borrower is diligently prosecuting, in good faith and at its own expense, a contest of any mechanics' or other Liens filed or established against the Facilities, including any appeal therefrom. The right of the Borrower to contest a Lien shall not apply, however, if the Facilities or any part thereof will be subject to loss or forfeiture, in which event the Borrower shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Issuer will, at the expense of the Borrower, cooperate fully with the Borrower in any such contest.

In the event that the Borrower shall fail to pay any of the foregoing items required by this Section to be paid by the Borrower, the Issuer or the Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower under this Loan Agreement, which amount the Borrower agrees to pay on demand together with interest thereon at a rate that shall be 3 percent per annum above the highest rate of interest borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

#### **Section 6.02. Taxes, Other Governmental Charges and Utility Charges.**

(a) The Borrower will pay, as the same become due, (i) all taxes and governmental charges of any kind whatsoever or payments in lieu of taxes that may at any time be lawfully assessed or levied against or with respect to the Facilities or any interest therein, or any machinery, equipment, or other property installed or brought by the Borrower therein or thereon that, if not paid, will become a Lien on the Facilities or a charge on the Pledged Revenues prior to or on a parity with the charge thereon under this Loan Agreement, (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities and (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a Lien on the Facilities provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as may have become due during the term of this Loan Agreement.

(b) The Borrower may, at its own expense, but only if no Event of Default (excluding the issue being contested hereunder) has occurred and is continuing, diligently prosecute and in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom if, in the Opinion of Counsel delivered to the Trustee, the Facilities shall not be subject to loss or forfeiture. In the event that the Borrower is not able to obtain such Opinion of Counsel, the Borrower shall pay such taxes, assessments or charges promptly or secure the payment by posting a bond with the Trustee. The Issuer, at the expense of the Borrower, shall cooperate fully with the Borrower in any such contest. In the event that the Borrower shall fail to pay any of the foregoing items required by this Section to be paid by the Borrower, the Issuer or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower payable to the one making the advance, which amount the Borrower agrees to

pay on demand together with interest thereon at a rate that shall be 3 percent per annum above the highest rate of interest borne by the Bonds or the maximum rate permitted by law if less than such rate.

**Section 6.03. Insurance Required.**

(a) Throughout the term of this Loan Agreement, the Borrower shall provide, maintain and keep in force, or cause to be provided, maintained and kept in force, the following insurance coverages relating to the Facilities and the operations of the Borrower, paying as the same become due and payable all premiums with respect thereto:

(i) A lender's title insurance policy or policies in an aggregate amount as required by Section 4.10 hereof.

(ii) Insurance against loss or damage to the portion of the Facilities comprising buildings and all improvements therein (including, during any period of time when the Borrower is making alterations, repairs or improvements to such buildings, improvements and betterments coverage), all subject to standard form exclusions, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State, in an amount equal to the full replacement value of the Facilities.

(iii) Commercial comprehensive general liability and automobile liability insurance against claims arising in, on or about the Facilities, including in, on or about the sidewalks or premises adjacent to the Facilities, providing coverage limits not less than \$1,000,000 per occurrence and \$2,000,000 in aggregate.

(iv) Business interruption insurance equal to Maximum Annual Debt Service plus six months' Operating Expenses.

(v) Cybersecurity insurance and errors and omission insurance, with coverage and in amounts typical of charter schools or charter school organizations of the Borrower's size.

(vi) Such other forms of insurance as are customary in the industry or as the Borrower is required by law to provide with respect to the Facilities or the operations of the Borrower, including, without limitation, any legally required worker's compensation insurance and disability benefits insurance.

(b) All the insurance coverage required by this Section may be subject to deductible clauses in such amounts as are customary for facilities of similar size, type and character within the State. On or before July 1, 2028 and at least every three years thereafter, the Borrower shall employ the Insurance Consultant to review the insurance coverage required by this Section and to render to the Issuer and the Trustee a report as to the adequacy of such coverage and as to its recommendations, if any, for adjustments thereto. The insurance coverage required by this Section may be reduced or otherwise adjusted by the Borrower without the consent of the Trustee or the Issuer, provided that all coverages after such reduction or other adjustment are certified by the Insurance Consultant

to be adequate and customary for facilities of like size, type and character, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance and the effect of such terms and such cost upon the fees, rentals and charges for the use of the Facilities of the Borrower.

(c) The insurance coverage required by this Section shall be increased or otherwise adjusted by the Borrower if as a result of such review the Insurance Consultant finds that the existing coverage is inadequate, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance, and the effect of such terms and such cost upon the costs and charges of the Borrower for its services. The insurance coverage required by this Section, and modification thereof permitted or required by this paragraph, shall at all times be adequate and customary for facilities of like size, type and character, and the Borrower shall request that the Insurance Consultant so certify in the report required by this Section. The Borrower shall pay any fees charged by such Insurance Consultant and any expenses incurred by the Issuer and the Trustee.

(d) All policies maintained (or caused to be maintained) by the Borrower pursuant to this Section shall be taken out and maintained with generally recognized, responsible insurance companies rated not less than "A-" by A.M. Best, authorized in the State, which may include "captive" insurance companies or governmental insurance pools, selected by the Borrower. The insurance policies required by subsections (a)(i) and (a)(ii) of this Section shall name the Trustee, the Issuer and the Borrower as insureds as their respective interests may appear (provided that with respect to insurance maintained pursuant to subsection (a)(ii) of this Section and Section 4.10 hereof, the Trustee shall also be named as a mortgagee under the terms of a standard Arizona mortgagee loss payable endorsement), and the Trustee shall also be named as an additional insured on the policies required by subsections (a)(iii) and (a)(iv) of this Section, and, provided further that all insurance proceeds for losses, and except for worker's compensation, fidelity insurance, business interruption insurance and liability insurance, shall be paid directly to the Trustee. Such policies or certificates of insurance shall (i) provide that the insurer will endeavor to mail 30 days' written notice to the Issuer and the Trustee of any amendment or cancellation prior to expiration of such policy, and (ii) be satisfactory in all other respects to the Issuer.

(e) The Borrower shall deliver to the Trustee (i) upon the date of issuance of the Bonds, the certificate of insurance that the Borrower is then required to maintain pursuant to this Section, together with a certificate of the Borrower confirming the payment of all premiums then due thereon, (ii) at least 30 days prior to the expiration of any such policies, a certificate of the Borrower confirming the renewal thereof, if then required by this Section, and the payment of all premiums then due with respect thereto, (iii) promptly upon request by the Issuer or the Trustee, but in any case within 90 days after the end of each Fiscal Year, a certificate of an Authorized Representative of the Borrower setting forth the particulars as to all insurance policies maintained by the Borrower pursuant to this Section and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of this Section and that all premiums then due thereon have been paid, and (iv) if requested by the Issuer, certificates of insurance for such policies.

**Section 6.04. Application of Net Proceeds of Insurance.** The Net Proceeds of the insurance carried pursuant to subsections (a)(i) and (a)(ii) of Section 6.03 hereof shall be applied as provided in Article VII hereof. The Net Proceeds of insurance carried pursuant to subsections (a)(iii), (a)(iv) and (a)(v) of Section 6.03 hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid.

**Section 6.05. Advances by Issuer or Trustee.** In the event the Borrower shall fail to maintain the full insurance coverage required by this Loan Agreement or shall fail to keep the Facilities in the condition required hereby (except as otherwise herein permitted), the Issuer or the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and all amounts advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower under this Loan Agreement to the one making the advance, which amounts the Borrower agrees to pay on demand together with interest thereon at a rate that shall be 3 percent per annum above the highest interest rate borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

## **ARTICLE VII DAMAGE, DESTRUCTION AND CONDEMNATION**

### **Section 7.01. Damage, Destruction and Condemnation.**

(a) In the event of a casualty or condemnation with respect to the Facilities, and so long as no Event of Default exists and is continuing, the Net Proceeds from any insurance policy or the Net Proceeds of any condemnation award resulting from such casualty or condemnation shall be paid as follows:

(i) Whenever such Net Proceeds from any insurance policy or condemnation award are less than or equal to \$500,000, such Net Proceeds shall be paid directly to the Borrower and used for the repair, replacement or restoration of the Facilities to substantially the same condition as existed prior to such damage, destruction or condemnation.

(ii) Whenever such Net Proceeds from any insurance policy or condemnation award are greater than \$500,000, such Net Proceeds shall be paid to the Trustee and held in a special trust account to be established by the Trustee when deposit is required to be applied to repair, replace or restore the Facilities unless the Loan is to be prepaid as provided in Section 7.02 hereof.

(b) If the Borrower directs the Trustee in writing that the proceeds are to be used to repair, replace or restore the Facilities, the proceeds in such special trust account shall be disbursed by the Trustee for the repair, restoration or replacement of the Facilities upon the receipt by the Trustee from the Borrower of (i) a certificate of an Authorized Representative of the Borrower that substantially states that such repairs, replacements or restorations will restore the Facilities to substantially their original condition, will be completed in accordance with plans and specifications previously provided to the Trustee and that such repairs, replacements or restorations when completed in accordance with the

plans and specifications previously furnished to the Trustee will comply with all applicable statutes, codes and regulations; (ii) a certificate of an Authorized Representative of the Borrower stating that sufficient moneys are available in such special trust account to pay for such repair, restoration or replacements to be completed, together with available business interruption insurance and other available Pledged Revenues, to pay debt service on the Bonds and Operating Expenses during the restoration period and, if at any time during the restoration, the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Facilities, the Borrower shall provide the Trustee with cash or cash equivalents in an amount equal to the shortfall; (iii) requisitions from the Borrower requesting a disbursement from such special trust account; and (iv) a certificate of an Authorized Representative of the Borrower confirming it has received all applicable Lien waivers and a construction contract. If such Net Proceeds are in excess of \$500,000, in addition to those requirements listed in (i) through (iv) in this subsection (b) above, the Borrower also shall deliver to the Trustee: (A) an endorsement to the applicable title insurance policy insuring the continued priority of the Lien of the Deed of Trust, if applicable; (B) an opinion of Bond Counsel to the effect that neither such repairs, replacements nor restorations nor such use of such casualty or condemnation proceeds adversely affects the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds; (C) a certificate of an Authorized Representative of the Borrower certifying that the Borrower has acquired all permits and licenses necessary for such construction; and obtained performance and payment bonds therefor. The Trustee shall retain 10 percent of the requested disbursements until the repairs, replacements, restorations or improvements are at least 50 percent complete as certified by an Authorized Representative of the Borrower and 5 percent of the requested disbursements until final completion of the repairs, replacements, restorations or improvements as certified by an Authorized Representative of the Borrower and, if such Net Proceeds are in excess of \$500,000, an endorsement to the title policy for the Facilities insuring the continued priority of the Deed of Trust. If at any time during the restoration, the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Facilities, the Borrower will provide the Trustee with cash or cash equivalents in an amount equal to the shortfall. If after completion of any such repairs, replacements, or improvements any funds remain in said special trust fund, the remaining funds shall be transferred by the Trustee to the Revenue Fund and used to make any disbursements required by Section 3.20, FIRST through SEVENTH of the Indenture that have not otherwise been made and any excess shall be applied in accordance with Section 3.20, EIGHTH of the Indenture. Notwithstanding the above provisions, all proceeds of business interruption insurance shall be paid to the Trustee and deemed to be Pledged Revenues for purposes of this Loan Agreement, including, without limitation, Section 5.01 hereof, and used in accordance with Section 6.04 hereof.

**Section 7.02. Mandatory Prepayment from Insurance or Condemnation Proceeds.** If the Net Proceeds of any insurance policy or condemnation award with respect to the Facilities are in excess of \$500,000, the Loan and the Promissory Note securing the Loan are subject to mandatory prepayment as a whole or in part at the principal amount thereof plus accrued interest thereon to the date of prepayment, but without premium, from such Net Proceeds, if any of the events set forth below shall occur:

(a) The Facilities shall have been damaged or destroyed in whole or in part to such extent that, as expressed in a certificate of an Authorized Representative of the Borrower filed with the Trustee, (i) the Borrower is prevented from carrying on its normal operations for a period of twelve consecutive months, or (ii) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.03 hereof;

(b) Title to, or the temporary use for a period of twelve months or more of, all or substantially all of the Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title; or

(c) As a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Borrower in good faith, this Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in this Loan Agreement.

**Section 7.03. Borrower Entitled to Certain Net Proceeds.** The Borrower shall be entitled to the Net Proceeds of any insurance payment or condemnation award or portion thereof attributable to damage or destruction or takings of its property not included under the Deed of Trust.

**Section 7.04. No Change in Loan Payments; No Liens.** All buildings, improvements and equipment acquired in the repair, rebuilding or restoration of the Facilities shall be deemed a part of the Facilities and shall be available for use and occupancy by the Borrower, without the payment of any payments hereunder other than the Loan Payments and other payments required to be made under this Loan Agreement, to the same extent as if they were specifically described herein; provided that no buildings, improvements or equipment shall be acquired subject to any Lien or encumbrance other than Permitted Encumbrances.

**Section 7.05. Investment of Net Proceeds.** Any Net Proceeds of any insurance payments or condemnation awards with respect to the Facilities held by the Trustee pending restoration, repair or rebuilding shall be invested in Investment Obligations in the same manner as provided in Section 6.01 of the Indenture. Any earnings or profits on such investments shall be considered part of the Net Proceeds.

**Section 7.06. Continuation of Operation in Event of Casualty.** In the event of any damage to or destruction of the Facilities or any part thereof by fire, lightning, vandalism, malicious mischief and extended coverage perils, the Borrower shall make all diligent and reasonable efforts to continue operation of the School in such a manner that will ensure continuation of State Payments or shall obtain or use other financing resources to continue operation of the School and ensure due and timely payment of the Loan Payments.



## ARTICLE VIII SPECIAL COVENANTS

**Section 8.01. No Warranty of Condition or Suitability by the Issuer.** The Issuer makes no warranty, either express or implied, as to the Facilities or that they will be suitable for the purposes or needs of the Borrower or that the proceeds of the Bonds will be sufficient to pay the costs of the Project.

**Section 8.02. Consolidation, Merger, Sale or Conveyance.** (a) The Borrower agrees that during the term of this Loan Agreement the Borrower will maintain its corporate existence, will continue to be a nonprofit corporation duly qualified to do business in the State, will not merge or consolidate with, or sell or convey, except as provided in Section 8.11 or 8.02(b) hereof, all or substantially all of the Borrower's interest in the Facilities to, any Person unless (i) no Event of Default has occurred and is continuing, (ii) the Borrower provides to the Trustee written notice of its intent at least 90 days in advance of such consolidation, merger, sale or conveyance, and (iii) (a) the Borrower disposes of the Facilities in accordance with Section 8.02(b) below, or (b) the acquirer of the interest in the Facilities or the corporation with which it shall be consolidated or the resulting corporation in the case of a merger:

(a) shall assume in writing the performance and observance of all covenants and conditions of this Loan Agreement;

(b) shall provide the Trustee with an opinion of Bond Counsel acceptable to the Issuer to the effect that such merger, consolidation, sale or conveyance will not adversely affect the validity of any of the Bonds or the exclusion from gross income for federal income tax purposes of interest on the Outstanding Tax-Exempt Bonds;

(c) shall provide the Issuer and the Trustee with an Opinion of Counsel to the Borrower (which may be rendered in reliance upon the Opinion of Counsel to such other corporation), stating that none of the other entities that are a party to such consolidation, merger or transfer has any pending litigation other than that arising in the ordinary course of business or has any pending litigation that might reasonably result in a substantial adverse judgment. For the purposes of the preceding sentence, the term "substantial adverse judgment" shall mean a judgment in an amount that exceeds the insurance or reserves therefor by a sum that is more than 2 percent of the aggregate net worth of the resulting, surviving or transferee corporation immediately after the consummation of such consolidation, merger or transfer and after giving effect thereto;

(d) shall deliver to the Trustee within 30 days of the close of such transaction, copies of all documents executed in connection therewith, one document of which shall include an Opinion of Counsel that all conditions herein have been satisfied and that all liabilities and obligations of the Borrower under the Borrower Documents shall become obligations of the new entity; provided, however, the Borrower shall not be released from the same until all of the conditions of this Section 8.02 shall have been met; and

(e) in the case of a consolidation, merger, sale or conveyance of the Borrower, shall provide evidence to the Issuer and the Trustee that the entity can continue to operate

the School as a charter school in accordance with the Charter School Act and that the new entity is entitled to receive the State Payments.

(f) During the term of this Loan Agreement the Borrower may dispose of all or a portion of the Other Facilities, to any Person provided that such Other Facilities are transferred in accordance with Section 8.01(a)(i) and (ii) above and the net proceeds of such sale or other disposition are applied either (A) to the purchase of replacement facilities of substantially similar function and substantially equivalent value (provided that such replacement facilities are made part of the security for the Promissory Notes issued hereunder) and made subject to the Deed of Trust (as required by subsection 8.02(f)(iii) below), or (B) to the payment of redemption price of the Promissory Notes or other Indebtedness in a principal amount set forth in the documents evidencing such other Indebtedness, as applicable. Before any transfer or disposition of the Other Facilities described in this Section 8.02, the Borrower shall furnish to the Trustee:

(i) a written certificate of an Authorized Representative of the Borrower (accompanied by the report of an Independent Consultant or an Accountant or a written certificate of an Authorized Representative of the Borrower, as appropriate) stating that (a) no Event of Default has occurred and is continuing, (b) the Borrower can satisfy the requirements for the incurrence of additional Long-Term Indebtedness in Section 8.13(c) with respect to the net amount of the proposed Long-Term Indebtedness to be incurred by the Borrower (the amount of the cost of the replacement facilities, less the purchase price of such sale or other disposition of the Other Facilities) if any, in connection with the sale or disposition of the Other Facilities and the purchase of replacement facilities, and (c) the security of the Deed of Trust remaining after the disposition of such Other Facilities and the ability of the trustee thereunder to foreclose upon the remaining Mortgaged Estate (including the replacement facilities and the Series 2025 Facilities) will not be impaired as a result of the disposition of such Other Facilities;

(ii) with respect to Other Facilities to be disposed of for an amount in excess of \$25,000, an independent appraisal (which shall be conducted by an independent appraiser) of the Other Facilities so sold or disposed of, showing such Other Facilities are to be sold or disposed of at a price equal to its fair market value;

(iii) with respect to any replacement facilities, a Deed of Trust among the Borrower, as trustor, the Trustee, as beneficiary, and the Title Company, as trustee, securing the Bonds and providing the Trustee with a first position lien on and security in such replacement facilities; and

(iv) if the disposition of such Other Facilities requires the Trustee to execute a partial deed of release and reconveyance from the Deed of Trust, the Borrower shall have conveyed to the trustee under the Deed of Trust, such rights-of-way, easements and other rights in land as are required for ingress to and egress from the remaining Mortgaged Estate subject to the Deed of Trust, for the utilization of the facilities located thereon and for utilities required to serve such facilities.

**Section 8.03. Further Assurances.** The Issuer and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Loan Agreement, subject, however, to the terms and conditions of Article X of the Indenture.

**Section 8.04. Audits.** The Borrower agrees that it will have its books and records audited annually, commencing with the Fiscal Year that ends June 30, 2025, by an Accountant as soon as practicable after the close of such Fiscal Year.

**Section 8.05. Financial Records and Statements; Financial Covenants; Reports.**

(a) **Maintenance of Books and Accounts.** The Borrower agrees that it will maintain proper books of records and accounts with full, true and correct entries of all of its dealings substantially in accordance with Generally Accepted Accounting Principles and will make available such other data and information as may be reasonably requested by the Issuer and the Trustee from time to time.

(b) **Scheduled State Payment Dates.** Upon any change in the Scheduled State Payment Dates for any Fiscal Year, the Borrower shall notify the Trustee in writing by June 1 of the preceding Fiscal Year of the revised number and expected timing of the Scheduled State Payment Dates.

(c) **Continuing Disclosure Reports.** The Borrower agrees that it will comply with and provide the information required by the Continuing Disclosure Undertaking in accordance with the provisions therein.

(d) **Debt Service Coverage Ratio.** By December 1 of each year, commencing December 1, 2025, the Borrower will deliver to the Trustee a certificate of the Borrower or an Accountant of the Borrower showing the Debt Service Coverage Ratio for the prior Fiscal Year.

If such Debt Service Coverage Ratio certified to the Trustee is below the Debt Service Coverage Ratio Requirement, then, the Borrower will retain, at its own expense, an Independent Consultant to submit a written report and make recommendations with respect to revenues or other financial matters of the Borrower that are relevant to increasing the Debt Service Coverage Ratio to at least the Debt Service Coverage Ratio Requirement. The Borrower shall adopt and follow the recommendations of the Independent Consultant except when an Opinion of Counsel is delivered to the Issuer and the Trustee that the Independent Consultant's recommendations would violate state or federal law, the educational purpose of the Borrower or the charter policy of the chartering authority. If such Debt Service Coverage Ratio certified to the Trustee is below 1.0 to 1, then an Event of Default shall be deemed to have occurred hereunder.

(e) **Days Cash on Hand Requirement.** The Borrower covenants and agrees that Days Cash on Hand, which shall be tested as of June 30 of each year, commencing June 30, 2025, shall be equal to or greater than 45 days. By December 1 of each year, commencing December 1, 2025, the Borrower will deliver to the Trustee a certificate of

the Borrower or an Accountant of the Borrower stating the Days Cash on Hand for the prior June 30. The foregoing is subject to the qualification that if applicable state or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Borrower to accumulate such level of Days Cash on Hand, then the Borrower shall conform to the then prevailing laws, rules or regulations.

If the Days Cash on Hand for any testing date is less than 45 days (or such lesser amount required by prevailing laws, rules or regulations, as applicable), then, the Borrower will retain, at its own expense, an Independent Consultant to review and analyze the operations and administration of the Borrower, submit to the Trustee and post on EMMA written reports, and make such recommendations as to the operation and administration of the Borrower as such Independent Consultant deems appropriate, including any recommendation as to a revision of the methods of operation of the Borrower. The Borrower shall adopt and follow the recommendations of the Independent Consultant except when an Opinion of Counsel is delivered to the Issuer and the Trustee that the Independent Consultant's recommendations would violate state or federal law, the educational purpose of the Borrower or the charter policy of the chartering authority.

(f) **Consultant Notice.** Upon the Borrower being required to engage an Independent Consultant, the Borrower shall cause a notice (a "Consultant Notice") of the selection of such Independent Consultant to be filed with the Trustee who will promptly post notice of such on EMMA. The Borrower shall include the following information in each Consultant Notice: (i) the name of its proposed Independent Consultant, and (ii) a brief curriculum vitae of the Independent Consultant describing his/her/its credentials. The Consultant Notice shall provide that, unless a Bondholder submits to the Trustee a written objection to the Independent Consultant (an "Objection Notice") within twenty-one (21) calendar days of the date the Consultant Notice is posted by the Trustee to EMMA (the "Objection Period"), then the Borrower shall engage the Independent Consultant for the purpose stated in the Consultant Notice. If holders of a majority in aggregate principal amount of the Outstanding Bonds provide any Objection Notice to the Trustee within the Objection Period, then the Borrower shall select an alternate Independent Consultant and post a new Consultant Notice to EMMA with respect to the newly proposed Independent Consultant and the process shall repeat, until the Borrower shall propose an Independent Consultant that is not objected to by a majority in the aggregate principal amount of the Outstanding Bonds.

(g) **Contracts to Comply with Tax Covenants.** Any contract entered into between the Borrower and any Independent Consultant engaged by the Borrower pursuant to this Section 8.05 must meet the requirements of this Loan Agreement, including but not limited to Section 2.03 of this Loan Agreement.

(h) **Maintenance of Lien Position.** On or before the date required by laws for continuation of the financing statements filed hereunder, the Borrower shall provide the Trustee with a certificate attaching a copy of the actual filed UCC continuation statement necessary to preserve the Lien on and security interest in the Mortgaged Estate and the Lien on the Pledged Revenues. If the Borrower does not deliver the aforementioned certificate, the Trustee may, but shall not be obligated to, take such action to file a UCC

continuation statement and, in such event, the Trustee shall be entitled to reimbursement from the Borrower of its fees and expenses pursuant to Section 5.01(d) hereof.

(i) **Additional Documents Upon Request.** The Borrower will provide the Issuer with any of the documents specified in this Section 8.05 upon request by the Issuer in a timely manner.

(j) **Annual Compliance Certificate.** By December 1 of each year, a written certificate of an Authorized Representative of the Borrower or other form of annual certification in the form of Exhibit D attached hereto to the effect that no events of default have occurred and/or are continuing, and the Borrower is in compliance with all covenants, insurance and other requirements under this Loan Agreement, and the other Borrower Documents.

(k) **Delivery to the Trustee.** The Trustee shall have no duty to review or analyze any information or documentation delivered to the Trustee in accordance with this Section 8.05 or as otherwise set forth in this Loan Agreement and shall hold such information and documentation solely as a repository for the benefit of the Registered Owners of the Bonds; the Trustee shall not be deemed to have notice of any information contained therein or any default which may be disclosed therein.

#### **Section 8.06. Release and Indemnification Covenants.**

(a) The Borrower agrees to pay, defend, protect, indemnify, and hold each of the Issuer Indemnified Parties and the Trustee Indemnified Parties harmless for, from and against any and all Liabilities directly or indirectly arising from or relating to the Loan, this Loan Agreement, the Facilities and the Deed of Trust and any and all Liabilities directly or indirectly arising from or relating to the Bonds, the Indenture, or any document related to the issuance and sale of the Bonds, including, but not limited to, the following:

(i) Any injury to or death of any person or damage to property in or upon the Facilities or growing out of or connected with the use, non-use, condition, or occupancy of the Facilities or any part thereof;

(ii) Violation of any agreement, covenant, or condition of any of the Borrower Documents;

(iii) Violation of any agreement, contract, or restriction relating to the Facilities;

(iv) Violation of any law, ordinance, or regulation affecting the Facilities or any part thereof or the ownership, occupancy, or use thereof;

(v) The issuance and sale of the Bonds;

(vi) Any environmental condition related to the Facilities;

(vii) Any statement, information, or certificate furnished by the Borrower

to the Issuer or the Trustee that is misleading, untrue, incomplete, or incorrect in any respect; and

(viii) The acceptance and administration of the Deed of Trust, this Loan Agreement and the Indenture.

(b) The Borrower also agrees to pay, defend, protect, indemnify, and hold each of the Issuer Indemnified Parties and the Trustee Indemnified Parties harmless for, from, and against any and all Liabilities directly or indirectly arising from or relating to (i) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made to the Issuer by or on behalf of the Borrower pertaining to the Bonds, and (ii) any Borrower fraud or misrepresentations or omissions contained in the proceedings of the Issuer relating to the issuance of the Bonds or pertaining to the financial condition of the Borrower that, if known to the original purchaser of the Bonds or the Underwriter, could reasonably be considered a factor in such Person's decision to purchase the Bonds; provided, however, nothing in this subsection shall be deemed to provide the Issuer with indemnification for the Issuer's omissions or misstatements contained in the Offering Statement under the headings "THE ISSUER" and "LITIGATION" as it relates to the Issuer.

(c) Subsections (a) and (b) above are intended to provide indemnification to each Issuer Indemnified Party and Trustee Indemnified Party for his or her active or passive negligence or misconduct; provided, however, nothing in subsections (a) and (b) above shall be deemed to provide indemnification to any Issuer Indemnified Party or any Trustee Indemnified Party with respect to any Liabilities arising from the successful allegation of fraud, gross negligence, or willful misconduct of such party.

(d) Any party entitled to indemnification hereunder shall notify the Borrower of the existence of any claim, demand, or other matter to which the indemnification obligation of the Borrower applies, and shall give the Borrower a reasonable opportunity to defend the same at its own expense and with counsel satisfactory to the Issuer Indemnified Party and Trustee Indemnified Party, as applicable, provided that the Issuer Indemnified Party and Trustee Indemnified Party shall at all times also have the right to fully participate in the defense. If the Issuer Indemnified Party or Trustee Indemnified Party is advised by counsel that there may be legal defenses available to either of them that are different from or in addition to those available to the Borrower or if the Borrower shall, after receiving notice of the indemnification obligation of the Borrower and within a period of time necessary to preserve any and all defenses to any claim asserted, fails to assume the defense or to employ counsel for that purpose satisfactory to the Issuer Indemnified Party and Trustee Indemnified Party, as applicable, the Issuer Indemnified Party and Trustee Indemnified Party, as applicable, shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the expense and risk of, the Borrower.

(e) The Borrower shall be responsible for the reasonable counsel fees, costs, and expenses of the Issuer Indemnified Parties or the Trustee Indemnified Parties in conducting its defense.

(f) Notwithstanding the foregoing, the Borrower shall not be considered an “Indemnified Party” for purposes of this Section.

(g) The obligations of the Borrower under this Section shall survive the termination of this Loan Agreement and the resignation or removal of the Trustee.

**Section 8.07. Authority of Authorized Representative of the Borrower.** Whenever under the provisions of this Loan Agreement or the Indenture the approval of the Borrower is required, or the Issuer or the Trustee is required to take some action at the request of the Borrower, such approval or such request shall be made by the Authorized Representative of the Borrower unless otherwise specified in this Loan Agreement or the Indenture. The Issuer or the Trustee shall be authorized to act on any such approval or request and the Borrower shall have no complaint against the Issuer or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Loan Agreement or the Indenture by an Authorized Representative of the Borrower shall be on behalf of the Borrower and shall not result in any personal liability of such Authorized Representative.

**Section 8.08. Authority of Authorized Representative of the Issuer.** Whenever under the provisions of this Loan Agreement or the Indenture the approval of the Issuer is required, or the Borrower or the Trustee is required to take some action at the request of the Issuer, such approval or such request shall be made by the Authorized Representative of the Issuer unless otherwise specified in this Loan Agreement or the Indenture. The Borrower or the Trustee shall be authorized to act on any such approval or request and the Issuer shall have no complaint against the Borrower or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Loan Agreement or the Indenture by an Authorized Representative of the Issuer shall be on behalf of the Issuer and shall not result in any personal liability of such Authorized Representative.

**Section 8.09. Licenses and Qualifications.** The Borrower will do, or cause to be done, all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals, including the Charter School Contract, and to comply, or cause its lessees to comply, with such permits, licenses and other governmental approvals necessary for operation of each of the School as a charter school (as defined in the Charter School Act) (subject, however, to Section 8.11 hereof).

**Section 8.10. Right to Inspect.** Following reasonable notice to the Borrower, at any and all reasonable times during business hours, the Trustee, the Issuer and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the School and the Facilities, including all books and records of the Borrower (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired.

**Section 8.11. Lease of the Facilities.** The Borrower shall have the right to lease all or any part of the Facilities; provided, however, that the terms and provisions of any future leases will allow the Borrower to comply with the provisions of this Loan Agreement (including but not limited to those in Section 2.03 hereof) and contain the restrictions upon the use of the Facilities

contained in Section 8.12 of this Loan Agreement; and provided further that any future leases will provide for rental payments to be made directly to the Trustee to the extent of then current payments required under Section 5.01(a) hereof. In addition: (i) no assignment or lease will relieve the Borrower from primary liability for any obligations under this Loan Agreement, and in the event of any such assignment or lease the Borrower will continue to remain primarily liable for payment of the amounts specified in this Loan Agreement and for performance and observance of the other agreements on its part provided to be performed and observed by the Borrower to the same extent as though no assignment or lease had been made; (ii) the assignee or lessee must assume the obligations of the Borrower under this Loan Agreement to the extent of the interest assigned or leased; (iii) the assignee or lessee must receive no greater interest in the Facilities than that held by the Borrower; in particular, any assignment or lease must be granted only subject to the rights of the Issuer and the Trustee under this Loan Agreement and the Indenture, and must terminate upon any foreclosure of the Borrower's rights under this Loan Agreement or under the Deed of Trust; (iv) the Borrower and the assignee or lessee must enter into a subordination, non-disturbance and attornment agreement with the Trustee, agreeing to subordinate such assignee's or lessee's rights under the applicable assignment or lease agreement to the lien or charge of this Loan Agreement, the Indenture, and the Deed of Trust, and to attorn to the Trustee on the terms and conditions of such subordination, non-disturbance and attornment agreement; (v) the Borrower must further assign such lease or assignment to and for the benefit of the Trustee; and (vi) the Borrower must, at least ten days prior to the execution of such assignment or lease, furnish or cause to be furnished to the Issuer and the Trustee (A) a true and complete draft copy of each assignment, assumption of obligation or lease, as the case may be, in form and substance acceptable to the Issuer, and (B) a form of opinion from Bond Counsel to the effect that the assignment or lease does not affect the tax-exempt status of the Outstanding Tax-Exempt Bonds, and (C) a form of opinion from independent counsel that the assignment or lease has been accomplished in accordance with State law and this Loan Agreement and is enforceable against the assignee or transferee. Other than leases permitted by this Section or as provided in Section 8.02 hereof, the Borrower agrees that it will not sell or otherwise dispose of the Facilities.

**Section 8.12. Nonsectarian Use.** The Borrower agrees that it will be nonsectarian in its programs, admission policies and employment practices and all other operations. The Borrower will comply with all applicable state and federal laws concerning discrimination on the basis of race, creed, color, sex, national origin, or religious belief and will respect, permit, and not interfere with the religious beliefs of persons working for the Borrower.

**Section 8.13. Limitations on Incurrence of Additional Indebtedness.**

(a) The Borrower will not incur any additional Indebtedness secured in whole or in part by Liens on the Facilities or the Pledged Revenues that are senior to the Deed of Trust and the security interest in the Pledged Revenues granted by this Loan Agreement and the Indenture. Except as provided in this Section, the Borrower will not incur any additional parity Indebtedness secured in whole or in part by the Facilities or the Pledged Revenues.

(b) The Borrower may incur Long-Term Indebtedness if prior to the issuance of such additional Indebtedness the following is satisfied:



(i) the Borrower has delivered to the Trustee a written certificate of an Authorized Representative of the Borrower confirming that the Debt Service Coverage Ratio for the preceding Fiscal Year was equal to or greater than 1.10 on all Outstanding Long-Term Indebtedness and the proposed Additional Indebtedness to be issued or incurred; or

(ii) the Borrower has delivered to the Trustee a written certificate of an Authorized Representative of the Borrower confirming that the Debt Service Coverage Ratio for the preceding Fiscal Year was equal to or greater than 1.10 on all Outstanding Long-Term Indebtedness; and (b) the Borrower has delivered to the Trustee a written report of an Independent Consultant setting forth projections which indicate that the Debt Service Coverage Ratio for each of the three consecutive full Fiscal Years beginning in the earlier of:

(A) the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing Facilities to be financed with such Additional Indebtedness, as set forth in a written certificate of an Authorized Representative of the Borrower; or

(B) the first full Fiscal Year in which the Borrower will have scheduled payments of interest on or principal of the Additional Indebtedness to be issued for the payment of which provision has not been made as indicated in the report of such Independent Consultant from proceeds of such Additional Indebtedness, investment income thereon or from other appropriate sources (other than Net Income Available for Debt Service),

provides for a Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Additional Indebtedness to be issued, of not less than 1.20. The report of the Independent Consultant shall take into account the audited results of operations and verified enrollment of the School for the most recently completed Fiscal Year and projected enrollment of the School and Pledged Revenues at the completion of such Facilities financed with such Additional Indebtedness. In addition, the report of the Independent Consultant shall assume that the Long-Term Indebtedness then to be incurred shall have been outstanding for the entire Fiscal Year during which such Long-Term Indebtedness is to be incurred.

(c) The Borrower may incur Long-Term Indebtedness for the purpose of refunding any Outstanding Indebtedness, if prior to the incurrence thereof, there is delivered to the Trustee a certificate of the Borrower demonstrating that (i) the Maximum Annual Debt Service will not increase by more than 10 percent after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof or (ii) the total Debt Service Requirement on the Indebtedness being refinanced will not increase by more than 10 percent after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the

proceeds thereof; or (iii) the requirements of subsection (b)(i) above are met; provided that the foregoing shall not apply to any refinancing with Balloon Indebtedness.

(d) The Borrower may incur Short Term Indebtedness as long as the Short Term Indebtedness is made payable from such Pledged Revenues, if any, disbursed to the Borrower after the Trustee has made all of the other required transfers from the Revenue Fund.

(e) The Borrower may incur Indebtedness consisting of purchase money obligations with respect to any item of equipment related to the Facilities without limitation; provided such Indebtedness is secured only by such equipment.

(f) The Borrower may incur Indebtedness consisting of leases which are considered operating leases under Generally Accepted Accounting Principles without limitation; provided such Indebtedness is secured only by such leased equipment.

(g) The Borrower may incur Completion Indebtedness in an amount not to exceed 10% of the original Indebtedness issued for the purpose of financing certain Capital Improvements, if the following conditions are met: (i) the Borrower certifies, in writing, to the Trustee that at the time the original Indebtedness issued for the purpose of financing certain Capital Improvements was incurred, the Borrower believed or had reason to believe that the proceeds of such Indebtedness together with other moneys then expected to be available to pay for such Capital Improvements would provide sufficient moneys for the completion thereof; (ii) a Consulting Architect provides the Trustee with a written statement specifying the amount necessary to complete such Capital Improvements; and (iii) the Borrower certifies, in writing, to the Trustee that the proceeds of the proposed Completion Indebtedness, together with other legally available moneys of the Borrower, will be in an amount equal to the amount set forth in clause (ii) of this subsection.

(h) The Borrower may incur subordinated Indebtedness without limitation.

(i) Nothing in this Section shall be construed as limiting the Borrower's ability to incur obligations or other indebtedness that does not constitute Indebtedness.

**Section 8.14. Covenant to Comply with Indenture.** The Borrower hereby acknowledges receipt of the Indenture, agrees to be bound by its terms and accepts all obligations and duties imposed thereby.

**Section 8.15. Capital Needs Assessment.** The Borrower covenants to select an Independent Consultant to complete, on or before June 30, 2030, and every fifth anniversary thereafter as long as any Bonds are Outstanding, a capital needs assessment of the Facilities projecting the Borrower's capital needs at the Facilities and the total cost thereof over the next five years (each a "Capital Needs Assessment").

**ARTICLE IX**  
**ASSIGNMENT AND PLEDGE; REDEMPTION OF SERIES 2025 BONDS**

**Section 9.01. Assignment and Pledge by Issuer.** The Issuer shall assign certain of its rights and interests in and under this Loan Agreement, including the Pledged Revenues, to the Trustee pursuant to the Indenture as security for payment of the principal of and premium, if any, and interest on the Bonds. The Borrower hereby consents to such assignment.

**Section 9.02. Redemption of Bonds.** Upon the agreement of the Borrower to deposit moneys into the Bond Fund in an amount sufficient to redeem Bonds subject to redemption, the Trustee, at the written request of the Borrower, shall forthwith take all steps (other than the payment of the money required for such redemption) permitted and necessary under the applicable redemption provisions of the Indenture to effect such redemption of the Bonds on the redemption date.

**ARTICLE X**  
**EVENTS OF DEFAULT AND REMEDIES**

**Section 10.01. Events of Default.**

(a) The following shall be Events of Default under this Loan Agreement (subject to the notice requirements of Section 12.21 hereof) and the term Event of Default shall mean, whenever it is used in this Loan Agreement, any one or more of the following events:

(i) Failure by the Borrower to pay the Loan Payments required to be paid under Section 5.01(a) hereof on the Scheduled State Payment Dates and continuation thereof for a period of 30 days.

(ii) Failure by the Borrower to observe or perform any other covenant, condition or agreement on its part to be observed or performed herein or in the other Borrower Documents, other than as referred to in subsection (i) of this Section 10.01(a) for a period of 30 days after written notice specifying such failure and requesting that it be remedied shall have been given to the Borrower by the Issuer or the Trustee; provided with respect to any such failure covered by this subsection (ii), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Trustee to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently pursued to completion and the failure shall be remedied within 90 days of such notification, unless said remedy cannot be performed within 90 days and the Borrower is actively working toward a remedy. The Borrower shall deliver a written report to the Trustee at least once every 30 days setting forth the status of all attempts to cure such default(s).

(iii) The dissolution or liquidation of the Borrower or failure by the Borrower to promptly contest and have lifted any execution, garnishment, or attachment of such consequence as will impair its ability to meet its obligations or to make any payments under this Loan Agreement. The phrase “dissolution or

liquidation of the Borrower” as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another domestic corporation or a dissolution or liquidation of the Borrower following a transfer of all or substantially all of its assets under the conditions permitting such actions contained in Section 8.02 hereof.

(iv) The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Borrower in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Borrower or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(v) The commencement by the Borrower of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Borrower or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of the Borrower generally to pay its debts as such debts become due, or the taking of corporate action by the Borrower in furtherance of any of the foregoing.

(vi) The occurrence of an Event of Default under the Indenture or the Deed of Trust.

(vii) Any representation or warranty made by the Borrower herein or made by the Borrower in any statement or certificate furnished by the Borrower either required hereby or in connection with the execution and delivery of this Loan Agreement and the sale and the issuance of the Bonds, shall prove to have been untrue in any material respect as of the date of the issuance or making thereof.

(viii) Judgment for the payment of money in excess of \$250,000 (which is not covered by insurance) is rendered by any court or other governmental body against the Borrower, and the Borrower does not discharge same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof, and within said 60-day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under Generally Accepted Accounting Principles.

(ix) A writ or warrant of attachment or any similar process shall be issued by any court against the Facilities, and such writ or warrant of attachment or any similar process is not released or bonded within 60 days after its entry.

(x) Any of Borrower's representations and warranties herein or in any of the other Borrower Documents with respect to environmental matters are false in any material respect.

(xi) The termination, revocation, nonrenewal, or expiration of any Charter School Contract either by its terms or for any other reason such that the Borrower is no longer entitled to receive State Payments, or the School ceases operations.

(xii) The Debt Service Coverage Ratio computed pursuant to Section 8.05(d) hereof is less than 1.0 to 1 and the Trustee is directed in writing by the Beneficial Owners of a majority of the principal amount of the Bonds Outstanding to declare an Event of Default hereunder.

(b) The foregoing provisions of subsection (a)(ii) of this Section are subject to the following limitations: If by reason of force majeure the Borrower is unable in whole or in part to carry out its agreements contained herein, other than the obligations on the part of the Borrower contained in Article V and in Sections 6.02, 6.03 and 8.06 hereof, the Borrower shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities. The Borrower agrees, however, if possible, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Borrower unfavorable to the Borrower.

#### **Section 10.02. Remedies on Default.**

(a) Whenever an Event of Default referred to in Section 10.01 hereof shall have occurred and is continuing, the Issuer, or the Trustee where so provided herein, may take any one or more of the following remedial steps:

(i) The Trustee (acting as assignee of the Issuer) or the Issuer (in the case of the Issuer's Unassigned Rights in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in Section 8.02(a)(i) of the

Indenture, may declare the Loan Payments payable hereunder for the remainder of the term of this Loan Agreement to be immediately due and payable, whereupon the same shall become due and payable.

(ii) The Trustee (acting as assignee of the Issuer) or the Issuer (in the case of the Issuer's Unassigned Rights in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may exercise the power of sale or foreclose under the Deed of Trust on the Facilities and may realize upon the security interest in the Pledged Revenues and may exercise all the rights and remedies of a secured party under the Arizona Uniform Commercial Code with respect thereto.

(iii) The Trustee (acting as assignee of the Issuer) or the Issuer (in the case of the Issuer's Unassigned Rights in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements, or covenants of the Borrower under this Loan Agreement.

(iv) Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Borrower and the Facilities, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Loan Agreement to the Trustee.

(b) Notwithstanding the foregoing, prior to the exercise by the Issuer or the Trustee of any remedy that would prevent the application of this subsection, the Borrower may, at any time, pay all accrued payments hereunder (exclusive of any such payments accrued solely by virtue of declaration pursuant to subsection (a)(i) of this Section) and fully cure all defaults, and in such event, the Borrower shall be fully reinstated to its position hereunder as if such Event of Default had never occurred.

(c) In the event that the Borrower fails to make any payment required hereby, the payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid.

(d) Whenever any Event of Default has occurred and is continuing under this Loan Agreement, the Trustee may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights of the Issuer under this Article, upon notice as required to the Issuer. In addition, the Trustee shall have available to it all of the remedies prescribed in the Indenture. If the Trustee is not enforcing the Issuer's rights in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer, then the Issuer may, without the consent of the Trustee, take whatever action

at law or in equity may appear necessary or appropriate to enforce the Issuer's Unassigned Rights and to collect all sums then due and thereafter to become due to the Issuer under this Loan Agreement.

(e) Any amounts collected pursuant to action taken under the immediately preceding paragraph (other than sums collected for the Issuer on account of the Issuer's Unassigned Rights, which sums shall be paid directly to the Issuer), after reimbursement of any costs incurred by the Issuer or the Trustee in connection therewith shall be applied in accordance with the provisions of the Indenture.

(f) If the Issuer or the Trustee, shall have proceeded to enforce their rights under this Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Issuer or the Trustee, then and in every such case, the Borrower, the Issuer and the Trustee shall be restored to their respective positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Issuer and the Trustee shall continue as though no such proceedings had been taken.

**Section 10.03. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required herein or by applicable law. Such rights and remedies as are given to the Issuer hereunder shall also extend to the Trustee, the Beneficial Owners and the Registered Owners, subject to the Indenture.

**Section 10.04. Agreement to Pay Attorneys' Fees and Expenses.** Regardless of whether any action or proceeding is commenced, the Borrower shall pay all costs and expenses of the Issuer and the Trustee (including, without limitation, reasonable attorneys' fees and costs) incurred by the Issuer and the Trustee in: (a) collecting, compromising, and enforcing payment of the Loan Payments; (b) preserving, exercising, and enforcing the rights and remedies of the Issuer and the Trustee under this Loan Agreement and the other Borrower Documents; and (c) protecting, defending, and preserving the validity and priority of the Liens and security interests granted under the Deed of Trust and the other Borrower Documents. In addition, the Borrower shall pay all costs and expenses of the Issuer and the Trustee in connection with negotiating, preparing, executing, and delivering any and all amendments, modifications, and supplements of or to this Loan Agreement and any other Borrower Documents. All such amounts, along with any disbursements of the Loan made by Issuer pursuant to this Loan Agreement or any other Borrower Document, will be added to the Loan Payments, will be secured by all security interests and Liens securing the obligations, will bear interest at the highest rate then payable on any of the Loan Payments, and will be due and payable by the Borrower to the Issuer or the Trustee, as applicable, immediately upon demand. In the event of any court proceedings, to the extent a judgment is rendered by the court, attorneys' fees and costs will be set by the court and not by jury and will be

included in any judgment obtained by the Issuer or the Trustee. The obligations of the Borrower arising under this Section shall continue in full force and effect notwithstanding the final payment of the Bonds or the termination of this Loan Agreement for any reason.

**Section 10.05. Waiver.** In the event any agreement contained in this Loan Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Issuer's rights in and under this Loan Agreement to the Trustee under the Indenture, the Issuer shall have no power to waive any Event of Default hereunder without the consent of the Trustee. Notwithstanding the foregoing, a waiver of an Event of Default under the Indenture or a rescission of a declaration of acceleration of the Bonds and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under this Loan Agreement and a rescission and annulment of its consequences; provided, that no such waiver or rescission shall extend to or affect any subsequent or other default hereunder or impair any right consequent thereon.

**Section 10.06. Proofs of Claim.**

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer, the Borrower or any other obligor upon the Bonds or the property of the Issuer, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer and/or the Borrower for the payment of overdue principal or interest) shall be entitled and empowered, by intervention of such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Registered Owners allowed in such judicial proceeding; and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and

(ii) any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Registered Owner to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Registered Owners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel.

(b) So long as Bonds are Outstanding, the Trustee is appointed under the terms of the Indenture, and the successive respective Registered Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Registered Owners of the Bonds, with



authority to make or file, in the respective names of the Registered Owners of the Bonds or on behalf of all Registered Owners of the Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Registered Owners of the Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claim of the Registered Owners of the Bonds against the Issuer, the Borrower or any other obligor allowed in receivership, insolvency, liquidation, bankruptcy or other proceeding, to which the Issuer, the Borrower or any other obligor, as the case may be, shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

**Section 10.07. Treatment of Funds in Bankruptcy.** The Borrower acknowledges and agrees that in the event Borrower commences a case under the United States Bankruptcy Code located at 11 U.S.C. Section 101 et. seq. (the “Bankruptcy Code”) or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code: (i) amounts on deposit in any of the Funds are not, nor shall they be deemed to be, property of the bankruptcy estate of the Borrower as defined by Section 541 of the Bankruptcy Code; (ii) that in no event shall the Borrower assert, claim or contend that amounts on deposit in any of the Funds are property of the bankruptcy estate of the Borrower; and (iii) that amounts on deposit in any of the Funds are held in trust solely for the benefit of the Registered Owners and the Beneficial Owners, shall be applied only in accordance with the provisions of the Indenture and the Borrower has no legal, equitable nor reversionary interest in, or right to, such amounts.

## **ARTICLE XI PREPAYMENT OF THE LOAN**

**Section 11.01. General Option to Prepay the Loan.** So long as no Event of Default pursuant to Section 10.01 hereunder exists, the Borrower shall have and is hereby granted the option exercisable at any time to prepay all or any portion of the Loan by depositing with the Trustee an amount of money or securities to the extent permitted by Section 7.01 of the Indenture representing the principal amount of and the premium, if any, and interest on the Loan to be paid at maturity, with respect to the Bonds, or prepaid to the date a corresponding amount of Bonds are redeemed. The exercise of the option granted by this Section shall not be cause for redemption of Bonds unless such redemption is permitted at that time under the provisions of the Indenture and the Borrower specifies the date for such redemption. Prior to the date the related Bonds are subject to redemption, the Promissory Note is prepayable at any time in an amount sufficient to defease a related amount of Bonds in accordance with Article VII of the Indenture. In the event the Borrower prepays all of the Loan pursuant to this Section, pays all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds as a result of such prepayment, and all of its liabilities accrued and to accrue hereunder to the Issuer through final payment of the Bonds as a result of such prepayment, and all other amounts payable by the Borrower hereunder, including payments of any Rebate Amount, this Loan Agreement shall terminate except as otherwise provided herein.

**Section 11.02. Prepayment Credits.** In the event of prepayment by the Borrower of the Loan in whole, and premium, if any, the amounts then contained in the Debt Service Reserve Fund and the amounts of the payments of the Borrower on the Promissory Note contained in the Bond

Fund shall be credited first to the Rebate Fund so that it is fully funded for the final payment to the United States Treasury and then against the prepayment obligation of the Borrower; provided, however, the amounts in the Debt Service Reserve Fund may only be used for such prepayment if permitted pursuant to the Indenture.

**Section 11.03. Notice of Prepayment.** In order to exercise the option granted by this Article, the Borrower shall give written notice to the Trustee specifying therein the date of making the prepayment, which date shall be not less than 45 days (unless a shorter notice shall be satisfactory to the Trustee) nor more than 90 days from the date the notice is mailed. In the case of any prepayment pursuant to this Article, the Borrower shall make arrangements with the Trustee for giving the required notice of redemption, if any, with respect to any Bonds to be redeemed and, if applicable, shall pay to the Trustee an amount of money sufficient to redeem all of the Bonds to be called for redemption at the appropriate price prior to the redemption date.

**Section 11.04. Use of Prepayment Moneys.** By virtue of the assignment of the rights of the Issuer under this Loan Agreement to the Trustee, the Borrower agrees to and shall pay any amount required to be paid by it under this Article directly to the Trustee (other than amounts to be paid to the Issuer for its own account). The Trustee shall use the moneys so paid to it by the Borrower (other than amounts to be paid to the Trustee for its own account) as provided in this Loan Agreement and in the Indenture.

## **ARTICLE XII MISCELLANEOUS**

**Section 12.01. Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, facsimile (confirmed by certified mail) or overnight courier or electronically mailed as an attached scanned PDF document, addressed as follows:

If to the Issuer:

The Industrial Development Authority  
of the City of Sierra Vista  
6049 AZ-90  
Sierra Vista, AZ 85635  
Attn: Demetry Simonton, President  
Email: [board@sierravistaida.biz](mailto:board@sierravistaida.biz)  
Attn: Stephen Peterson, Operations Manager  
Email: [oimanager@sierravistaida.biz](mailto:oimanager@sierravistaida.biz)

With a copy to:

Slania Law PLLC  
2980 North Swan Road, Suite 222  
Tucson, Arizona 85712  
Attn: Michael A. Slania, Esq.  
Telephone: (520) 999-2117

If to the Borrower:

Flagstaff Junior Academy  
306 W. Cedar Avenue  
Flagstaff, Arizona 86001  
Attention: Carissa Morrison, Ed.D.  
Telephone: (928) 774-6007

With a copy to:

Mangum Wall Stoops & Warden PLLC  
112 North Elden Street  
Flagstaff, Arizona 86001  
Attention: Brandon Kavanagh, Esq.  
Telephone: (928) 779-6951

If to the Trustee:

UMB Bank, National Association  
6034 West Courtyard Drive, Ste. 370  
Austin, Texas 78730  
Attention: Saul Ramirez  
Telephone: (512) 582-5858

A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or the Borrower shall also be given to the Trustee. The Issuer, the Borrower or the Trustee may, by notice hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 12.02. Binding Effect.** This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer and the Borrower, and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.02, 9.01 and 12.10 hereof.

**Section 12.03. Severability.** In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 12.04. Third Party Beneficiaries.** Each of the Issuer Indemnified Parties (other than the Issuer), the Trustee Indemnified Parties and the Registered Owners of the Bonds are intended "Third Party Beneficiaries" of this Loan Agreement. Nothing in this Loan Agreement shall confer any right upon any Person other than parties hereto, and those specifically designated as Third Party Beneficiaries of this Loan Agreement.

**Section 12.05. Amounts Remaining in Funds.** It is agreed by the parties hereto that any amounts remaining in the Funds upon termination of this Loan Agreement, provided the Bonds have been fully retired and all amounts due hereunder have been paid in full, shall belong to and be paid to the Borrower by the Trustee, as provided in the Indenture.

**Section 12.06. Amendments, Changes and Modifications.** Except as otherwise provided in this Loan Agreement or in the Indenture, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Issuer.

**Section 12.07. Execution in Counterparts.** This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 12.08. Governing Law.** This Loan Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State, without reference to choice-of-law principles, except as such laws may be preempted by any federal rules, regulations and laws applicable to the Issuer. The parties hereto expressly acknowledge and agree that any judicial action to interpret or enforce the terms of this Loan Agreement against the Issuer shall be brought and maintained in the Superior Court of the State of Arizona in and for the City of Sierra Vista, the United States District Court in and for the District of Arizona or any United States Bankruptcy Court in any case involving or having jurisdiction over the Borrower and the Facilities.

**Section 12.09. Filing.** The Borrower shall cause the Lien on the Facilities granted by the Deed of Trust to be recorded with the applicable county Recorder. In addition, the Borrower shall cause the security interest in the rights to receive the Pledged Revenues, the Funds and trust accounts referred to in Section 5.01 hereof granted to the Issuer, the assignment of such security interest to the Trustee and the security interest in the Deed of Trust granted to the Trustee, to be perfected by the filing of financing statements that shall fully comply with the Arizona Uniform Commercial Code in the office of the Secretary of State of Arizona or the office of the applicable county Recorder and in such other office as is at the time provided by law as the proper place for the filing thereof. The parties hereto further agree that all necessary continuation statements shall be filed by the Borrower, with copies provided to the Trustee, within the time prescribed by the Arizona Uniform Commercial Code in order to continue such security interests.

**Section 12.10. Cancellation at Expiration of Term of Loan Agreement.** Upon the termination of this Loan Agreement, and provided the Bonds have been fully retired and all amounts due hereunder have been paid in full, the Issuer shall deliver to the Borrower any documents and take or cause the Trustee to take such actions as may be necessary to evidence the termination of this Loan Agreement and the discharge of the Lien hereof and modification of the Deed of Trust so that it no longer secured the Promissory Note.

**Section 12.11. No Pecuniary Liability of Issuer or State.** No provision, covenant, or agreement contained in this Loan Agreement, or any obligations herein imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer (except to the extent provided herein and in the Bonds) or of the State within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against the general credit of the Issuer (except to the extent provided herein and in the Bonds) or the State. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Issuer has not obligated itself, except with respect to the application of the Loan Payments, revenues, income and all other property pledged and assigned as security for the Bonds as hereinabove provided.

**Section 12.12. No Personal Liability of Officials of Borrower, Issuer or Trustee.** None of the covenants, stipulations, promises, agreements and obligations of the Borrower, the Issuer or the Trustee contained herein shall be deemed to be covenants, stipulations, promises, agreements or obligations of any official, officer, agent or employee of the Borrower, the Issuer or the Trustee in his or her individual capacity, and no recourse shall be had for the payment of the principal of

or premium, if any, or interest on the Bonds or for any claim based thereon or any claim hereunder against any official, officer, agent or employee of the Issuer, the Borrower or the Trustee or any natural person executing any Bond, including any officer or employee of the Trustee.

**Section 12.13. Special, Limited Obligation of Issuer.**

(a) This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and the Trustee for the benefit of the owners of the Bonds, and their respective successors and assigns, subject to the limitation that any obligations of the Issuer created by or arising out of this Loan Agreement shall be special, limited obligations of the Issuer, payable solely out of the revenues arising from the pledge and assignment of the Loan and the other funds held or set aside in trust under the Indenture and shall never constitute the debt or indebtedness of the Issuer, the State, or any political subdivision of the State within the meaning of any provision or limitation of the constitution or statutes of the State and shall not constitute nor (except for its fraud or intentional misrepresentation) give rise to a pecuniary liability of the Issuer, the State or any political subdivision of the State or a charge against the general credit or taxing powers, if any, of such entities. The Issuer has no taxing power.

(b) Anything in this Loan Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer.

(c) No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in this Loan Agreement, any other Issuer Documents, or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or the issuance and sale of the Bonds, against any Issuer Indemnified Parties, whether by virtue of any Constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any Issuer Indemnified Party, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into by the Issuer with the Borrower or the Trustee to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against each and every Issuer Indemnified Party is, by the execution of the Bonds, this Loan Agreement and the other Issuer Documents, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Loan Agreement, and the other Issuer Documents, is expressly waived and released.

(d) No agreements or provisions contained herein, nor any agreement, covenant, or undertaking by the Issuer in connection with the Facilities or the issuance, sale, and/or delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer financially in any way, except as may be payable from the revenues pledged hereby for the payment of the Bonds and

their application as provided in the Indenture. No failure of the Issuer to comply with any term, covenant, or agreement contained in the Bonds, this Loan Agreement or the Indenture, or in any document executed by the Issuer in connection with the Facilities or the issuance and sale of the Bonds, shall subject the Issuer to liability for any claim for damages, costs, or other financial or pecuniary charge, except to the extent that the same can be paid or recovered from the revenues pledged for the payment of the Bonds or other revenues derived under this Loan Agreement. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant, or agreement herein; provided that no costs, expenses, or other monetary relief shall be recoverable from the Issuer, except as may be payable from the Trust Estate under the Indenture for the payment of the Bonds or other revenue derived under this Loan Agreement. No provision, covenant, or agreement contained herein, or any obligations imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against its general credit. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Issuer has not obligated itself, except with respect to the application of the Trust Estate under the Indenture for the payment of the Bonds or other revenues derived under this Loan Agreement or the Indenture.

(e) The Issuer shall have no liability or obligation with respect to the payment of the purchase price of the Bonds. None of the provisions of this Loan Agreement shall require the Issuer to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless payable from the Trust Estate under the Indenture, or the Issuer shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability that may be incurred thereby. The Issuer shall not be under any obligation hereunder to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or provided as arranged by the Trustee or the Borrower. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in this Loan Agreement, the Indenture and any and every Bond executed, authenticated, and delivered under the Indenture; provided, however, that (i) the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrower or the Trustee, (ii) the Issuer shall have received the instrument to be executed, and (iii) any action or execution of any instrument requested of the Issuer shall be at the expense of the Borrower.

**Section 12.14. No Warranty by Issuer or Trustee.** THE BORROWER RECOGNIZES THAT, BECAUSE THE COMPONENTS OF THE FACILITIES HAVE BEEN AND ARE TO BE SELECTED BY IT, THE ISSUER HAS NOT MADE AN INSPECTION OF THE FACILITIES, IF AND WHEN ACQUIRED, OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER AND TRUSTEE MAKE NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE,

CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

**Section 12.15. Prior Loan Agreements Superseded.** This Loan Agreement, together with all agreements executed by the parties concurrently herewith or in conjunction with the initial issuance of the Bonds, shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Issuer and the Borrower relating to the Bonds, the lending of money and the Project.

**Section 12.16. Covenant by the Borrower with Respect to Statements, Representations and Warranties.** It is understood by the Borrower that all such statements, representations and warranties made in this Loan Agreement shall be deemed to have been relied upon by the Issuer as an inducement to issue the Bonds, and that if any such statements, representations and warranties were false at the time they were made or (with respect to those representations and warranties that are to continue) are breached during the term hereof, such misrepresentation or breach shall constitute a breach of this Loan Agreement that may give rise to an Event of Default hereunder.

**Section 12.17. Captions.** The captions and headings in this Loan Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Loan Agreement.

**Section 12.18. Payments Due on Days Other Than Business Days.** If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, is not a Business Day such payments may be made or act performed or right exercised on the next succeeding Business Day unless otherwise provided herein, with the same force and effect as if done on the nominal date provided in this Loan Agreement.

**Section 12.19. Provision of General Application.** Any consent or approval of the Issuer required pursuant to this Loan Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed.

**Section 12.20. Survival.** Notwithstanding the payment in full of the Bonds, the discharge of the Indenture, and the termination or expiration of the Promissory Note and this Loan Agreement, all provisions in this Loan Agreement concerning (a) the tax-exempt status of the Tax-Exempt Bonds (including, but not limited to provisions concerning the payment of the Rebate

Amount), (b) the interpretation of this Loan Agreement, (c) the governing law, (d) the forum for resolving disputes, (e) the Issuer's right to rely on facts or certificates, (f) the indemnity, the Issuer Indemnified Parties and the Trustee Indemnified Parties, and (g) the Issuer's and Trustee's lack of pecuniary liability shall survive and remain in full force and effect.

**Section 12.21. Notice of Change in Fact.** The Borrower will notify the Issuer and the Trustee promptly after the Borrower becomes aware of (i) any change in any material fact or circumstance represented or warranted by the Borrower in this Loan Agreement or in connection with the issuance of the Bonds that would make any such representation or warranty false when made, (ii) any default or event that, with notice or lapse of time or both, could become an Event of Default under this Loan Agreement, the Indenture or any Borrower Document, specifying in each case the nature thereof and what action the Borrower has taken, is taking, and/or proposes to take with respect thereto, (iii) any Internal Revenue Service audit of the Borrower or the Bonds, (iv) any material litigation affecting the Bonds, the Borrower or the Facilities, and (v) any default in any indebtedness of the Borrower.

**Section 12.22. Notice of A.R.S.** Section 38-511 - Cancellation. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to contracts of the nature of this Loan Agreement under the laws of the State.

**Section 12.23. Electronic Signatures.** The parties agree that the electronic signature of a party to this Loan Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Loan Agreement. For purposes hereof: (i) "electronic signature" means a manually signed original signature that is then transmitted by electronic means or a digital signature provided by DocuSign or other digital signature provider; and (ii) "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a portable document format ("pdf") or other replicating image attached to an electronic mail or internet message.

[Remainder of page intentionally left blank; signature pages follow]



IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Loan Agreement to be executed in their respective corporate names by their duly authorized officers, all as of the date first above written.

**THE INDUSTRIAL DEVELOPMENT  
AUTHORITY OF THE CITY OF SIERRA  
VISTA, as Issuer**

By: \_\_\_\_\_  
Demetry Simonton, President

**FLAGSTAFF JUNIOR ACADEMY**, an Arizona  
nonprofit corporation, as Borrower

By: \_\_\_\_\_  
Carissa Morrison, Executive Director

## EXHIBIT A

### FORM OF SERIES 2025 PROMISSORY NOTE

#### SERIES 2025 PROMISSORY NOTE

[\$[PAR]

[Closing Date], 2025

FOR VALUE RECEIVED, the undersigned, FLAGSTAFF JUNIOR ACADEMY, an Arizona nonprofit corporation (the “Borrower”), hereby promises to pay to the order of THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA (the “Issuer”), the principal sum of \_\_\_\_\_ DOLLARS (\$[PAR]), together with interest thereon, in installments, on the dates and in the amounts set forth below. The Borrower further agrees to pay as the premium hereon the amount of the premium due, if any, upon any prepayment hereof in accordance with the Loan Agreement.

This Note has been issued to evidence a loan made by the Issuer to the Borrower in accordance with that certain Loan Agreement, dated as of April 1, 2025 (the “Loan Agreement”), between the Borrower and the Issuer. Pursuant to the Loan Agreement, the Issuer has loaned the Borrower the proceeds of the Issuer’s \$[PAR] aggregate principal amount of The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”). The Series 2025 Bonds are issued by the Issuer pursuant to and in accordance with an Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), between the Issuer and UMB Bank, National Association, as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Loan Agreement and the Indenture.

Interest on this Note shall be due on each Scheduled State Payment Date, commencing with the first Scheduled State Payment Date following the Bond Closing Date for the Series 2025 Bonds, in an amount equal to a fraction of the interest due on the Series 2025 Bonds on the next Interest Payment Date where the numerator is the amount of interest due on the Series 2025 Bonds on the next Interest Payment Date and the denominator is the number of Scheduled State Payments Dates that will occur during the period beginning on the last Interest Payment Date (or, if an Interest Payment Date has not yet occurred, the Bond Closing Date for the Series 2025 Bonds) and ending on the day preceding the next Interest Payment Date, and the principal of this Note shall be due on each Scheduled State Payment Date, commencing on the first Scheduled State Payment Date following the Bond Closing Date for the Series 2025 Bonds, in an amount equal to a fraction of the principal due on the Series 2025 Bonds on the next Principal Payment Date where the numerator is the amount of principal due on the Series 2025 Bonds on the next Principal Payment Date and the denominator is the number of Scheduled State Payment Dates that will occur during the period beginning on the last Principal Payment Date (or, if a Principal Payment Date has not yet occurred, [\_\_\_\_]) and the day preceding the next Principal Payment Date; provided, however, the Borrower shall be entitled to a credit against such amounts owed equal to the amounts then on deposit in the Bond Fund and available for payment of such principal and interest.

Payments of both principal and interest are to be irrevocably assigned by the Issuer to the Trustee pursuant to the Indenture. Such assignment is to be made as security for the payment of the Bonds of the Issuer to the extent provided in the Indenture. All of the terms, conditions and provisions of the Indenture are, by this reference thereto, incorporated herein as part of this Note.

Payments hereon are to be made in immediately available funds at the designated trust office of the Trustee or at such other place as the Trustee may direct in writing, in accordance with the terms hereof and of the Indenture.

This Note is issued pursuant to the Loan Agreement and is entitled to the benefits and is subject to the conditions thereof. All the terms, conditions and provisions of the Loan Agreement are, by this reference thereto, incorporated herein as part of this Note, and shall control in the interpretation and enforcement of this Note.

In addition to the foregoing, the Borrower hereby promises to pay to the full extent required by the Indenture and the Loan Agreement: (i) the Rebate Amount; (ii) all of the payments and additional charges set forth in Section 5.01 of the Loan Agreement; and (iii) all costs and expenses of collection incurred in connection with any default by the Borrower hereunder and all other payments required to be made by the Borrower pursuant to the Indenture and the Loan Agreement including without limitation those payments referred to in Section 8.06 of the Loan Agreement.

In the event the Borrower fails to make any of the payments required in this Note, such payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon (to the extent legally enforceable) until paid.

The principal of this Note is subject to optional and mandatory prepayment by the Borrower from time to time as set forth in the Loan Agreement.

The Borrower shall have the option to prepay the unpaid balance hereof in whole or in part only as provided in and in accordance with the provisions of the Loan Agreement and the Indenture.

In the event a Scheduled State Payment Date under this Note is not a Business Day, such installment shall be due on the next succeeding Business Day.

The Borrower agrees that if, and as often as, this Note is placed in the hands of any attorney for collection or to defend or enforce any of the Issuer's, the Trustee's and/or the Registered Owner's rights hereunder, the Borrower will pay to the Issuer or the Trustee its reasonable attorney's fees, together with all court costs and other expenses actually paid or incurred by the Issuer and/or the Trustee.

The Borrower and all other persons who may become liable for all or part of this obligation severally waive presentation for payment, demand, notice of nonpayment and protest, all pleas of division and discussion and consent to any extension of time (whether one or more) or renewal hereof. Any such extension or renewal may be made without notice and without discharging liability hereunder.

Upon default in any of the terms or conditions of this Note or upon the occurrence and continuation of an “Event of Default” under the Loan Agreement, at the option of the holder hereof, the entire indebtedness hereby evidenced shall become due and payable then and thereafter as the holder may elect, regardless of the date of maturity hereof, but subject to the provisions of the Loan Agreement. Prior to the exercise of such option, the Trustee shall give written notice to the Borrower.

During the existence of any such Event of Default, the Trustee may apply any payments received on any amount due hereunder or under the terms of the Loan Agreement or the Indenture pursuant to and in accordance with the Loan Agreement and the Indenture.

The obligations of the Borrower to make payments hereunder, under the Indenture and the Loan Agreement and to perform and observe all agreements on its part contained herein and therein shall be absolute and unconditional. Until this Note is terminated and paid in full and all amounts due or to become due under the Loan Agreement are paid in full and the Loan Agreement is terminated, the Borrower (i) will not suspend or discontinue any payments under the Loan Agreement or neglect to perform any of its duties required thereunder or hereunder; (ii) will perform and observe all of its obligations set forth in the Loan Agreement, the Deed of Trust, as amended and modified, and this Note, as applicable; and (iii) except as provided in the Loan Agreement, will not terminate the Loan Agreement, the Deed of Trust or this Note for any cause.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or arising under the Loan Agreement, the Deed of Trust, as amended and modified, or this Note or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of the Borrower, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Bonds.

Absent manifest error, the records of the Trustee shall be prima facie evidence of the amount owing on this Note.

This Note is to be construed according to the laws of the State of Arizona without regard to any conflicts of law provisions contained therein.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this instrument as of the date first above written.

**FLAGSTAFF JUNIOR ACADEMY**, an Arizona  
nonprofit corporation, as Borrower

By: \_\_\_\_\_  
Carissa Morrison, Executive Director

[Series 2025 Promissory Note– Flagstaff Junior Academy Project, Series 2025]

PAY TO THE ORDER OF UMB BANK, NATIONAL ASSOCIATION, IN THE CITY OF PHOENIX, ARIZONA, AS TRUSTEE, WITHOUT RECOURSE AGAINST THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA, BUT WITH RECOURSE AGAINST FLAGSTAFF JUNIOR ACADEMY

**THE INDUSTRIAL DEVELOPMENT  
AUTHORITY OF THE CITY OF SIERRA  
VISTA**, as Issuer

By: \_\_\_\_\_  
Demetry Simonton, President

[Series 2025 Promissory Note– Flagstaff Junior Academy Project, Series 2025]

## EXHIBIT B

### FORM OF PROJECT FUND REQUISITION CERTIFICATE

Request No. \_\_\_\_\_

#### PROJECT FUND REQUISITION

To: UMB Bank, National Association, as trustee (the “Trustee”), under the Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), between The Industrial Development Authority of the City of Sierra Vista (the “Issuer”), and the Trustee

Re: \$[\_\_\_\_\_] The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series [\_\_\_\_\_] issued pursuant to the Indenture and the Loan Agreement, dated as of April 1, 2025 (the “Loan Agreement”), between the Issuer and Flagstaff Junior Academy (the “Borrower”)

The undersigned Authorized Representative of the Borrower hereby requests that the following amounts be transferred to the following payees for the following Costs of the Project:

Payee	Amount	Description	Wiring Instructions
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The undersigned Authorized Representative of the Borrower hereby states and certifies that:

(i) these Costs of the Project were properly incurred in connection with financing of the Series [\_\_\_\_\_] Project;

(ii) these Costs of the Project are valid costs under the Act and no part thereof has been included in any other Requisition Certificate previously filed with the Trustee under the provisions of the Indenture or reimbursed to the Borrower from proceeds of the Series [\_\_\_\_\_] Bonds; and

(iii) no Event of Default currently exists (or with the passage of time, will exist) with respect to the Borrower Documents.

With respect to this disbursement, the Borrower (i) certifies it has reviewed any wire instructions set forth herein to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including but not limited to attorney fees, and expenses resulting directly or indirectly as a result of making the disbursement requested hereunder, and (iii) agrees it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with its instructions herein.

[Remainder of page intentionally left blank; signature page follows]



Capitalized terms used but not defined herein have the meanings assigned to such terms in the Indenture and the Loan Agreement.

Dated: \_\_\_\_\_

**FLAGSTAFF JUNIOR ACADEMY**, an Arizona  
nonprofit corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT C

### FORM OF REPAIR AND REPLACEMENT FUND REQUISITION CERTIFICATE

Request No. \_\_\_\_\_

#### REPAIR AND REPLACEMENT FUND REQUISITION

To: UMB Bank, National Association, as trustee (the “Trustee”), under the Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), between The Industrial Development Authority of the City of Sierra Vista (the “Issuer”), and the Trustee

Re: \$[\_\_\_\_\_] The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series [\_\_\_\_\_] issued pursuant to the Indenture and the Loan Agreement, dated as of April 1, 2025 (the “Loan Agreement”), between the Issuer and Flagstaff Junior Academy (the “Borrower”)

The undersigned, an Authorized Representative of the Borrower, hereby requests that the following amounts be disbursed from the Repair and Replacement Fund established under the Indenture:

Payee	Amount	Description	Wiring Instructions
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The undersigned hereby certifies to the Trustee that such amounts are required to pay the cost of extraordinary maintenance and replacements required to keep the portion of the Facilities located at \_\_\_\_\_ in sound condition. The undersigned acknowledges and agrees that, subsequent to such disbursement, the Repair and Replacement Fund shall be replenished in accordance with the requirements of Section 3.20 of the Indenture and 5.01(i) of the Loan Agreement.

With respect to this disbursement, the Borrower (i) certifies it has reviewed any wire instructions set forth herein to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including but not limited to attorney fees, and expenses resulting directly or indirectly as a result of making the disbursement requested hereunder, and (iii) agrees it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with its instructions herein.

[Remainder of page intentionally left blank; signature page follows]

Dated: \_\_\_\_\_

**FLAGSTAFF JUNIOR ACADEMY**, an Arizona  
nonprofit corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## **EXHIBIT D**

### **FORM OF ANNUAL COMPLIANCE CERTIFICATE**

#### **ANNUAL COMPLIANCE CERTIFICATE**

To: UMB Bank, National Association, as trustee (the “Trustee”), under the Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), between The Industrial Development Authority of the City of Sierra Vista (the “Issuer”), and the Trustee

Re: \$[ ] The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025, issued pursuant to the Indenture and the Loan Agreement, dated as of April 1, 2025 (the “Loan Agreement”), between the Issuer and Flagstaff Junior Academy (the “Borrower”)

The undersigned, an Authorized Representative of the Borrower, hereby certifies that:

(i) A review of the activities of the Borrower during the Fiscal Year that began July 1, 20\_\_ and ended June 30, 20\_\_, and of performance under the Loan Agreement has been made under his or her supervision.

(ii) He or she is familiar with the provisions of the Loan Agreement, the Deed of Trust, the Promissory Note, the Continuing Disclosure Undertaking and the Tax Certificate (the “Documents”), and to the best of his or her knowledge, based on such review and familiarity, [except as specified in paragraph (iii),] (a) no events of default have occurred and/or are continuing under any of the Documents and (b) the Borrower is in compliance with all covenants, insurance and other requirements under the Documents.

[(iii) IF THERE HAS BEEN A DEFAULT IN THE FULFILLMENT OF ANY SUCH OBLIGATION IN SUCH FISCAL YEAR, SPECIFY EACH SUCH DEFAULT KNOWN AND THE NATURE AND STATUS THEREOF AND THE ACTIONS TAKEN OR BEING TAKEN TO CORRECT SUCH DEFAULT.]

Capitalized terms used but not defined herein have the meanings assigned to such terms in the Indenture or the Loan Agreement.

[Remainder of page intentionally left blank; signature page follows]

Dated: \_\_\_\_\_

**FLAGSTAFF JUNIOR ACADEMY**, an Arizona  
nonprofit corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT E**

**INITIAL DISBURSEMENTS FROM PROJECT FUND**

PAYEE	AMOUNT	EXPLANATION	PAYMENT METHOD

When Recorded Mail To:

ICE MILLER LLP  
250 West Street, Suite 700  
Columbus, OH 43215  
Attention: Monika Calamita, Esq.

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**DEED OF TRUST, SECURITY AGREEMENT,  
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING**

**FLAGSTAFF JUNIOR ACADEMY,**  
as Trustor

to

**UMB BANK, NATIONAL ASSOCIATION,**  
as Beneficiary

and

**PIONEER TITLE AGENCY,**  
as Trustee

\$(PAR)  
The Industrial Development Authority of the  
City of Sierra Vista  
Education Facility Revenue Bonds  
(Flagstaff Junior Academy Project)  
Series 2025

Dated as of April 1, 2025

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EXHIBIT A   LEGAL DESCRIPTION

EXHIBIT B   PERMITTED ENCUMBRANCES

**DEED OF TRUST, SECURITY AGREEMENT,  
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING**

**THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING** (this “Deed of Trust”) is made as of April 1, 2025, by and between **FLAGSTAFF JUNIOR ACADEMY**, an Arizona nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), that operates charter schools established under Arizona Revised Statutes Title 15, Chapter 1, Article 8, as amended (the “Trustor”), whose mailing address is 306 W. Cedar Avenue, Flagstaff, Arizona 86001, and **UMB BANK, NATIONAL ASSOCIATION**, a national banking association duly organized and existing under the laws of the United States of America, in its capacity as bond trustee for the below-defined Series 2025 Bonds, as Beneficiary (the “Beneficiary”), whose mailing address is 6034 West Courtyard Drive, Ste. 370, Austin, Texas 78730, and **PIONEER TITLE AGENCY**, as Trustee (the “Trustee”), whose mailing address is 100 N. Elden, Flagstaff, Arizona 86001.

**PRELIMINARY STATEMENTS**

A. The Industrial Development Authority of the City of Sierra Vista (the “Issuer”) is a nonprofit corporation designated a political subdivision of the State of Arizona (the “State”) incorporated with the approval of the City of Sierra Vista (the “City”), pursuant to the provisions of the Constitution of the State and under the Arizona Revised Statutes Title 35, Chapter 5, Section 35-701 et seq. (as amended, the “Act”). The Issuer is authorized by the Act to issue revenue bonds for the purpose of financing and refinancing the costs of the acquisition, construction, improvement, maintenance or equipping of any land, building or other improvement to be used by any educational institution or organization established under the provisions of Title 15, Chapter 1, Article 8, Arizona Revised Statutes, as amended (the “Charter School Act”), and owned by a nonprofit organization;

B. Pursuant to an Indenture of Trust, dated as of April 1, 2025 (as the same may be amended or supplemented, the “Indenture”), between the Issuer and Beneficiary, the Issuer is issuing its The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 in the aggregate principal amount of \$[PAR] (the “Series 2025 Bonds”), for the purposes of financing the Series 2025 Project (as defined in the Indenture); and

C. The proceeds of the Series 2025 Bonds will be loaned to Trustor pursuant to a Loan Agreement, dated as of April 1, 2025 (as the same may be amended and supplemented, the “Agreement”), between the Trustor and the Issuer, and evidenced by that certain promissory note executed by the Trustor in the aggregate principal amount of \$[PAR] (the “Series 2025 Promissory Note” and together with the Additional Promissory Notes, as defined in the Indenture, the “Promissory Notes”). The Series 2025 Bonds together with the Additional Bonds, as defined in the Indenture, are collectively referred to herein in as the “Bonds.” The Promissory Notes together with the Agreement and this Deed of Trust, are collectively referred to herein as the “Financing Documents.” Pursuant to the Indenture, the Financing Documents have been pledged and assigned by the Issuer to the Beneficiary. The last scheduled maturity date of the indebtedness evidenced by the Series 2025 Promissory Note is [July 1, 20\_\_];

D. The Series 2025 Bonds are payable from payments to be made by Trustor under the Agreement and the Series 2025 Promissory Note. The Series 2025 Bonds are secured by the Trust Estate (as defined in the Indenture), including a first priority lien on and security interest in the Mortgaged Estate (as hereinafter defined) granted by the Trustor pursuant to this Deed of Trust.

## **GRANTING CLAUSES**

FOR GOOD AND VALUABLE CONSIDERATION, including, without limitation, the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably creates a security interest in, warrants, grants, bargains, sells, transfers, conveys and assigns to Trustee and to its assigns forever, IN TRUST, WITH POWER OF SALE AND RIGHT OF ENTRY, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, all of Trustor's estate, right, title and interests in, to and under any and all of the following property whether now or hereafter owned, erected or acquired, together with all cash and noncash proceeds thereof, which may be referred to herein as the "Mortgaged Estate:"

### **LAND**

The real property located in the County of Coconino, State of Arizona, described in Exhibit A attached hereto and by this reference incorporated herein (the "Land");

### **IMPROVEMENTS**

Any and all buildings, structures, fixtures and improvements on the Land, including, but not limited to, the fixtures, attachments and other articles attached to such buildings, structures and improvements on the Land (collectively, the "Improvements" and, together with the Land, the "Real Property");

### **EQUIPMENT**

All goods, furniture, furnishings, equipment, supplies and other tangible personal property, wherever located, whether in the possession of Trustor, warehousemen, bailees or any other person (collectively, "Equipment");

### **RENTS, REVENUES AND DERIVATIVE INTERESTS**

All rents, issues, profits, revenues, royalties, income and other benefits derived from the Real Property, Intangibles (as defined below) and Equipment and the operation thereof, including but not limited to, any and all State Payments (defined in the Agreement) which are permitted to be used for the purposes set forth in the Loan Agreement and the Indenture, and any and all entitlements, warrants, gifts, donations, grants, and bequests, to the extent allowed by the terms thereof, regardless of the source (collectively, the "Revenues"); all estate, right, title and interest of Trustor in and to all leases and subleases covering the Real Property or any portion thereof now or hereafter existing or entered into, including, without limitation, all cash and security deposits, advance rentals and deposits or payments of similar nature; all right, title and interest of Trustor in and to all options to purchase or lease the Real Property or any portion thereof or

interest therein, and any greater estate therein now owned or hereafter acquired; all interests, estate or other claims, both in law and in equity, which Trustor now has or may hereafter acquire in the Real Property or any portion thereof or interest therein; all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Real Property and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Real Property (all of the foregoing in this paragraph being, collectively, the "Derivative Interests");

### **INTANGIBLES**

All of Trustor's interest in all existing and future accounts, contract rights, general intangibles, files, books of account, plans, specifications, agreements, permits, licenses and certificates necessary or desirable in connection with the acquisition, ownership, leasing, construction, operation, furnishing, equipping, servicing or management of the Real Property (whether not existing or entered into or obtained after the date hereof), all existing and future names under or by which the Real Property or any portion thereof may at any time be operated or known, all rights to carry on business under any such names or any variant thereof, and all existing and future telephone numbers and listings, advertising and marketing materials, trademarks, tradenames, licenses, patents, copyrights and good will in any way relating to the Real Property or any portion thereof (collectively, the "Intangibles");

### **CLAIMS AND AWARDS**

All the estate, interest, right, title, other claim or demand, without limitation, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire in the Real Property, Equipment, Derivative Interests, or Intangibles and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Real Property, Equipment, Derivative Interests, or Intangibles including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages (collectively, the "Claims and Awards"); and

### **PROCEEDS**

All of the rents, revenues, issues, profits, products and proceeds of any and all of the foregoing.

A first lien security interest is granted by this Deed of Trust in that portion of the Mortgaged Estate which constitutes personalty pursuant to and as set forth in Article IV hereof.

TO HAVE AND TO HOLD the Mortgaged Estate hereby granted or mortgaged or intended to be granted or mortgaged, unto Trustee, and its successors in trust, heirs and assigns, upon the terms, provisions and conditions set forth herein in fee simple forever.

PROVIDED, HOWEVER, that these presents are upon the condition that, if the Secured Obligations (as hereinafter defined) shall be paid when due, and if Trustor shall keep, perform

and observe all and singular the obligations, covenants, agreements and provisions in this Deed of Trust expressed to be kept, performed by and observed by or on the part of Trustor, then this Deed of Trust and the estate and rights hereby granted shall cease, determine and be void, but otherwise shall be and remain in full force and effect.

THIS DEED OF TRUST SHALL SECURE THE FOLLOWING INDEBTEDNESS AND OBLIGATIONS:

(i) Payment of indebtedness evidenced by the Promissory Notes and all replacements, renewals, amendments, extensions, substitutions and modifications thereof bearing interest and being payable as provided therein;

(ii) Payment of all indebtedness and performance of all obligations and covenants of Trustor under the Agreement and each agreement of Trustor incorporated by reference therein or herein, or contained therein or herein;

(iii) Payment of all of the principal of, premium, if any, and interest on any future advances under the Agreement, the Promissory Notes, this Deed of Trust, and any other instrument or other document given to evidence or further secure the payment and performance of any of the obligations thereunder;

(iv) Payment of all other indebtedness and performance of all other obligations and covenants of Trustor contained in any Financing Document, together with any other document or instrument given to evidence or further secure the payment and performance of any obligation secured hereby or thereby;

(v) Payment of all sums advanced by Beneficiary to protect the Mortgaged Estate, with interest thereon at the highest rate permitted by any of the Financing Documents or the Indenture from the date of advance by Beneficiary to the date of payment by Trustor; and

(vi) Payment of all other sums, with interest thereon, which may hereafter be owed by Trustor or its successors or assigns pursuant to the Financing Documents to Beneficiary or its successors or assigns.

The indebtedness and the obligations secured by this Deed of Trust which are described in (i) through (vi) above may be referred to herein collectively as the "Secured Obligations."

It is the intention of the Trustor that the Mortgaged Estate shall secure all of the Secured Obligations presently or hereafter owed, and that the priority of the security interest created by this Deed of Trust for all such Secured Obligations shall be controlled by the time of proper recording of this Deed of Trust. In addition, this Deed of Trust shall also secure unpaid balances of advances made with respect to the Mortgaged Estate for the payment of taxes, assessments, insurance premiums, costs or any other advances incurred for the protection of the Mortgaged Estate, together with interest thereon until paid at the highest rate permitted by any of the Financing Documents or the Indenture, all as contemplated in this Deed of Trust, all of which shall constitute a part of the Secured Obligations. This paragraph shall serve as notice to all persons who may seek or obtain a lien on the Mortgaged Estate subsequent to the date of recording

of this Deed of Trust, that until this Deed of Trust is released, any debt owed by Trustor under any Financing Document, including advances made subsequent to the recording of this Deed of Trust, shall be secured with the priority afforded this Deed of Trust as recorded.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Promissory Notes and the other Financing Documents are to be executed, delivered and secured and that the Mortgaged Estate is to be held and disposed of by Trustee, upon and subject to the provisions of this Deed of Trust.

All capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement and the Indenture.

## ARTICLE I

### REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF TRUSTOR

Trustor hereby represents, warrants, covenants and agrees:

**Section 1.01. Payment of Secured Obligations.** Trustor hereby grants this Deed of Trust to secure the payment and performance as and when due of the Secured Obligations. The consideration received by Trustor to execute and deliver this Deed of Trust and the liens and security interests created herein are sufficient and will provide a direct economic benefit to Trustor.

**Section 1.02. Title of Trustor.** Trustor has, subject to the matters set forth as special (non-preprinted) exceptions in the loan policy of title insurance to be provided to Beneficiary in connection with this Deed of Trust (the "Permitted Encumbrances"), attached hereto as Exhibit B, in its own right, good, marketable and indefeasible title in fee simple to the Mortgaged Estate, which is free from any encumbrance superior to the encumbrance of this Deed of Trust, and has full right, power and authority to execute and deliver this Deed of Trust and to make the conveyances and grant the interests and security contemplated hereby. This Deed of Trust constitutes a valid first lien upon and security interest in the Mortgaged Estate, subject only to the Permitted Encumbrances.

**Section 1.03. Maintenance; Repair; Alterations.** Trustor shall keep, maintain, operate, repair and alter the Mortgaged Estate pursuant to and to the extent set forth in the Agreement.

**Section 1.04. Required Insurance.** Trustor shall provide, maintain and keep at all times in force those policies of insurance required in the Agreement.

**Section 1.05. Delivery of Insurance Policies; Payment of Premiums.**

(a) All policies of insurance shall be issued by companies and in amounts as required by the Agreement.

(b) In the event Trustor fails to provide, maintain, keep in force or deliver and furnish to Beneficiary evidence of the policies of insurance required by the Agreement,

Beneficiary may procure such insurance or single-interest insurance for such risks covering Beneficiary's interest, and Trustor will pay all premiums thereon promptly upon demand by Beneficiary, and until such payment is made by Trustor the amount of all such premiums, together with interest thereon at the highest rate permitted by any of the Financing Documents or the Indenture, shall be secured by this Deed of Trust.

(c) Upon occurrence of an Event of Default (defined hereafter), Beneficiary shall apply any sums or amounts received pursuant hereto, or as Revenues or income of the Mortgaged Estate or otherwise, as required under the Indenture. The receipt, use or application of any such sums by Beneficiary hereunder shall not be construed to affect the maturity of any Secured Obligation or any of the rights or powers of Beneficiary under the terms of the Financing Documents or any of the obligations of Trustor or any guarantor under the Financing Documents.

**Section 1.06. Insurance Proceeds.** After the occurrence of any casualty to the Mortgaged Estate or any part thereof, Trustor shall give prompt written notice thereof to Beneficiary and each insurer and promptly submit a claim to such insurer(s) for payment of insurance proceeds. Proceeds of all insurance awards (collectively, "Insurance Proceeds") shall be held and disbursed as provided in the Agreement and the Indenture. Notwithstanding the application of Insurance Proceeds to the payment of a portion of the Secured Obligations, any unpaid portion of the Secured Obligations shall remain in full force and effect, and Trustor shall not be excused in the payment thereof. If any act or occurrence of any kind or nature shall result in damage to or loss or destruction of the Mortgaged Estate, Trustor shall give immediate notice thereof to Beneficiary.

Except as provided below, nothing contained in this Deed of Trust shall be deemed to excuse Trustor from repairing or maintaining the Mortgaged Estate as provided in Section 1.04 hereof. The application or release by Beneficiary of any Insurance Proceeds shall not cure or waive any Event of Default or notice of default under this Deed of Trust or invalidate any act done pursuant to such notice.

**Section 1.07. Assignment of Policies Upon Foreclosure.** In the event of the foreclosure of this Deed of Trust, or other transfer of title to the Mortgaged Estate, or any part thereof, by nonjudicial foreclosure sale or deed in lieu of foreclosure, the purchaser of the Mortgaged Estate, or such part thereof, shall succeed to all of Trustor's rights, including any rights to unexpired insurance and unearned or returnable premiums, in and to all insurance policies required by Section 1.04 hereof, subject to limitations on assignment of blanket policies, and limited to such rights as relate to the Mortgaged Estate or such part thereof. If Beneficiary acquires title to the Mortgaged Estate, or any part thereof, in any manner, it shall thereupon (as between Trustor and Beneficiary) become the sole and absolute owner of the insurance policies, and all proceeds payable thereunder with respect to the Mortgaged Estate, or such part thereof, required by Section 1.04 hereof, with the sole right to collect and retain all unearned or returnable premiums thereon with respect to the Mortgaged Estate, or such part thereof, if any.

**Section 1.08. Expenses; Indemnification; Waiver of Set-Off and Recoupment.**

(a) Trustor shall pay or reimburse Beneficiary and Trustee for all reasonable expenses incurred by Beneficiary or Trustee before and after the date of this Deed of Trust



with respect to any and all transactions contemplated by this Deed of Trust including without limitation, the preparation of any document reasonably required hereunder or any amendment, modification, restatement or supplement to this Deed of Trust, the delivery of any consent, non-disturbance agreement or similar document in connection with this Deed of Trust or the enforcement of any of Beneficiary's or Trustee's rights. Such expenses shall include, without limitation, all reasonable title and conveyancing charges, recording and filing fees and taxes, mortgage taxes, intangible personal property taxes, escrow fees, revenue and tax stamp expenses, privilege taxes, use taxes, insurance premiums (including title insurance premiums), title search and title rundown charges, brokerage commissions, finders' fees, placement fees, court costs, surveyors', photographers', appraisers', architects', engineers', consulting professionals', accountants', and attorneys' fees and disbursements.

(b) If (i) any sale (or prerequisite to a sale), action or proceeding shall be commenced by Beneficiary or Trustee (including but not limited to any sale of the Mortgaged Estate, or any action to foreclose this Deed of Trust or to collect the Secured Obligations), or any action or proceeding is commenced to which Beneficiary or Trustee is made a party, or in which it becomes necessary to defend or uphold the rights granted by this Deed of Trust (including, without limitation, any proceeding or other action relating to the bankruptcy, insolvency or reorganization of Trustor or any other person or entity obligated hereunder), or in which Beneficiary or Trustee is served with any legal process, action, proceeding, filing, discovery notice or request or subpoena, and (ii) in each of the foregoing instances such action or proceeding in any manner relates to or arises out of this Deed of Trust or the Indenture or Bonds or acceptance of a guaranty from a guarantor of the Secured Obligations or any of the transactions contemplated by this Deed of Trust and such action or proceeding does not relate to or arise out of the successful allegation of the gross negligence or willful misconduct of Beneficiary or Trustee as applicable, then Trustor will immediately reimburse or pay to Beneficiary and Trustee all of the fees and expenses which have been or may be incurred by Beneficiary and Trustee, respectively, with respect to the foregoing (including reasonable counsel fees and disbursements), together with interest thereon at the highest rate permitted by any of the Financing Documents or the Indenture, and any such sum and the interest thereon shall be included in the Secured Obligations and have the full benefit of this Deed of Trust, prior to any right, or title to, interest in or claim upon the Mortgaged Estate attaching or accruing to this Deed of Trust, and shall be deemed to be secured by this Deed of Trust. In any action or proceeding to sell the Mortgaged Estate, to foreclose this Deed of Trust, or to recover or collect the Secured Obligations, the provisions of law respecting the recovering of costs, disbursements and allowances shall prevail unaffected by this covenant.

(c) Trustor shall indemnify, subrogate (at the option of the Beneficiary and the Trustee) and hold harmless each of Beneficiary and Trustee and each of their respective affiliates, and each of their and their affiliates' directors, officers, agents and employees, for, from and against all claims, liens, judgments, damages, losses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) arising out of or based upon any matter related to this Deed of Trust, the Mortgaged Estate or the occupancy, ownership, maintenance or management of the Mortgaged Estate by Trustor, including, without limitation, any claims based on the alleged acts or omissions of any

employee or agent of Trustor except for such damages arising from the successful allegation of the gross negligence or willful misconduct of Beneficiary or Trustee or their respective affiliates, directors, officers, agents or employees. This indemnification and subrogation shall be in addition to any other liability which Trustor may otherwise have to Beneficiary or Trustee. The indemnifications contained herein are separate and independent obligations of the Trustor that shall survive any release, foreclosure or other satisfaction of this Deed of Trust, and such indemnifications shall not be subject to any anti-deficiency defense (including without limitations, any defense raised pursuant to A.R.S. § 33-814 ).

(d) Trustor waives any and all right to claim or recover against Beneficiary, its officers, employees, agents and representatives, for loss of or damage to Trustor, the Mortgaged Estate, Trustor's property or the property of others under Trustor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust except for such damages arising from the successful allegation of the gross negligence or willful misconduct of Beneficiary or Trustee.

(e) All sums payable by Trustor under this Deed of Trust shall be paid without notice, demand, counterclaim, cross-claim setoff, recoupment, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the Secured Obligations of Trustor hereunder shall in no way be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Mortgaged Estate or any part thereof; (ii) any restriction or prevention of or interference with any use of the Mortgaged Estate or any part thereof; (iii) any title defect or encumbrance or any eviction from the Mortgaged Estate or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Trustor, or any action taken with respect to this Deed of Trust by any trustee or receiver of Trustor, or by any court, in any such proceeding; or (v) any other occurrence whatsoever, whether similar or dissimilar to the foregoing; whether or not Trustor shall have actual or constructive notice or knowledge of any of the foregoing. To the extent permitted by law, Trustor waives all rights now or hereafter conferred by statute, law, or in equity, or otherwise to any abatement, suspension, deferment, diminution or reduction of any Secured Obligation. Notwithstanding the above, Trustor may maintain a separate suit regarding such matters.

#### **Section 1.09. Taxes and Impositions.**

(a) Subject to paragraphs (d) and (e) of this Section 1.09, Trustor agrees to pay, prior to delinquency, all real and personal property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, which are assessed or imposed upon the Mortgaged Estate or any part thereof, or become due and payable, and which create, may create or appear to create a lien upon the Mortgaged Estate, or any part thereof, or upon any personal property, equipment or other facility used in the operation or maintenance thereof (all of which taxes, assessments and other governmental and nongovernmental charges of like nature are hereinafter referred to as "Impositions"); provided however, that if, by law, any such Imposition is payable, or may

at the option of the taxpayer be paid, in installments, Trustor may pay the same together with any accrued interest and fees on the unpaid balance of such Imposition in installments as the same become due and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

(b) If at any time after the date hereof there shall be assessed or imposed (i) a tax or assessment on the Mortgaged Estate or any part thereof in lieu of or in addition to the Impositions payable by Trustor pursuant to subparagraph (a) hereof, or (ii) a license fee, tax or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding Secured Obligations, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in subparagraph (a) hereof, and Trustor shall pay and discharge the same as herein provided with respect to the payment of Impositions.

(c) Subject to the provisions of subparagraph (d) of this Section 1.09, Trustor covenants to furnish Beneficiary within 30 days after the date upon which any such Imposition is due and payable by Trustor, official receipts of the appropriate taxing authority evidencing the payment thereof.

(d) Subject to the applicable state law provisions, Trustor shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition by appropriate legal proceedings, but this shall not be deemed or construed in any way as relieving, modifying, or extending Trustor's covenant to pay any such Imposition at the time and in the manner provided in this Section 1.09, unless Trustor has given prior written notice to Beneficiary of Trustor's intent to so contest or object to an Imposition, and unless, at the Beneficiary's sole option, (i) Trustor shall certify to Beneficiary that the legal proceedings shall conclusively operate to prevent the sale of the Mortgaged Estate, or any part thereof; (ii) Trustor shall diligently and in good faith pursue such contest; (iii) Trustor shall furnish a good and sufficient bond or surety in an amount equal to 125 percent of the contested Imposition; and (iv) Trustor shall have provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of such proceedings.

(e) Trustor covenants and agrees not to suffer, permit or initiate the joint assessment of the real and personal property, or any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the Mortgaged Estate as a single lien.

**Section 1.10. Utilities.** Trustor shall pay when due all utility charges which are incurred for the benefit of the Mortgaged Estate or any part thereof or which may become a charge or lien against the Mortgaged Estate for gas, electricity, water and sewer services furnished to the Mortgaged Estate and all other taxes, assessments or charges of a similar nature, whether public or private, affecting the Mortgaged Estate or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

**Section 1.11. Actions Affecting Mortgaged Estate.** Trustor shall appear in and contest any action or proceeding purporting to affect the title of Trustor in the Mortgaged Estate or any

part thereof or security hereof or the rights or powers of Beneficiary or Trustee; and Trustor shall pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear.

**Section 1.12. Actions by Beneficiary and/or Trustee To Preserve Mortgaged Estate.**

Should Trustor fail to make any payment or to do any act as and in the manner provided in this Deed of Trust, Beneficiary, in its sole discretion, and without notice to, or demand upon, Trustor and without releasing Trustor from any Secured Obligation, may make or do the same in such manner and to such extent as Beneficiary may deem necessary to protect the security hereof. In connection therewith (without limiting its general powers), Beneficiary shall have, and is hereby given the right, but not the obligation: (i) to enter upon and take possession of the Mortgaged Estate; (ii) to direct Trustor to terminate any management agent, if any, and to employ such management agent as Beneficiary may determine in its sole and absolute discretion, provided that Trustor receives an opinion of Bond Counsel that the hiring of such management agent will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds; (iii) to make additions, alterations, repairs and improvements to the Mortgaged Estate which it may consider necessary or proper to keep the Mortgaged Estate in good condition and repair; (iv) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (v) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which affects the security of this Deed of Trust or which may be or become prior or superior hereto; and (vi) in exercising such powers, to pay necessary expenses, including employment of counsel and/or other necessary or desirable consultants. Any such costs and expenses incurred by Beneficiary and any such amounts paid by Beneficiary shall be secured hereby with the same priority afforded this Deed of Trust as recorded. Trustor shall immediately upon demand therefor by Beneficiary pay all of the foregoing costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, including without limitation costs of evidence of title, court costs, appraisals, surveys and reasonable attorneys' fees provided, however, that Trustor shall not be liable to pay for any such costs or expenses incurred by Beneficiary due to the gross negligence or willful misconduct of Beneficiary or its affiliates, directors, officers, agents or employees.

**Section 1.13. Survival of Warranties.** Trustor shall fully and faithfully satisfy and perform the Secured Obligations. All representations, warranties and covenants of Trustor contained herein shall remain continuing obligations, warranties and representations of Trustor during any time when any portion of the obligations secured by this Deed of Trust remain outstanding.

**Section 1.14. Eminent Domain.** Should the Mortgaged Estate, or any part thereof or interest therein, be taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner ("Condemnation"), or should Trustor receive any notice or other information regarding such proceeding, Trustor shall give prompt written notice thereof to Beneficiary. Beneficiary may participate in any such Condemnation proceedings, and Trustor shall from time to time deliver to Beneficiary all instruments requested by Beneficiary to permit such participation. Trustor shall, at its sole cost and expense, diligently prosecute any such proceedings and shall consult with Beneficiary and its attorneys and experts, and cooperate with it in the carrying on or defense of any such proceedings. All proceeds of Condemnation awards

or proceeds of sale in lieu of Condemnation with respect to the Mortgaged Estate and all judgments, decrees and awards for injury or damage to the Mortgaged Estate or any part thereof or interest therein shall be paid to Trustor or Beneficiary as provided in the Agreement, and if to Beneficiary, shall be applied first to all reasonable costs and expenses incurred by Beneficiary in obtaining the proceeds. The balance of proceeds (referred to in the Agreement as “Net Proceeds”), if any, shall be applied as directed by Trustor or the Issuer in accordance with the provisions of the Agreement and the Indenture.

Trustor hereby assigns and transfers to Beneficiary, and agrees to execute such further assignments of, all such proceeds, judgments, decrees and awards as Beneficiary may request. Beneficiary is hereby authorized, in the name of Trustor, to execute and deliver valid acquittances for, and to appeal from, any such judgment, decree or award. Trustor hereby authorizes, directs and empowers Beneficiary, at its option and with notice to Trustor, on Trustor’s behalf, or on behalf of the successors or assigns of Trustor, to adjust, compromise, claim, collect and receive such proceeds and to give proper receipts and acquittances therefor. Beneficiary shall not be, in any event or circumstance, liable or responsible for failure to collect or exercise diligence in the collection of any proceeds, judgments, decrees or awards unless such failure is due to Beneficiary’s gross negligence or willful misconduct.

**Section 1.15. Additional Security.** In the event Beneficiary at any time holds additional security for any of the Secured Obligations, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before, concurrently with or after any sale is made hereunder.

**Section 1.16. Additional Indebtedness.** Except for the Permitted Encumbrances as may be provided in the Agreement and in Exhibit B attached hereto, Trustor shall not further encumber the Mortgaged Estate or any portion thereof (including, without limitation, secured transactions under the Uniform Commercial Code in effect in the State (the “UCC”)).

**Section 1.17. Successors and Assigns.** Subject to the limitations on transfer of this Mortgaged Estate contained in this Deed of Trust or on any other limitations on transfer or changes in ownership of the Trustor contained in any of the Financing Documents, this Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The covenants and agreements of Trustor contained herein shall apply to and be binding upon any successor owner of the Mortgaged Estate or any part thereof.

**Section 1.18. Inspections.** Beneficiary, or its agents, representatives or workmen, are authorized to enter upon notice of two business days to Trustor at any reasonable time upon or in any part of the Mortgaged Estate for the purpose of inspecting the same and all books, records and documents relating thereto, and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the Financing Documents; provided, however, that no prior notice is required if the Beneficiary reasonably believes that the value of any of the Mortgaged Estate would be impaired during such notice period.

**Section 1.19. Liens.** Trustor shall pay and promptly discharge, at Trustor’s sole cost and expense, all liens, encumbrances and charges upon the Mortgaged Estate, and any part thereof or interest therein other than the Permitted Encumbrances. Trustor shall have the right to contest in

good faith the validity of any such lien, encumbrance or charge, provided Trustor shall first deposit with Beneficiary a bond or other security satisfactory to Beneficiary in an amount equal to 125 percent of the amount of the claim plus costs (including attorneys' fees) and interest and provided further that Trustor shall thereafter diligently and in good faith proceed to cause such lien, encumbrance or charge to be removed and discharged. If Trustor shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, either, by paying the amount claimed to be due, or by procuring the discharge of such lien, either, by depositing in court a bond in the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law. Any cost incurred by Beneficiary in connection with any such payment or discharge shall be secured hereby and shall be immediately due and payable without notice or demand.

**Section 1.20. Restrictions Affecting Title.** Trustor shall perform when due all obligations required to be performed by Trustor by the provisions of any agreement affecting title to the Mortgaged Estate or any part thereof.

**Section 1.21. Further Assurances.** Trustor shall, upon the execution and delivery hereof and thereafter from time to time, take such actions as Beneficiary may request to cause this Deed of Trust, each supplement and amendment to such instrument and financing statements with respect thereto and each instrument of further assurance (collectively, the "Recordable Documents") to be filed, registered and recorded as may be required by law to publish notice and maintain the first lien or security interest, as applicable, hereof upon the Trust Estate and to publish notice of and protect the validity of the Recordable Documents. Trustor shall take all action and do all things which it is authorized by law to take and do, and cooperate with Beneficiary as Beneficiary deems necessary or desirable, to insure the release of all encumbrances against the Mortgaged Estate, except the Permitted Encumbrances.

So long as any Secured Obligations shall remain unpaid, Trustor shall execute, acknowledge, where appropriate, and deliver from time to time promptly all such instruments and documents as are necessary or as the Beneficiary deems desirable to preserve the first priority lien created by this Deed of Trust. If Trustor shall fail or refuse to execute, acknowledge, where appropriate, and deliver such instruments and documents to preserve the first priority lien created by this Deed of Trust within 10 business days following a written request by Beneficiary, Trustor irrevocably constitutes and appoints Beneficiary as its attorney-in-fact to execute and deliver such instruments, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

**Section 1.22. Performance of Covenants; Incorporation of Representations and Warranties.** Trustor shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Financing Documents and in all of its proceedings pertaining to this Deed of Trust. The representations and warranties of Trustor set forth in the Agreement and the other Financing Documents, including those covenants and representations contained in Sections 2.07 and 8.06 of the Agreement, are incorporated by reference into this Deed of Trust as if stated in full in this Deed of Trust and such representations and warranties as incorporated herein shall be deemed to have been made as of the date of this Deed of Trust and shall survive the execution and delivery of this Deed of Trust.

**Section 1.23. Notification of Event of Default Under Deed of Trust.** Trustor agrees to notify Beneficiary immediately in writing of any default by Trustor in the performance or observance of any covenant, agreement, representation, warranty or obligation of Trustor set forth in this Deed of Trust. Trustor shall also notify Beneficiary in writing of any event or condition which with the lapse of time or the giving of notice, or, both, would constitute an Event of Default.

**Section 1.24. Reserved.**

**Section 1.25. Organization; Due Authorization.** Trustor is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State, is a 501(c)(3) organization and has the requisite power, authority and legal right to carry on the business conducted by it and to engage in the transactions contemplated by the Financing Documents to which it is a party. The execution and delivery of the Financing Documents to which it is a party and the performance and observance of the provisions thereof have been authorized by all necessary actions of Trustor.

**Section 1.26. Liabilities; Compliance With Other Instruments.** Trustor has no liabilities regarding the Mortgaged Estate except those hereunder and those otherwise contemplated or permitted by this Deed of Trust and the other Financing Documents, none of which are delinquent. Trustor is not in default (i) in the payment of any taxes levied or assessed against it or its assets, (ii) under any applicable statute, rule, order or regulation of any governmental authority, (iii) under this Deed of Trust or any of the other Financing Documents to which it is a party, or (iv) under any other agreement to which it is a party or by which it or any of its properties are bound.

Neither the execution and delivery of this Deed of Trust or any of the Financing Documents to which Trustor is a party, nor the consummation of the transactions herein or therein contemplated nor compliance with the terms and provisions hereof or thereof, conflicts with or results or will result in a breach of any of the terms, conditions or provisions of the articles of incorporation of Trustor, any law, order, rule, regulation, writ, injunction, judgment, or decree of any court or governmental authority, or any agreement or instrument to which Trustor is a party or by which it or any of its properties are bound, or constitutes or will constitute a default thereunder, or result or will result in the creation or imposition of any lien of any nature whatsoever upon any of its property or assets pursuant to the terms of any such agreement or instrument except the liens created or permitted by the Financing Documents to which it is a party.

**Section 1.27. Enforceability.** This Deed of Trust and each of the other Financing Documents to which Trustor is a party have been duly executed and delivered by Trustor and constitute legal, valid and binding obligations of Trustor enforceable in accordance with their respective terms, except as the enforceability (but not the validity thereof) may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

**Section 1.28. Pending Litigation.** There are no proceedings pending or, to the knowledge of Trustor, threatened, against or affecting Trustor or any part of the Mortgaged Estate in any court or before any governmental authority or arbitration board or tribunal which if adversely

determined would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of Trustor or the right or ability of Trustor to enter into the Financing Documents to which it is a party, and if any such proceedings are subsequently initiated or threatened then Trustor will promptly provide written notice to Beneficiary. Trustor is not in default with respect to any order of any court or governmental authority or arbitration board or tribunal.

**Section 1.29. Compliance With Law.** Trustor and the Mortgaged Estate are in substantial compliance with all laws, ordinances, governmental rules or regulations to which it is subject, including, without limitation, the Occupational Safety and Health Act of 1970, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, and all laws, ordinances, governmental rules or regulations relating to environmental protection the violation of which would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of Trustor.

**Section 1.30. After-Acquired Property.** All right, title and interest of Trustor in and to all improvements, alterations, substitutions, restorations and replacements of, and all additions and appurtenances to, the Mortgaged Estate, hereafter acquired by or released to Trustor, immediately upon such acquisition or release and without any further granting by Trustor, shall become part of the Mortgaged Estate and shall be subject to the lien hereof fully, completely and with the same effect as though now owned by Trustor and specifically described in the Granting Clauses hereof. Trustor shall execute and deliver to Trustee and/or Beneficiary any further assurances, mortgages, grants, conveyances and assignments thereof as Trustee may reasonably require to subject the same to the lien hereof.

**Section 1.31. Transfer of Interests in Trustor or Mortgaged Estate.** Except in accordance with the terms and restrictions of the Agreement and the Indenture, and except for the Permitted Encumbrances, Trustor shall not, by operation of law or otherwise, sell, convey, alienate, transfer, grant, bargain, mortgage, encumber or assign ownership or control of all or any interest in Trustor or any part of the Mortgaged Estate or any interest therein, unless in accordance with the requirements of the Agreement and the Indenture.

**Section 1.32. Lease Provisions.** Any lease of all or any part of the Mortgaged Estate by Trustor permitted under this Deed of Trust and the Agreement shall contain a provision obligating such lessee to enter into a subordination, attornment and nondisturbance agreement with Beneficiary, in form and substance satisfactory to Beneficiary.

**Section 1.33. Defeasance Terminates Lien.** Upon payment and performance in full of all of the Secured Obligations and defeasance of all Outstanding Bonds in accordance with the Indenture, the lien of this Deed of Trust upon the Mortgaged Estate shall cease, and Beneficiary (or Trustee shall, at the direction of the Beneficiary), execute and deliver to Trustor at Trustor's sole cost and expense all documents necessary to effect such a release.



## ARTICLE II

### ENVIRONMENTAL MATTERS

**Section 2.01. Environmental Matters.** Trustor hereby incorporates and reaffirms those covenants and representations contained in Sections 2.07 and 8.06 of the Agreement (including its covenant to provide certain environmental indemnifications) as an integral part of this Deed of Trust; provided, however, it is the intent of the parties that the environmental indemnifications contained herein by reference are separate and independent obligations of Trustor which shall survive any release, foreclosure or other satisfaction of this Deed of Trust, and such indemnifications shall not be subject to any anti-deficiency defense (including but not limited to any defense raised pursuant to Arizona Revised Statutes §33-814).

## ARTICLE III

### ASSIGNMENT OF RENTS AND LEASES

**Section 3.01. Assignment of Revenues.** Trustor hereby absolutely assigns and transfers to Beneficiary all the Revenues of the Mortgaged Estate and hereby gives to and confers upon Beneficiary the right, power and authority to collect such Revenues. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary, at any time and from time to time, to take possession and control of the Mortgaged Estate and to demand, receive and enforce payment, to give receipts, releases and satisfaction, and to sue, in the name of Trustor or Beneficiary, for all such Revenues and apply the same to the Secured Obligations; provided, however, that Trustor shall have a license to possess and control the Mortgaged Estate and to collect such Revenues (but not more than one month in advance) which is revocable at any time upon an Event of Default by Trustor under any of the Financing Documents. The assignment of the Revenues of the Mortgaged Estate in this Article III is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

While the assignment made in this Deed of Trust is present, direct and continuing, the execution and delivery hereof shall not in any way impair or diminish the obligations of Trustor under the provisions of any lease nor shall any of the obligations contained in any lease be imposed upon Beneficiary.

**Section 3.02. Collection Upon Default.** Upon any Event of Default under any of the Financing Documents, Beneficiary may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Secured Obligations (i) enter upon and take possession of the Mortgaged Estate, or any part thereof, and in its own name sue for or otherwise collect such Revenues, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any Secured Obligations, and in such order as Beneficiary may determine, and (ii) prepare and submit any applications or other documentation as necessary in order to permit Beneficiary to collect the Revenues of the Mortgaged Estate. The collection of such Revenues, or the entering upon and taking possession of the Mortgaged Estate, or the application thereof as aforesaid or the preparation and submission of applications or other documentation, as necessary, pursuant to the Charter School Act, or other laws of the State, shall not cure or waive

any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default.

Beneficiary shall not be liable to Trustor, anyone claiming under or through Trustor or anyone having an interest in the Mortgaged Estate by reason of anything done or left undone by Beneficiary hereunder, except to the extent of Beneficiary's gross negligence or willful misconduct.

**Section 3.03. Statutory Rights.** Beneficiary, in addition to and not in limitation of any of the foregoing or any other remedies provided in this Deed of Trust or otherwise available under applicable law, shall have all of the rights provided under the laws of the State, including but not limited to all of the rights set forth in Arizona Revised Statutes §33-702B (as amended, supplemented or supplanted) regarding enforcement of the assignment of Revenues and leases contained herein.

## **ARTICLE IV**

### **SECURITY AGREEMENT**

**Section 4.01. Creation of Security Interest.** With respect to any portion of the Mortgaged Estate which constitutes personal property, fixtures or other property governed by the UCC, this Deed of Trust shall constitute a security agreement between Trustor as the debtor and Beneficiary as the secured party, and Trustor hereby grants to Beneficiary a security interest in such portion of the Mortgaged Estate (such portion being the "Personalty"). Cumulative of all other rights of Beneficiary hereunder, Beneficiary shall have all of the rights conferred upon secured parties by the UCC. Trustor will execute and file all financing statements, amendments to financing statements or continuation statements that may from time to time be required to establish and maintain the validity and priority of the security interest of Beneficiary, or any modification thereof, and pay the costs and expenses of any searches required by Beneficiary. Beneficiary may exercise any or all of the remedies of a secured party available to it under the UCC with respect to such property, and it is expressly agreed that if upon an Event of Default Beneficiary should proceed to dispose of such property in accordance with the provisions of the UCC, 10 days' written notice by Beneficiary to Trustor shall be deemed to be reasonable notice under any provision of the UCC requiring such notice; provided, however, that Beneficiary may at its option dispose of such property in accordance with Beneficiary's rights and remedies with respect to the real property pursuant to the provisions of this Deed of Trust, in lieu of proceeding under the UCC.

Trustor shall give advance notice in writing to Beneficiary of any proposed change in Trustor's name, identity, state of organization, or business form or structure and will execute and deliver to Beneficiary, prior to or concurrently with the occurrence of any such change, all additional financing statements that are legally required to establish and maintain the validity and priority of Beneficiary's security interest with respect to any of the Mortgaged Estate described or referred to herein.

Some of the items of the Mortgaged Estate described herein are goods that are or are to become fixtures related to the Real Property, and it is intended that as to those goods, this Deed

of Trust shall be effective as a financing statement filed as a fixture filing from the date of its filing for record in the real estate records of the county in which the Mortgaged Estate is situated. Information concerning the security interest created by this instrument may be obtained from Beneficiary, as secured party, at the address of Beneficiary stated in Section 6.04 of this Deed of Trust. The mailing address of Trustor, as debtor, is as stated in Section 6.04 of this Deed of Trust.

**Section 4.02. Warranties; Representations and Covenants of Trustor.** Trustor hereby warrants, represents and covenants, with respect to the Personalty, as follows:

(a) except for the security interest granted hereby, Trustor is, and as to any of the Personalty to be acquired after the date hereof will be, the sole owner of the Personalty, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever except for purchase money liens and Permitted Encumbrances. Trustor will notify Beneficiary of, and will defend the Personalty against, all prohibited claims and demands of all persons at any time claiming the same or any interest therein;

(b) except as permitted by the Agreement, Trustor will not lease, sell, convey or in any manner transfer the Personalty (except Personalty transferred in the ordinary course of business and replaced by Personalty of a similar nature and having at least the same value as the Personalty replaced, and except for Permitted Encumbrances as defined in the Agreement) without the prior written consent of Beneficiary;

(c) the Personalty is not used or bought for personal, family or household purposes;

(d) except as permitted by the Agreement, the Personalty will be kept on or at the Facilities (as defined in the Indenture) and Trustor will not remove the Personalty from the Facilities without the prior written consent of Beneficiary, except such portions or items of personal property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Trustor with new items of equal or greater quality; and

(e) all covenants and obligations of Trustor contained herein relating to the Mortgaged Estate shall be deemed to apply to the Personalty whether or not expressly referred to herein.

## **ARTICLE V**

### **EVENTS OF DEFAULT AND REMEDIES UPON DEFAULT**

**Section 5.01. Events of Default.** Any one or more of the following events shall be deemed an event of default hereunder (each, an “Event of Default”):

(a) failure by Trustor to pay the amounts required to be paid under Section 5.01(a) of the Agreement when due subject to any applicable notice or cure periods provided under any Financing Document;

(b) failure by the Trustor to perform or observe any covenant, condition or agreement contained in this Deed of Trust (other than the monetary obligations described

in paragraph (a) above) and such failure shall continue for 30 days after written notice from the Beneficiary of such failure provided, with respect to any such failure covered by this subsection (b), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Beneficiary to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied within 90 days of such notification;

(c) the occurrence of a default or an Event of Default by Trustor under any Financing Document (other than this Deed of Trust) or the Indenture subject to any applicable notice or cure periods provided therein;

(d) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Trustor in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Trustor or for any substantial part of the Mortgaged Estate, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 days (whether or not consecutive);

(e) the commencement by the Trustor of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Trustor or for any substantial part of the Mortgaged Estate, or the making by it of any assignment for the benefit of creditors, or the failure of the Trustor generally to pay its debts as such debts become due, or the taking of corporate action by the Trustor in furtherance of any of the foregoing;

(f) if a writ or warrant of attachment or any similar process shall be issued or levied against all or any part of or interest in the Mortgaged Estate, or any judgment involving monetary damages, attachment or execution shall be entered against Trustor or otherwise which shall become a lien on the Mortgaged Estate or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within 60 days after its entry or levy;

(g) if, during the term of the Promissory Notes, Trustor shall without the prior written approval of Beneficiary (unless permitted as provided herein) sell, convey, alienate, mortgage or encumber the Mortgaged Estate or any part thereof or any interest therein, or shall be divested of its title or any interest therein, in any manner, whether voluntarily or involuntarily, or if there is any merger, consolidation, sale of all or substantially all of assets, or dissolution affecting Trustor, or if there is a transfer of a majority interest in Trustor in a series of transactions or as a single transaction;

(h) any assignment by Trustor of the whole or any part of the Revenues, issues or profits arising from the Mortgaged Estate (including, without limitation, the Revenues,

Intangibles and Claims and Awards) to any person without the consent of Beneficiary (unless permitted as provided herein) or if, without such consent, Trustor shall otherwise further encumber the Mortgaged Estate or any portion thereof (including, without limitation, secured transactions under the UCC); or

(i) if at any time any representation, warranty or statement made by Trustor in any Financing Document, other document, instrument, or certificate delivered by Trustor shall be incorrect or misleading in any material respect, or any material misrepresentation shall at any time be made to Beneficiary by Trustor.

**Section 5.02. Acceleration Upon Default; Additional Remedies.** Subject to the cure provisions of this Section 5.02, upon the occurrence of an Event of Default (which default is not cured within any applicable cure period) Beneficiary may, at Beneficiary's sole option exercised in Beneficiary's sole discretion, pursue any one or more of the following remedies:

(a) Declare all or any portion of the Secured Obligations to be due and payable, and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind except as otherwise provided herein;

(b) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon and take possession of the Mortgaged Estate or any part thereof and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Mortgaged Estate, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Mortgaged Estate, take any action described in Article II, III or IV hereof, sue for or otherwise collect the Revenues, Claims and Awards, Intangibles or Equipment, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including reasonable attorneys' fees, upon any Secured Obligations, all in such order as Beneficiary may determine. The entering upon and taking possession of the Mortgaged Estate, the taking of any action described in Article II, III or IV hereof, the collection of such Revenues, Claims and Awards, Intangibles or Equipment and the application thereof as aforesaid, shall not cure or waive any default or notice of default or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Mortgaged Estate or the collection, receipt and application of Revenues, issues or profits, Claims and Awards, Intangibles or Equipment, Beneficiary shall be entitled to exercise every right provided for in any of the Financing Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale herein conferred;

(c) Commence an action to foreclose this Deed of Trust (either judicially or otherwise), appoint a receiver with the power and authority to operate and maintain the Mortgaged Estate to the fullest extent permitted by applicable law, specifically enforce any of the covenants hereof, or sell the Mortgaged Estate or any portion thereof pursuant to the power of sale herein conferred;

(d) Exercise any or all of the remedies available to a secured party under the UCC, including, but not limited to:

(i) Either personally or by means of a court appointed receiver, commissioner or other officer, take possession of all or any of the Personalty and exclude therefrom Trustor and all others claiming under Trustor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Trustor in respect of the Personalty or any part thereof. In the event Beneficiary demands or attempts to take possession of the Personalty in the exercise of any rights under any of the Financing Documents, Trustor promises and agrees to promptly turn over and deliver complete possession thereof to Beneficiary;

(ii) Without notice to or demand upon Trustor, make such payments and do such acts as Beneficiary may deem necessary to protect its security interest in the Personalty, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder and, in exercising any such powers or authority, to pay all expenses incurred in connection therewith;

(iii) Require Trustor to assemble the Personalty or any portion thereof, at a place designated by Beneficiary and reasonably convenient to both parties, and promptly to deliver such Personalty to Beneficiary, or an agent or representative designated by it. Beneficiary, and its agents and representatives, shall have the right to enter upon any or all of the Mortgaged Estate to exercise Beneficiary's rights hereunder;

(iv) Sell, lease or otherwise dispose of the Personalty at public sale, with or without having the Personalty at the place of sale, and upon such terms and in such manner as Beneficiary may determine. Beneficiary may be a purchaser at any such sale;

(v) Unless the Personalty is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Trustor at least 10 days' prior written notice of the time and place of any public sale of the Personalty or other intended disposition thereof. Such notice may be mailed to Trustor at the address set forth at the beginning of this Deed of Trust and shall be deemed to be given on the date of mailing thereof;

(vi) Any sale made pursuant to the provisions of this subsection shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with the sale of all or a portion of the remainder of the Mortgaged Estate under power of sale as provided herein upon giving the same notice with respect to the sale of the Personalty hereunder as is required for such sale of the remainder of the Mortgaged Estate under power of sale, and such

sale shall be deemed to be pursuant to a security agreement covering both real and personal property under the UCC;

(e) Exercise any other rights or remedies which may now or hereafter be available to Beneficiary under this Deed of Trust or the other Financing Documents or pursuant to applicable law or in equity; or

(f) If held by Beneficiary, surrender the insurance policies maintained pursuant to Section 1.04, collect the unearned insurance premiums and apply such sums as a credit on the Secured Obligations in such priority and proportion as Beneficiary in its sole discretion shall deem proper, and in connection therewith, Trustor hereby appoints Beneficiary as agent and attorney-in-fact (which is coupled with an interest and is therefore irrevocable) for Beneficiary to collect such insurance premiums.

**Section 5.03. Exercise of Power of Sale.** If Beneficiary elects to sell Trustor's interest in the Mortgaged Estate by exercise of the power of sale herein contained, Beneficiary shall notify Trustee in the manner then required by law.

(a) Upon receipt of such notice from Beneficiary and at the direction of Beneficiary, Trustee shall cause to be given, recorded, published and delivered such notices of default and/or notices of sale as may then be required by law and/or by this Deed of Trust. Trustee shall, only at the direction of Beneficiary and without demand on Trustor, after such time as may then be required by law after such notice of default and/or notice of sale having been given as required by law, sell the Mortgaged Estate at the time and place of sale fixed by it in such notice of sale, either as a whole, or in separate lots or parcels or items as Beneficiary shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States of America payable at the time of sale, or as otherwise may then be required by law. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale. Beneficiary may "credit bid" all or any portion of the Secured Obligations at such sale.

(b) As may be permitted by law, after deducting all costs, fees and expenses of Trustee and of this Deed of Trust, including without limitation costs of evidence of title in connection with sale and any reasonable attorneys' fees and expenses incurred by Trustee, Trustee shall apply the proceeds of sale (i) first, to payment of all actual out-of-pocket costs, fees and expenses, including reasonable attorneys' fees and expenses incurred by Beneficiary in exercising the power of sale or foreclosing this Deed of Trust, and (ii) second, to payment of the Bonds in accordance with the provisions of the Indenture to the extent of the indebtedness outstanding under the Agreement, and (iii) third, to payment of all other sums secured hereby, and (iv) fourth, the balance, if any, to those persons legally entitled thereto.

(c) Trustee may in the manner provided by law postpone sale of all or any portion of the Mortgaged Estate.

**Section 5.04. Appointment of Receiver.** If an Event of Default (which is not cured within any applicable cure period) shall have occurred, Beneficiary, as a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the value of the Mortgaged Estate or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers for the Mortgaged Estate and Trustor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases (including, without limitation, the power to (i) take possession of the Mortgaged Estate, (ii) operate, manage, repair, improve, market, lease or sell the Mortgaged Estate, (iii) collect Revenues related to the Mortgaged Estate, (iv) terminate or modify any existing agreements or contracts related to the Mortgaged Estate, or (v) enter into new agreements or contracts related to the Mortgaged Estate), and all the powers and duties of Beneficiary in case of entry as provided in Section 5.02(b) and shall continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Estate unless such receivership is sooner terminated. Trustor waives any requirement of the posting of a bond in connection with the appointment of a receiver. Beneficiary shall, in addition to and not in limitation of any of the foregoing or any other remedies provided in this Deed of Trust or otherwise available under applicable law, have all of the rights provided under the laws of the State.

**Section 5.05. Remedies Not Exclusive.** Beneficiary shall be entitled to enforce payment and performance of any Secured Obligation and to exercise all rights and powers under this Deed of Trust or under any Financing Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the Secured Obligations which may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Beneficiary's right to realize upon or enforce any other security now or hereafter held by Beneficiary, it being agreed that Beneficiary shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary in such order and manner as it may in its absolute discretion determine. No remedy herein conferred upon or reserved to Beneficiary is intended to be exclusive of any other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Financing Documents to Beneficiary, or to which Beneficiary may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Beneficiary. Beneficiary may pursue inconsistent remedies and pursue remedies in the alternative.

The acceptance by Beneficiary of any sum after the same is due shall not constitute a waiver of the right either to require prompt payment, when due, of all other sums hereby secured or to declare a default as herein provided. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall be deemed an acceptance on account only and upon condition that it shall not constitute a waiver of the obligation of Trustor to pay the entire sum then due, and failure of Trustor to pay such entire sum then due shall be and continue to be an Event of Default notwithstanding such acceptance of such amount on account, as aforesaid. Beneficiary or Trustee shall be, at all times thereafter and until the entire sum then due shall have been paid, and



notwithstanding the acceptance by Beneficiary thereafter of further sums on account, or otherwise, entitled to exercise all rights in this instrument conferred upon them or either of them, and the right to proceed with a sale under any notice of default, or an election to sell, or the right to exercise any other rights or remedies hereunder, shall in no way be impaired, whether any of such amounts are received prior or subsequent to such proceeding, election or exercise. Consent by Beneficiary to any action or inaction of Trustor which is subject to consent or approval of Beneficiary hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions or inactions.

**Section 5.06. Possession of Mortgaged Estate.** In the event of a trustee's sale or foreclosure sale hereunder and after the time of such sale, and Trustor occupies the portion of the Mortgaged Estate so sold, or any part thereof, Trustor shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either tenant or landlord, at a reasonable rental per day based upon the value of the portion of the Mortgaged Estate so occupied, such rental to be due and payable daily to the purchaser. An action of unlawful detainer shall lie if the tenant holds over after a demand in writing for possession of such Mortgaged Estate and premises; and this Deed of Trust and a trustee's deed shall constitute a lease and agreement under which the tenant's possession arose and continued. The Trustor agrees to pay any costs and expenses (including, without limitation, attorneys' fees and costs and court costs) incurred by the Beneficiary in connection with any action to remove the Trustor from possession of the Mortgaged Estate. Nothing contained in this Deed of Trust shall be construed to constitute Beneficiary as a "mortgagee in possession" in the absence of its taking actual possession of the Mortgaged Estate pursuant to the powers granted herein.

**Section 5.07. Relief from Stay.** In the event that Trustor commences a case under the Bankruptcy Code or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code, subject to court approval, Beneficiary shall thereupon be entitled and Trustor irrevocably consents to relief from any stay imposed by Section 362 of the Bankruptcy Code on or against the exercise of the rights and remedies otherwise available to Beneficiary as provided in the Financing Documents and Trustor hereby irrevocably waives its rights to object to such relief. In the event Trustor shall commence a case under the Bankruptcy Code or any successor provision thereof or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code, Trustor hereby agrees that no injunctive relief against Beneficiary shall be sought under Section 105 or other provisions of the Bankruptcy Code by Trustor or other person or entity claiming through Trustor, nor shall any extension be sought of the stay provided by Section 362 of the Bankruptcy Code.

**Section 5.08. Cash Collateral.** To the fullest extent allowed by applicable law, Trustor hereby acknowledges and agrees that in the event that Trustor commences a case under the Bankruptcy Code or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code: (i) that all of the Revenues are, and shall for purposes be deemed to be, "proceeds, product, offspring, rents, or profits" of the Real Property covered by the lien of this Deed of Trust, as such quoted terms are used in Section 552(b) of the Bankruptcy Code; (ii) that in no event shall Trustor assert, claim or contend that any portion of the Revenues are, or should be deemed to be, "accounts" or "accounts receivable" within the meaning of the Bankruptcy Code and/or applicable state law; (iii) that the Revenues are and shall be deemed to be in any such bankruptcy proceeding "cash collateral" of Beneficiary as that term is defined in Section 363 of

the Bankruptcy Code; and (iv) that Beneficiary has valid, effective, perfected, enforceable and “choate” rights in and to the Revenues without any further action required on the part of Beneficiary to enforce or perfect its rights in and to such cash collateral, including, without limitation, providing notice to Trustor under Section 546(b) of the Bankruptcy Code.

## ARTICLE VI

### MISCELLANEOUS

**Section 6.01. Governing Law.** This Deed of Trust shall be governed by and construed in accordance with the laws and judicial decisions of the State without regard to its conflict of laws principles, except as such laws may be preempted by any federal rules, regulations and laws. The parties hereto expressly acknowledge and agree that any judicial action to interpret or enforce the terms of this Deed of Trust against the Trustor shall be brought and maintained in the Superior Court of the State of Arizona in and for the County of Coconino, the United States District Court in and for the District of Arizona or any United States Bankruptcy Court in any case involving or having jurisdiction over the Trustor or the Mortgaged Estate.

#### **Section 6.02. Waiver of Rights.**

**A. General Waivers.** To the extent permitted by law, Trustor waives the benefit of all laws now existing or that hereafter may be enacted (i) providing for any appraisalment before sale of any portion of the Mortgaged Estate, or (ii) in any way extending the time for the enforcement of the collection of the Secured Obligations or creating or extending a period of redemption from any sale made in collecting the Secured Obligations. To the full extent Trustor may do so under the laws of the State, Trustor agrees that Trustor will not at any time insist upon, plea, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisalment, valuation, stay, extension, redemption or homestead exemption, and Trustor, for Trustor, Trustor’s representatives, successors and assigns, and for any and all persons ever claiming any interest in the Mortgaged Estate, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisalment, stay of execution, homestead exemption, notice of election to mature or declare due the whole of the Secured Obligations and marshaling in the event of foreclosure of the liens hereby created. If any law referred to in this Section and now in force, of which Trustor, Trustor’s heirs, devisees, representatives, successors and assigns or other person might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Section. Trustor expressly waives and relinquishes any and all rights, remedies and defenses that Trustor may have or be able to assert by reason of the laws of the State pertaining to the rights, remedies and defenses of sureties.

#### **B. Specific State Waivers.**

(a) *The Deed of Trust Act.* For purposes of A.R.S. §§33-801 through 821 (the “Deed of Trust Act”), Trustor herein shall be the “Trustor” (as defined in the Deed of Trust Act). Beneficiary and Trustee shall have all rights, benefits and remedies conferred or contemplated by the Deed of Trust Act. Notwithstanding the foregoing, Beneficiary may, at its option in its sole discretion, elect to foreclose this Deed of Trust judicially as

authorized by A.R.S. §33-807. In addition to, and not in limitation of, any other remedy provided in or available under this Deed of Trust, Beneficiary shall have all rights set forth in A.R.S. §33-702B (as amended, supplemented or supplanted) regarding enforcement of the assignment of Revenues contained herein.

(b) *Waivers.* It is Trustor's intention that the obligations of Trustor to pay and perform each and all of the Secured Obligations secured by this Deed of Trust be governed according to the express, bargained-for-terms hereof and of the other Financing Documents. Therefore, to the fullest extent allowable under State law, Trustor hereby expressly waives all provisions of State law (including without limitation those specifically referenced below) which might otherwise be construed, contrary to the terms of the Financing Documents, to limit the liability of Trustor with respect to the Secured Obligations, and hereby expressly agrees that no such provision of law shall be applicable to such obligations. To that end and to the fullest extent permitted under the laws of the State, Trustor expressly:

(i) waives all provisions of A.R.S. §33-814 which purport to limit the time within which an action upon a Deficiency (defined herein to mean "the amount of any unpaid or unperformed Secured Obligations remaining following any sale of collateral") may be commenced, or to eliminate any Deficiency if such an action is not commenced within such time limits, and agrees that such provisions shall not apply to any Deficiency following a trustee's sale under this Deed of Trust;

(ii) agrees that if, notwithstanding the foregoing express intention and agreement of Trustor to the contrary, the provisions of A.R.S. §33-814 are held by a court to be applicable, then:

(A) for purposes of A.R.S. §33-814(B), the 90-day period within which an action for a deficiency judgment may be brought shall not begin until the date of the last trustee's sale or other nonjudicial or judicial foreclosure sale of any real or personal property collateral under this Deed of Trust, whether such collateral is located within or outside of the State;

(B) the phrase "full satisfaction of the obligation" in A.R.S. §33-814(D) shall be construed to refer solely to the obligation of Trustor to repay the Project-specific monetary indebtedness evidenced by the Promissory Notes and not to any separate and independent obligations (1) of Trustor which are created by this Deed of Trust (including, without limitation, any covenants, agreements or indemnities which are expressly stated to survive any foreclosure hereof) or which are created under or evidenced or secured by any other Financing Document executed in connection herewith, regardless of whether such separate and independent obligations are secured hereby by virtue of any cross-collateralization or cross-default provisions or otherwise, or (2) of

any other person which is directly, indirectly or contingently liable with respect to the Secured Obligations (all such separate and independent obligations being referred to herein as the "Separate Obligations"); and

(C) notwithstanding any application of A.R.S. §33-814(D) to limit or bar any action against Trustor with respect to the monetary indebtedness evidenced by the Promissory Notes following a trustee's sale or sales of the entire Mortgaged Estate such section shall not be applicable to, or in any way limit or impede any action with respect to, such Separate Obligations or any collateral which might now or hereafter be given by Trustor as security therefor.

(iii) to the fullest extent permitted under the laws of the State, waives all equitable rights of redemption other than those in A.R.S. §33-726;

(iv) waives all rights of reinstatement following acceleration of the obligations secured by this Deed of Trust, including any which might otherwise be available under A.R.S. §33-813, it being agreed that Trustor has bargained for the notice and cure rights given to Trustor pursuant to Section 5.01 hereof and under the other Financing Documents; that such rights provide Trustor with sufficient opportunity to prevent acceleration following a breach or default which could become an Event of Default; and that Trustor has agreed in return to waive any further right of reinstatement following acceleration should no cure be timely made;

(v) waives all rights of redemption Trustor might otherwise have under State law with respect to the Mortgaged Estate or any other collateral, whether by statute, by subrogation or otherwise, including without limitation any rights under A.R.S. §§12-1281 through 12-1283;

(vi) waives and agrees not to assert any and all rights, benefits and defenses which might otherwise be available under the provisions of A.R.S. §§12-1641 through 12-1646, 44-141, 44-142 or 47-3605, or Arizona Rules of Civil Procedure Rule 17(f); and

(vii) agrees to be and remain liable for the Secured Obligations, and agrees (including as contemplated by A.R.S. §§12-1566(E) and 33-814(C) with respect to a guaranty) that this Deed of Trust may be enforced (and sale had hereunder or judgment given hereon) at any time and independent of any other action or judgment, all regardless of whether, or when, a trustee's or foreclosure sale of any collateral given by Trustor or any other person is held or any other nonjudicial or judicial action to realize upon collateral, or against Trustor or any other person obligated with respect

to the Secured Obligations, is commenced, maintained, concluded, continued or discontinued.

The statutes referred to above in this section shall include any further statutes amending, supplementing or supplanting same. The waivers and agreements contained in this section and elsewhere in this Deed of Trust are given by Trustor knowingly and voluntarily and upon advice of counsel.

**Section 6.03. Limitation of Interest.** All agreements between Trustor and Beneficiary, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever shall the amount paid as interest, or agreed to be paid, to Beneficiary for the use, forbearance, or detention of the money to be loaned pursuant to the Promissory Notes or otherwise, or for the performance or payment of any covenant or obligation contained herein, exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof at the time performance of such provision shall be due shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance Beneficiary or holder of the Promissory Notes shall ever receive as interest under the Promissory Notes or this Deed of Trust or otherwise anything of value which would exceed interest at the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing under the Promissory Notes or on account of other Secured Obligations and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the Promissory Notes and such other Secured Obligations, such excess shall be refunded to Trustor, or other evidence of Secured Obligations, if other than Trustor. All sums paid or agreed to be paid to Beneficiary for the use, forbearance, or detention of the Secured Obligations shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such obligations until payment in full so that the rate of interest on account of Secured Obligations is uniform throughout the term thereof. The terms and provisions of this paragraph shall control all agreements between Trustor, or the maker of the Promissory Notes, or other evidence of Secured Obligations, if other than Trustor, and Beneficiary.

[Remainder of page intentionally left blank]

**Section 6.04. Notices.** Unless otherwise required by law, whenever Beneficiary or Trustor shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication shall be in writing and shall be deemed to have been given if sent by hand delivery, overnight courier or certified mail, postage prepaid, addressed to the following mailing addresses:

If to the Issuer:	The Industrial Development Authority of the City of Sierra Vista 6049 AZ-90 Sierra Vista, AZ 85635 Attn: Demetry Simonton, President Email: board@sierravistaida.biz Attn: Stephen Peterson, Operations Manager Email: oimanager@sierravistaida.biz
With a copy to:	Slania Law PLLC 2980 North Swan Road, Suite #222 Tucson, Arizona 85712 Attn: Michael A. Slania, Esq. Telephone: (520) 999-2117
If to the Trustor:	Flagstaff Junior Academy 306 W. Cedar Avenue Flagstaff, Arizona 86001 Attention: Carissa Morrison, Ed.D. Telephone: (928) 774-6007
With a copy to:	Mangum Wall Stoops & Warden PLLC 112 North Elden Street Flagstaff, Arizona 86001 Attention: Brandon Kavanagh, Esq. Telephone: (928) 779-6951
If to the Trustee:	Pioneer Title Agency 100 N. Elden Flagstaff, Arizona 86001 Attention: John Kuban Telephone: (928) 779-0371
If to the Beneficiary:	UMB Bank, National Association 6034 West Courtyard Drive, Ste. 370 Austin, Texas 78730 Attention: Saul Ramirez Telephone: (512) 582-5858

Any party may at any time change its address for such notices by delivering to the other parties hereto, as aforesaid, a notice of such change.

**Section 6.05. Captions.** The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

**Section 6.06. Invalidity of Certain Provisions; Conflicting Provisions.** If the lien of this Deed of Trust is invalid or unenforceable as to any part of the Secured Obligations, or if the lien is invalid or unenforceable as to any part of the Mortgaged Estate, the unsecured or partially secured portion of the Secured Obligations shall be completely paid prior to the payment of the remaining and secured portion of the Secured Obligations, and all payments made on such obligations, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the Secured Obligations which is not secured or fully secured by the lien of this Deed of Trust.

**Section 6.07. Subrogation.** To the extent that proceeds of the Promissory Notes or advances under this Deed of Trust are used to pay any outstanding lien, charge or prior encumbrance against the Mortgaged Estate, such proceeds or advances have been or will be advanced by Beneficiary at Trustor's request, and Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether said liens, charges or encumbrances are released of record.

**Section 6.08. Change in Ownership.** If the ownership of the Mortgaged Estate or any part thereof or interest therein becomes vested in a person other than Trustor owning the same on the date hereof, Beneficiary may, without notice to Trustor, deal with such successor or successors in interest with reference to this Deed of Trust and the Secured Obligations in the same manner as with Trustor without in any way vitiating or discharging Trustor's liability hereunder or upon the Secured Obligations. No sale of the Mortgaged Estate, and no forbearance on the part of Beneficiary, and no extension of the time for the payment of the Secured Obligations, given by Beneficiary, shall operate to release, discharge, modify, change or affect the original liability, if any, of Trustor or the liability of any guarantors or sureties of Trustor, either in whole or in part; provided that Trustor may be released from its original liability under this Deed of Trust upon transfer of the entire Mortgaged Estate with the written consent of Beneficiary and as permitted under the Financing Documents.

**Section 6.09. Assignment of Beneficiary's Interest.** It is expressly agreed that any and all terms of this Deed of Trust, the other Financing Documents and all other agreements, documents, instrument or certificates made or executed by Trustor or others in favor of Beneficiary, and all rights, powers, privileges, options and remedies conferred upon Beneficiary herein and therein, shall inure to and be for the benefit of, and may be exercised by, Beneficiary and its successors and assigns, and the words "Beneficiary" shall also mean and include the successor or successors and the assign or assigns of Beneficiary. Trustor hereby specifically grants unto Beneficiary the right and privilege, at Beneficiary's option, to transfer and assign to any third person all or any part of Beneficiary's rights to receive funds or payments hereunder; provided, however, if Beneficiary makes any such transfer or assignment, Beneficiary shall give Trustor prompt written notice thereof.

**Section 6.10. Time Is of the Essence.** Time is of the essence under this Deed of Trust and the other Financing Documents.

**Section 6.11. Obligations of Trustor.** The obligations of Trustor to make payments hereunder and under the Indenture and the Agreement and to perform and observe all agreements on its part contained herein and therein shall be absolute and unconditional. Until this Deed of Trust is terminated or payment in full of all Bonds is made or is provided for in accordance with the Indenture, Trustor (i) will not suspend or discontinue any payments under the Agreement or neglect to perform any of its duties required thereunder or hereunder; (ii) will perform and observe all of its obligations set forth in the Agreement, this Deed of Trust and the Promissory Notes; and (iii) except as provided herein will not terminate the Agreement or this Deed of Trust for any cause.

**Section 6.12. Immunity of Individuals.** No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or under the Financing Documents or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of Trustor, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Bonds.

**Section 6.13. Beneficiary as Trustee.** The Beneficiary is acting in its capacity as trustee under the Indenture. In the event any provision of this Deed of Trust requires the approval, consent, or action by the Beneficiary, the Beneficiary must undertake to grant or deny such approval or consent, or perform such action, only subject to and as directed by the terms of the Indenture.

**Section 6.14. Amendments, Changes and Modifications.** This Deed of Trust may only be amended, changed, modified, altered or terminated as provided in the Indenture.

## **ARTICLE VII**

### **TRUSTEE**

**Section 7.01. Resignation of Trustee.** Trustee may resign and be discharged of the trusts created hereby by giving notice of its resignation to the holder of the Promissory Notes, Beneficiary and Trustor (or any subsequent owner of Trustor's interest in the Mortgaged Estate) specifying the date (not less than ninety (90) days after such notice) when such resignation shall take effect. Such resignation shall take effect on the earlier of the date so specified or the appointment and acceptance of a successor trustee pursuant to Section 7.02.

**Section 7.02. Successor Trustee.**

(a) Trustee may be removed at any time by notice from the Beneficiary. If Trustee shall have given notice of its intention to resign, shall resign, be removed or otherwise be incapable of acting, or if Trustee shall be taken under the control of any public officer or a receiver appointed by a court, or be adjudged a bankrupt or insolvent, then a successor may be appointed by the Beneficiary. Trustor shall notify the Beneficiary of any such appointment by Trustor, but any successor trustee so appointed by Trustor



shall immediately and without further act be superseded by a successor trustee appointed by the Beneficiary as above provided.

(b) Any successor to Trustee shall execute, acknowledge and deliver to its predecessor, Beneficiary and Trustor (or any subsequent owner of Trustor's interest in the Mortgaged Estate) an instrument accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become vested with all the estate, properties, rights, powers, duties and trusts of its predecessor in the trusts hereunder with like effect as if originally named as trustee herein; provided, however, that on the written request of Trustor, the holder of the Promissory Notes, Beneficiary or the successor trustee, such predecessor shall execute and deliver an instrument transferring to such successor, upon the trusts expressed in this Deed of Trust, such estate, properties, rights, powers and trusts and shall duly assign, transfer, deliver and pay over to such successor any property and moneys subject to the lien hereof and held by such predecessor.

As used in this Section 7.02, Trustor shall mean and include any subsequent owner of Trustor's interest in the Mortgaged Estate.

#### **Section 7.03. Separate and Co-Trustees.**

(a) If it deems such to be necessary or prudent, Trustee shall have the power to appoint one or more persons to act as separate trustees or co-trustees, jointly with Trustee, of any of the property subject to the lien hereof, and any such person shall be such separate trustee or co-trustee, with such powers and duties as shall be specified in such instrument.

(b) Such separate trustee or co-trustee, upon acceptance of such trust, shall be vested with the estates or property specified in such instrument, either jointly with Trustee, or separately as may be provided therein, subject to all the trusts, conditions and provisions of Deed of Trust; and every such instrument shall be filed with Trustee.

**Section 7.04. Liability of Trustee.** No Trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

**Section 7.05. Payment of Trustee's Compensation.** Trustor shall pay or cause to be paid the compensation to which Trustee is entitled hereunder, if any, and all proper disbursements and expenses incurred by Trustee hereunder, if any.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, Trustor has caused this Deed of Trust to be duly executed on the day and year set forth in the acknowledgment attached hereto and effective on the date first written above.

**FLAGSTAFF JUNIOR ACADEMY**, an Arizona  
nonprofit corporation, as Trustor

By: \_\_\_\_\_  
Carissa Morrison, Executive Director

STATE OF ARIZONA                    )  
  ) ss:  
COUNTY OF COCONINO            )

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2025, by Carissa Morrison, the Executive Director of Flagstaff Junior Academy, an Arizona nonprofit corporation.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

## **POWER OF ATTORNEY**

Beneficiary may act as attorney-in-fact or otherwise on behalf of Trustor pursuant to Sections 1.22, 3.01 and 5.02(f) of this Deed of Trust. This power of attorney is coupled with an interest, is durable and is not affected by subsequent disability or incapacity of the principal or by lapse of time.

**FLAGSTAFF JUNIOR ACADEMY**, an Arizona  
nonprofit corporation, as Trustor

By: \_\_\_\_\_  
Carissa Morrison, Executive Director

## **WITNESS**

In accordance with the requirements of Arizona Revised Statutes §14-5506 and other applicable law, the undersigned has executed this Deed of Trust for the purpose of witnessing the grant of the powers of attorney by Trustor to Beneficiary.

\_\_\_\_\_

**EXHIBIT A**  
**LEGAL DESCRIPTION**

[TO COME]

**EXHIBIT B**  
**PERMITTED ENCUMBRANCES**

[TO COME]

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**APPENDIX F**

**FORM OF BOND COUNSEL OPINION**

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**APPENDIX F**  
**FORM OF BOND COUNSEL OPINION**

[Closing Date]

The Industrial Development Authority of the City of  
Sierra Vista  
Sierra Vista, Arizona  
UMB Bank, National Association  
Austin, Texas

Re:       \$[PAR] The Industrial Development Authority of the City of Sierra Vista Education Facility Revenue Bonds  
            (Flagstaff Junior Academy Project), Series 2025 (the “Bonds”)

Ladies and Gentlemen:

We have acted as Bond Counsel to The Industrial Development Authority of the City of Sierra Vista (the “Authority”), a nonprofit corporation designated as a political subdivision of the State of Arizona (the “State”) incorporated with approval of the City of Sierra Vista, Arizona, pursuant to the provisions of the Constitution of the State of Arizona and under Arizona Revised Statutes Title 35, Chapter 5 (the “Act”), of the Bonds.

The Bonds are being issued pursuant to the Act, an Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), between the Issuer and UMB Bank, National Association, as trustee (the “Trustee”), and a resolution of the Issuer authorizing the execution and delivery of the Bonds. Proceeds of the Bonds are being loaned to Flagstaff Junior Academy (the “Borrower”), an Arizona nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), that operates a charter school established under Arizona Revised Statutes Title 15, Chapter 1, Article 8, as amended, pursuant to the provisions of the Loan Agreement, dated as of April 1, 2025 (the “Loan Agreement”), between the Issuer and the Borrower, for the purposes of financing, refinancing, or reimbursing the Borrower for the costs associated with the Series 2025 Project. Pursuant to the Loan Agreement, the Borrower has agreed to make payments sufficient to pay when due the principal of and premium, if any, and interest on the Bonds (whether at maturity or upon prior redemption). Capitalized terms used but not defined herein shall have the meanings given such terms in the Indenture.

In our capacity as Bond Counsel, we have reviewed the transcript of proceedings (the “Transcript”) relating to the issuance of the Bonds. The documents in the Transcript examined include, but are not limited to, an executed counterpart of each of the following: (i) the Indenture, (ii) the Loan Agreement, (iii) the Bond Purchase Agreement among Raymond James & Associates, Inc., as the Underwriter, the Issuer and the Borrower, (iv) the Tax Regulatory Agreement dated as of April 1, 2025 (the “Tax Agreement”) among the Issuer, the Trustee and the Borrower, (v) the opinion of Slania Law, PLLC as counsel to the Issuer (“Issuer’s Counsel”), (vi) the opinion of Mangum, Wall, Stoops & Warden, P.L.L.C. as counsel to the Borrower (“Borrower’s Counsel”) and (vii) such other certificates, documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have also examined the signed and authenticated Bond No. R-1.

We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referenced in the preceding paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, cover certain matters not directly addressed by such authorities, and speak only as of the date hereof. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur or any other

matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion.

We have assumed and relied upon, without undertaking to verify, the genuineness of all documents, certificates and opinions presented to us (whether as originals or as copies) and the signatures thereon and the due and legal execution and delivery thereof by and validity against any parties. We have assumed and relied upon, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in such documents and certificates and of the correctness of the legal conclusions contained in the opinions referred to in the second and third paragraphs hereof. In particular we have relied on the Issuer's Counsel opinion with respect to certain matters regarding the Issuer and the Borrower's Counsel opinion with respect to certain matters regarding the Borrower. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications and have assumed continuing compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. The accuracy of certain of those representations and certifications and continuing compliance by the Issuer and the Borrower with certain of those covenants and agreements may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to the issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of their issuance.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of Arizona. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property securing the payments due on the Bonds or the accuracy or sufficiency of the description contained therein of or the remedies available to enforce liens on any such property. Finally, we undertake no responsibility herein for the accuracy, completeness or fairness of any disclosure or other materials provided to potential purchasers of the Bonds and express no opinion herein relating thereto.

The opinions set forth below are expressly limited to and we opine only with respect to the laws of the State of Arizona and the federal income tax laws of the United States of America.

Based on such examination, and in reliance thereon, as of the date hereof and under existing law, we are of the opinion that:

1. The Indenture creates a valid assignment by the Issuer to the Trustee of the right, title and interest of the Issuer in the Loan Agreement (except for the Issuer's Unassigned Rights), including the Issuer's rights to payments made by the Borrower.
2. The Bonds have been duly issued by the Issuer and are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and payable solely from the revenues and other moneys pledged and assigned by the Loan Agreement and the Indenture to secure that payment.
3. Interest on the Bonds is excludable from gross income under Section 103 of the Code, for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations. Interest on the Bonds is exempt from present State of Arizona personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Very truly yours,

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**APPENDIX G**

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

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**§[PAR]**  
**THE INDUSTRIAL DEVELOPMENT AUTHORITY**  
**OF THE CITY OF SIERRA VISTA**  
**EDUCATION FACILITY REVENUE BONDS**  
**(FLAGSTAFF JUNIOR ACADEMY PROJECT)**  
**SERIES 2025**

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**CONTINUING DISCLOSURE UNDERTAKING**

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This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered by Flagstaff Junior Academy, an Arizona nonprofit corporation (the “Borrower”), as of April 1, 2025 in connection with the issuance by The Industrial Development Authority of the City of Sierra Vista of its §[PAR] Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”) for the benefit of the owners of the Series 2025 Bonds, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2025 Bonds (including persons holding Series 2025 Bonds through nominees, depositories or other intermediaries) or is treated as the owner of any Series 2025 Bond for federal income tax purposes.

1. Definitions.

“Annual Report” means any annual report provided by the Borrower pursuant to, and as described in, Section 2 of this Undertaking.

“Dissemination Agent” means any agent that has executed a dissemination agency agreement with the Borrower and the successors and assigns of such agent, initially Choice Advisors LLC.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to EMMA consistent with the Rule.

“Fiscal Year” means each fiscal year of the Borrower ending June 30.

“Indenture” means the Indenture of Trust, dated as of April 1, 2025, between the Issuer and the Trustee, pursuant to which the Series 2025 Bonds were issued.

“Issuer” means The Industrial Development Authority of the City of Sierra Vista.

“Limited Offering Memorandum” means the Limited Offering Memorandum, dated [\_\_\_\_], 2025, relating to the Series 2025 Bonds.

“Listed Events” means any of the events listed in Section 4 of this Undertaking.

“Loan Agreement” means the Loan Agreement, dated as of April 1, 2025, between the Issuer and the Borrower, relating to the Series 2025 Bonds.

“MSRB” means the Municipal Securities Rulemaking Board, or any other entity servicing as the repository for continuing disclosure submissions, pursuant to the Rule.

“Notice of Listed Event” means any notice of Listed Events provided by the Borrower pursuant to, and as described in, Section 4 of this Undertaking.

“Quarterly Report” means any quarterly report provided by the Borrower pursuant to, and as described in, Section 3 of this Undertaking.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” means the State of Arizona.

“Tax-exempt” means that interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

“Trustee” means UMB Bank, National Association, as trustee under the Indenture.

## 2. Contents and Provision of Annual Reports.

(a) (i) The Borrower will, or will cause the Dissemination Agent to, not later than December 1 following the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2025, provide to the MSRB an Annual Report in the appropriate format required by law or applicable regulation which is consistent with the requirements of subsection (b) of this section.

(ii) If the Borrower is unable or for any other reason fails to provide an Annual Report or any part thereof by the date required in this Section, the Borrower will, or will cause the Dissemination Agent to, send a notice, in substantially the form set forth in Exhibit B attached hereto, to that effect not later than such date to the MSRB along with the other parts, if any, of the Annual Report. The Borrower will, or will cause the Dissemination Agent to, provide a copy of such notice to the Issuer.

(b) (i) The Annual Reports will contain or incorporate by reference the following (information to be as of the last day of the applicable Fiscal Year):

(A) Audited financial statements of the Borrower for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, as modified by State law, as described in the Financial Statements of the Borrower attached as APPENDIX B to the Limited Offering Memorandum;

(B) An officer’s certificate showing calculations of and compliance with the Debt Service Coverage Ratio and Days Cash on Hand requirements set forth in the Loan Agreement and provides updates to the information in the Limited Offering Memorandum found in certain table(s) in “APPENDIX A – THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT” as set forth in the form attached as Exhibit A hereto. If State reporting requirements change with respect to any of the reportable categories/tables set forth in the certificate form in Exhibit A attached hereto, then the

Borrower shall be allowed to make corresponding adjustments in the format/information reported in such tables to comply with the changes;

(C) Details of sponsor approvals or denials of any amendments or modifications to the Charter School Contract (as defined in the Indenture) including a description of the amendment or modification, if material;

(D) Details of revocation, review or renewal of the Charter School Contract for the School by the sponsor; and

(E) The date, time and dial-in information for an annual investor call.

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including official statements of debt issues of the Borrower or related entities which have been submitted to the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower will clearly identify each such other document so incorporated by reference.

(iii) If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, then unaudited financial statements should be provided at the requisite time as part of the Annual Report, and as soon as possible (but not later than 30 days) after such audited financial statements become available, the audited financial statements will then be provided to the MSRB.

### 3. Contents and Provision of Quarterly Reports.

(a) (i) The Borrower will, or will cause the Dissemination Agent to, not later than forty-five (45) days after the end of each fiscal quarter ending September 30, December 31, and March 31, and not later than sixty (60) days following each fiscal quarter ending June 30, commencing with the fiscal quarter ending June 30, 2025, provide to the MSRB a Quarterly Report in the appropriate format required by law or applicable regulation which is consistent with the requirements of subsection (b) of this section.

(ii) If the Borrower is unable or for any other reason fails to provide a Quarterly Report or any part thereof by the date required in this Section, the Borrower will, or will cause the Dissemination Agent to, send a notice, in substantially the form set forth in Exhibit B attached hereto, to that effect not later than such date to the MSRB along with the other parts, if any, of the Quarterly Report. The Borrower will, or will cause the Dissemination Agent to, provide a copy of such notice to the Issuer.

(b) (i) The Quarterly Reports will contain or incorporate by reference the following (information to be as of the last day of the applicable fiscal quarter):

(A) Unaudited financial statements of the Borrower for such fiscal quarter consisting of at least statements of financial position (balance sheets and income statements) as of the end of such quarter and statements of activities for such fiscal quarter and year to date, each prepared in accordance with GAAP, as in effect from time to time (subject to year-end adjustments and except such financial statements may omit footnotes that would be required by GAAP), consistently applied, or, if and to the extent such financial statements have not been prepared in accordance with such GAAP beyond the

reasonable control of the Borrower, noting the discrepancies therefrom and the effect thereof;

(B) The enrollment data and average daily membership data for the School, as reported by the State on the “Arizona Department of Education Basic Calculations For Equalization Assistance For Charter Schools” report when updated to show (1) the September “Estimated Student Count” numbers, (2) the “40th Day Actual” numbers or (3) the “100th Day Actual” numbers; and

(C) An officer’s certificate substantially in the form attached hereto as Exhibit C.

(ii) The Quarterly Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including official statements of debt issues of the Borrower or related entities which have been submitted to the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower will clearly identify each such other document so incorporated by reference.

4. Reporting of Listed Events. The Borrower will provide, or will cause the Dissemination Agent to provide, in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB in the appropriate format required by law or applicable regulation, notice of occurrence of any of the following events (the “Listed Events”) with respect to the Series 2025 Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers or their failure to perform.
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the Tax-exempt status of the Series 2025 Bonds, or other material events affecting the Tax-exempt status of the Series 2025 Bonds.
- (vii) Modifications to rights of holders (i.e., owners), if material.
- (viii) Bond calls, if material, or tender offers.
- (ix) Defeasances.
- (x) Release, substitution or sale of property securing repayment of the Series 2025 Bonds (including property leased, mortgaged or pledged as such security), if material.
- (xi) Rating changes.



(xii) Bankruptcy, insolvency, receivership or similar event of the Borrower, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer of the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervisions and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision of jurisdiction over substantially all of the assets or business of the Borrower.

(xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a Financial Obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, any of which affect security holders, if material.

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties.

Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

5. Reporting of Change in Accounting Principles or Fiscal Year. The Borrower shall, or shall cause the Dissemination Agent to, promptly file with the MSRB a notice of a change in its accounting principles applied in the preparation of the annual financial statements of the Borrower or any change in the dates on which the Fiscal Year begins or ends.

6. Termination of Reporting Obligation. The obligations of the Borrower pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2025 Bonds. Notice of such termination will be given to the MSRB as soon as practicable, but not later than the date an Annual Report would otherwise have been due. The Borrower will, or will cause the Dissemination Agent to, provide a copy of such notice to the Issuer.

7. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Borrower may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Borrower or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver would have complied with the requirements of the Rule at the time of the primary offering

of the Series 2025 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Series 2025 Bonds, as determined either by parties (such as the bond counsel) unaffiliated with the Borrower or the Issuer or by an approving vote of the registered owners of the Series 2025 Bonds pursuant to the terms of the Indenture at the time of the amendments. Such opinions shall be filed by the Borrower with the MSRB.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Borrower to meet its obligations. To the extent reasonably feasible, such comparison also will be quantitative. If the accounting principles of the Borrower change, the Borrower will file a notice of such change in the same manner as for a Notice of Listed Event.

8. Additional Information. Nothing in this Undertaking will be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Listed Event, in addition to that which is required by this Undertaking. If the Borrower chooses to include any information in any Annual Report or Notice of Listed Event in addition to that which is specifically required by this Undertaking, the Borrower will have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Listed Event.

The Borrower acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Borrower, and that under some circumstances compliance with this Undertaking, without additional disclosure or other action, may not fully discharge all duties and obligations of the Borrower under such laws.

9. Default. In the event of a failure of the Borrower to comply with any provision of this Undertaking, any owner of a Series 2025 Bond for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borrower to comply with its obligations under this Undertaking. A default under this Undertaking will not be deemed an event of default for other purposes of the Indenture or the Loan Agreement, and the sole remedy under this Undertaking in the event of any failure of the Borrower to comply with this Undertaking will be an action to compel performance.

10. Beneficiaries. This Undertaking has been executed in order to assist the participating underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Borrower and the owners of the Series 2025 Bonds as hereinabove described, and shall create no rights in any other person or entity.

11. Recordkeeping. The Borrower shall maintain records of all Annual Reports and Notices of Material Events including the content thereof, the names of the entities with which filed and the date of filing thereof.

12. Dissemination Agent. The Borrower may, from time to time, appoint or engage a - Dissemination Agent to assist it in satisfying the obligations of the Borrower hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Undertaking. Notwithstanding anything to the contrary herein, the Dissemination Agent shall not be responsible for any determination as to the adequacy of the contents or format of any Annual Report or as to the materiality of any Listed Event.

13. Indemnification. The Borrower will indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Dissemination Agent. The obligations of the Borrower under this Section will survive resignation or removal of the Dissemination Agent and payment of the Series 2025 Bonds.

[SIGNATURE PAGES FOLLOW]

**FLAGSTAFF JUNIOR ACADEMY,**  
an Arizona nonprofit corporation

By: \_\_\_\_\_  
Name: Carissa Morrison  
Title: Executive Director

## EXHIBIT A

### FORM OF CERTIFICATE FOR ANNUAL FILING OF CERTAIN BORROWER OPERATING COVENANTS

Name of Issuer: The Industrial Development Authority of the City of Sierra Vista

Name of Bond Issue: \$[PAR] Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”)

Dissemination Agent: Choice Advisors LLC

Name of Borrower: Flagstaff Junior Academy

Date of Issuance: April [ ], 2025

NOTICE IS HEREBY GIVEN that the Borrower is providing to the Dissemination Agent the following operational information as required under Section 2 of the Continuing Disclosure Undertaking, dated as of April 1, 2025 (the “Undertaking”), between the Dissemination Agent and the Borrower. The Undertaking requires that the Borrower provide this information to the Dissemination Agent not later than December 1 following the end of each Fiscal Year. Defined terms used in this certificate and not defined herein shall have the meanings granted to such terms in the Indenture of Trust, dated as of April 1, 2025 (the “Indenture”), between the Issuer and UMB Bank, National Association, in its capacity as trustee. The information contained below is unaudited but is derived from the annual audited financial statements of the Borrower.

2. As of June 30, 20\_\_, the Borrower’s:

- (a) Cash on Hand was equal to \$\_\_\_\_\_.
- (b) Days Cash on Hand was \_\_\_\_\_ days (Cash on Hand in the amount of \$\_\_\_\_\_, divided by the quotient of Operating Expenses of \$\_\_\_\_\_ for the Fiscal Year ended June 30, divided by 365).
- (c) The amount of Cash on Hand required to comply with the Loan Agreement for current Fiscal Year is \$\_\_\_\_\_ (equal to at least 45 Days Cash on Hand) and, based on the information set forth in (b) above, the Borrower [is/is not] in compliance with such covenant. (Compliance starting Fiscal Year ending June 30, 2025).
- (d) The Borrower’s Debt Service Coverage Ratio for Fiscal Year 20\_\_ was \_\_\_\_\_. (Compliance starting with Fiscal Year ending June 30, 2025).

The following tables in Appendix A to the Limited Offering Memorandum are to be updated.

- A. The table titled “Faculty”;
- B. The table titled “Teaching Experience”;
- C. The table titled “Teacher Retention Rates”;
- D. The table titled “School Historical and Current Enrollment”;
- E. The table titled “School Waitlist by Grade Level”;
- F. The table titled “Student Demographics”;
- G. The table titled “Preschool Historical and Current Enrollment”;
- H. The table titled “Preschool Waitlist by Grade Level”;
- I. The table titled “AASA and AzSCI Results (Percentage Passing)”;

- J. The tables under the section “SCHOOL ACCOUNTABILITY; STANDARDIZED TEST SCORES AND ANNUAL MEASURABLE OBJECTIVES – AASA Standardized Test Results”, insofar as the data pertains to the Borrower, the Flagstaff Unified School District and the State of Arizona;
- K. The tables under the section “SCHOOL ACCOUNTABILITY; STANDARDIZED TEST SCORES AND ANNUAL MEASURABLE OBJECTIVES – AzSCI Standardized Test Results”, insofar as the data pertains to the Borrower, the Flagstaff Unified School District and the State of Arizona; and
- L. The tables under the section “SCHOOL ACCOUNTABILITY; STANDARDIZED TEST SCORES AND ANNUAL MEASURABLE OBJECTIVES – Educational Growth Score” insofar as the data pertains to the Borrower, the Flagstaff Unified School District and the State of Arizona.

[Insert Tables Here]

This certificate is being provided by the Borrower to the Dissemination Agent [not] later than December 1 following the end of the applicable Fiscal Year.

The undersigned certifies that the audited financial statements and this certificate comply with the requirements of Section 2 of the Undertaking.

Dated: \_\_\_\_\_

**FLAGSTAFF JUNIOR ACADEMY**, as Borrower

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT B**

**NOTICE BY BORROWER OF FAILURE TO FILE  
ANNUAL OR QUARTERLY REPORT**

Name of Issuer: The Industrial Development Authority of the City of Sierra Vista

Name of Bond Issue: \$[PAR] Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the "Series 2025 Bonds")

Dissemination Agent: Choice Advisors LLC

Name of Borrower: Flagstaff Junior Academy

Date of Issuance: April [ ], 2025

NOTICE IS HEREBY GIVEN that the Borrower has not provided an [Annual Report] [Quarterly Report] with respect to the above-named Series 2025 Bonds as required by the Continuing Disclosure Undertaking, dated as of [April] 1, 2025, between the Dissemination Agent and the Borrower. The Borrower anticipates that the [Annual Report] [Quarterly Report] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**CHOICE ADVISORS LLC,**  
as Dissemination Agent

By \_\_\_\_\_  
Its Authorized Signatory

cc: Flagstaff Junior Academy  
UMB Bank, National Association  
The Industrial Development Authority of the City of Sierra Vista  
Raymond James & Associates, Inc.

## **EXHIBIT C**

### **QUARTERLY REPORT CERTIFICATE**

Name of Issuer: The Industrial Development Authority of the City of Sierra Vista

Name of Bond Issue: \$[PAR] Education Facility Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”)

Dissemination Agent: Choice Advisors LLC

Name of Borrower: Flagstaff Junior Academy

Date of Issuance: April [ ], 2025

Pursuant to the Continuing Disclosure Undertaking, dated as of [April] 1, 2025 (the “Undertaking”), between the Borrower and the Dissemination Agent, the undersigned representative of the Borrower, does hereby certify that the enclosed unaudited financial statements of the Borrower for the quarter ended \_\_\_\_\_, 20\_\_\_\_, complies with the requirements of Section 3 of the Undertaking.

**FLAGSTAFF JUNIOR ACADEMY**, as Borrower

By: \_\_\_\_\_  
Its: \_\_\_\_\_



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**APPENDIX H**

**BOOK-ENTRY ONLY SYSTEM**

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## APPENDIX H

### BOOK-ENTRY ONLY SYSTEM

*The information in this APPENDIX H concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from DTC. The Issuer, the Borrower, the Trustee and the Underwriter assume no responsibility for the accuracy thereof.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of each series of the Series 2025 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) (which website is not incorporated herein by reference).

Purchases of Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which receive a credit for the Series 2025 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2025 Bond (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2025 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2025 Bonds may wish to take certain steps to augment the transmission to them of notices

of significant events with respect to the Series 2025 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2025 Bonds documents. For example, Beneficial Owners of Series 2025 Bonds may wish to ascertain that the nominee holding the Series 2025 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2025 Bonds of a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2025 Bonds will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee, the Issuer or the Borrower, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the Trustee and the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

NONE OF THE ISSUER, THE UNDERWRITER, THE TRUSTEE OR THEIR RESPECTIVE AGENTS OR COUNSEL WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT OR INDIRECT PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT OR INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE REGISTERED OWNERS OF THE SERIES 2025 BONDS PURSUANT TO THE INDENTURE; (3) THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2025 BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2025 BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF SERIES 2025 BONDS; OR (6) ANY OTHER MATTERS.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Series 2025 Bonds, payment of principal, redemption price and interest with respect to the Series 2025 Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2025 Bonds and other related transactions by and between DTC, the Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the Participants, as the case may be.

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**APPENDIX I**

**FORM OF INVESTOR LETTER**

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**APPENDIX I**  
**FORM OF INVESTOR LETTER**

[DATE]

The Industrial Development Authority  
of the City of Sierra Vista  
Sierra Vista, Arizona 85635

City of Sierra Vista  
Sierra Vista, Arizona 85635

Slania Law, PLLC  
Tucson, Arizona 85712

Raymond James & Associates, Inc.  
Minneapolis, Minnesota 55402

Re:     \$[PAR] The Industrial Development Authority of the City of Sierra Vista Education Facility  
Revenue Bonds (Flagstaff Junior Academy Project), Series 2025 (the “Series 2025 Bonds”)

Ladies and Gentlemen:

The undersigned, [ ] (the “Purchaser”), is the purchaser of \$ \_\_\_\_\_ in aggregate principal amount of the Series 2025 Bonds. In connection with such purchase, The Industrial Development Authority of the City of Sierra Vista (the “Issuer”) requires that the Purchaser make certain representations as to the Purchaser’s willingness to accept the risks of investing in the Series 2025 Bonds, the Purchaser’s investigation of such risks, and such other matters. Accordingly, without limiting or affecting its rights under the Bond Purchase Agreement for the Series 2025 Bonds, the Purchaser represents and warrants to the Issuer and the other addressees hereof as follows:

- A.     **QUALIFICATION.** The Purchaser is (i) an “accredited investor” (within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”), an “Accredited Investor”) or a “qualified institutional buyer” (within the meaning of Rule 144A promulgated under the Securities Act, a “Qualified Institutional Buyer”), (ii) any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any Accredited Investor or Qualified Institutional Buyer or on its own behalf), or (iii) any trust or custodial arrangement of each of the beneficial owners of which is an Accredited Investor or Qualified Institutional Buyer (each (i) through (iii), an “Approved Transferee”).
- B.     **NO REGISTRATION; NO RATING; TRANSFERABILITY.** The Purchaser understands that the Indenture relating to the Series 2025 Bonds has not been registered under the Securities Act, the securities laws of any state or the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein. The Purchaser acknowledges that the Series 2025 Bonds (i) are not being registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state; (ii) will not be listed on any securities exchange; and are not rated. Purchaser is purchasing the Series 2025 Bonds for investment for its own account or for its loan portfolio and is not purchasing the Series 2025 Bonds for resale or other disposition, and Purchaser has no present intention of reselling or otherwise disposing of all or any part of the Series 2025 Bonds. The Purchaser has been informed and agrees that the Series 2025 Bonds may not be transferred to any person that is not an Approved Transferee, unless and until the Purchaser has been notified by the Trustee that Flagstaff Junior Academy (the “Borrower”) has received a rating letter by Fitch, S&P or Moody’s indicating that the Series 2025 Bonds are rated “BBB-” or “Baa3,” as applicable, or better.
- C.     **INDEPENDENT EVALUATION; WAIVER OF ISSUER’S DUE DILIGENCE; RELEASE.** The Purchaser has independently evaluated the factors associated with its investment decision, without reliance upon others. The Purchaser has conducted such investigations relating to the Issuer, the Borrower and its financial,

statistical, demographic, and other information, the Series 2025 Project, and the Series 2025 Bonds, as in the opinion of the Purchaser was necessary in connection with its purchase of the Series 2025 Bonds. Further, Purchaser acknowledges that the Borrower and other knowledgeable parties have made available to it and its representatives the opportunity to ask any questions it may have, and receive satisfactory answers, concerning the Borrower and the security and the source of payment of the Series 2025 Bonds. The Purchaser acknowledges that the Issuer, the City of Sierra Vista (the “City”), the State of Arizona (the “State”) and any of their past, present, and future directors, officers, members, employees, counsel, advisors and agents of any of the foregoing (each individually an “Issuer Party” and all collectively the “Issuer Parties”) have not undertaken to furnish information to the Purchaser, or to ascertain the accuracy or completeness of any information that may have been furnished to the Purchaser by or on behalf of the Issuer or the Borrower relating to the operations, financial condition or future prospects of the Borrower or the Series 2025 Project and that none of the Issuer Parties have made any representations concerning the accuracy or completeness of any information supplied to the Purchaser or relating to the Borrower and the Series 2025 Project. The Purchaser further acknowledges that the Borrower has not undertaken to furnish information to the Purchaser regarding the Issuer that may have been furnished to the Purchaser by or on behalf of the Issuer and that the Borrower has not made any representations concerning the accuracy or completeness of any information supplied to the Purchaser relating to the Issuer. The Purchaser hereby waives any requirements of due diligence in investigation or inquiry on the part of any of the Issuer Parties and all claims, actions, or causes of action which the Purchaser may have directly or indirectly from or relating to any action which the Issuer or the City took, or could have taken, in connection with the issuance and sale of the Series 2025 Bonds to the Purchaser. The Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors regarding the investment in the Series 2025 Bonds, as it deemed necessary. The representations in this Investment Letter shall not relieve the Borrower or Issuer from any obligation to disclose any information required by the documents in connection with the issuance of the Series 2025 Bonds or required by applicable law.

- D. **BUSINESS BUYING SECURITIES.** The Purchaser is a bank, a savings institution, an insurance company, a securities dealer, a mutual fund, or an agency or instrumentality of the United States of America or of a state thereof, or a person, a principal part of whose business consists of buying securities.
- E. **SOPHISTICATION.** The Purchaser is a sophisticated investor who has such sufficient knowledgeable and experience in financial and business matters, including the purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Series 2025 Bonds without reliance upon others. In reaching the conclusion that it desires to acquire the Series 2025 Bonds, the Purchaser has carefully evaluated all risks associated with this purchase and acknowledges that it is able to bear the economic risk, including a complete loss, of this purchase.
- F. **LEGAL AUTHORIZATION.** The Purchaser is duly and legally authorized to purchase the Series 2025 Bonds, and the Purchaser is duly and legally authorized to execute this Investor Letter. The Purchaser has satisfied itself that the Series 2025 Bonds are a lawful investment for it under all applicable laws. The Purchaser agrees to the terms and provisions set forth in the Series 2025 Bonds.
- G. **SPECIAL LIMITED OBLIGATIONS.** The Purchaser understands that the Series 2025 Bonds are special limited, and not general, obligations of the Issuer payable solely from the revenues received by UMB Bank, National Association, as trustee (the “Trustee”). The Purchaser understands that the Series 2025 Bonds are not secured by any obligations or the pledge of any monies received or to be received from taxation or from the State or any political subdivision or taxing district thereof (including, without implied limitation, the Issuer and the City), and that the Series 2025 Bonds will never represent or constitute a general obligation, debt, or bonded indebtedness of the City, the State, or any political subdivision thereof, for the payment of the principal of, premium, if any, and interest on the Series 2025 Bonds, and that payment of the principal of, premium, if any, and interest on the Series 2025 Bonds depends upon the general credit of the Borrower and upon the net cash flow from the Series 2025 Project. The Purchaser understands that the Issuer has no taxing power.
- H. **SURVIVAL.** All representations of the Purchaser contained herein shall survive the sale and delivery of the Series 2025 Bonds to the Purchaser as representations of fact existing as of the date of execution and delivery of this Investor Letter.



I. DEFINED TERMS. The initial capitalized terms not defined herein shall have the meaning ascribed to such terms in the Indenture securing payment of the Series 2025 Bonds.

This Investment Letter is expressly for your benefit and may not be relied upon by any other party.

Investor: [\_\_\_\_\_]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**APPENDIX J**

**BORROWER'S FINANCIAL PROJECTIONS**

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**Borrower's Financial Projections<sup>(1)</sup>**

	FY25 Budget		FY26 Projected Budget		FY27 Projected Budget		FY28 Projected Budget		FY29 Projected Budget		FY30 Projected Budget	
	ADM 352		ADM 370		ADM 390		ADM 410		ADM 415		ADM 422	
<b>Revenue</b>												
State Funds	\$	3,656,247	\$	4,087,983	\$	4,436,491	\$	4,802,172	\$	5,005,198	\$	5,225,684
Donations		194,200		112,228		118,078		124,270		130,826		137,768
Miscellaneous		201,950		164,650		167,404		170,213		173,078		176,001
Federal Funds		125,923		131,415		131,415		131,415		131,415		131,415
<b>Total Revenue</b>		<b>4,178,320</b>		<b>4,496,275</b>		<b>4,853,387</b>		<b>5,228,071</b>		<b>5,440,518</b>		<b>5,670,868</b>
<b>Expenditures</b>												
Regular Education		3,248,774		3,755,428		4,059,488		4,254,335		4,475,216		4,585,730
Special Education		356,956		380,084		392,272		461,309		470,059		479,071
Pupil Transportation		550		550		550		550		550		550
Donations		104,000		96,600		101,600		101,600		101,600		101,600
Before & After Care		12,100		12,100		12,100		12,100		12,100		12,100
Federal Projects		125,923		131,415		132,169		132,169		132,169		132,169
State Projects		18,700		18,700		18,700		18,700		18,700		18,700
<b>Total Expenditures</b>		<b>3,867,003</b>		<b>4,394,876</b>		<b>4,716,879</b>		<b>4,980,763</b>		<b>5,210,394</b>		<b>5,329,920</b>
<b>Net Operating Income</b>		<b>311,317</b>		<b>101,399</b>		<b>136,508</b>		<b>247,308</b>		<b>230,124</b>		<b>340,948</b>
Other Expenses												
Depreciation Expense		50,000		50,000		50,000		50,000		50,000		50,000
<b>Net Income</b>		<b>261,317</b>		<b>51,399</b>		<b>86,508</b>		<b>197,308</b>		<b>180,124</b>		<b>290,948</b>
Add Back:												
Facility Lease/Debt Service Expense		207,000		506,879		681,303		716,420		831,420		831,420
Depreciation Expense		50,000		50,000		50,000		50,000		50,000		50,000
<b>Available for Lease/Debt Service</b>		<b>518,317</b>		<b>608,278</b>		<b>817,811</b>		<b>963,728</b>		<b>1,061,544</b>		<b>1,172,368</b>
<b>Lease/Debt Service Adjusted Coverage</b>		<b>2.50x</b>		<b>1.20x</b>		<b>1.20x</b>		<b>1.35x</b>		<b>1.28x</b>		<b>1.41x</b>
<b>Lease/Debt Service Burden</b>		<b>5.0%</b>		<b>11.3%</b>		<b>14.0%</b>		<b>13.7%</b>		<b>15.3%</b>		<b>14.7%</b>
<b>Cash Position</b>												
Projected Cash Balance <sup>(2)</sup>		<b>990,311</b>		<b>1,041,710</b>		<b>1,128,218</b>		<b>1,325,526</b>		<b>1,505,650</b>		<b>1,796,598</b>
<b>Projected Days Cash on Hand <sup>(2)</sup></b>		<b>93</b>		<b>87</b>		<b>87</b>		<b>97</b>		<b>105</b>		<b>123</b>

<sup>(1)</sup> The Borrower's Budget Projections include certain revenues and expenditures of the Children's House (including the Preschool and Before and After Care Program). The Children's House historically operates on a break even basis or at a slight loss. The Borrower's audited financial statements are prepared on a consolidated basis, but do not contain consolidating schedules. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDING JUNE 30, 2024" and APPENDIX A – "THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – STATE AID PAYMENTS AND OTHER REVENUES – Children's House Reimbursement" in this Limited Offering Memorandum.

<sup>(2)</sup> Projected Cash Balance and Projected Days Cash on Hand does not include the \$500,000 Holdback Amount. See APPENDIX A – "THE BORROWER, THE SCHOOL, AND THE SERIES 2025 PROJECT – THE FACILITIES AND THE SERIES 2025 PROJECT - Acquisition of the New Middle School Campus" in this Limited Offering Memorandum.

General projection assumptions:

- 3% for the majority of revenue sources (CPI driven)
- More aggressive inflation rate of 10% for cost of goods
- Service rate increase stayed nearer to 5%, as the Borrower's service providers have historically increased Borrower costs anywhere from 3-5%
- Salary projections are built out with a 3% annual raise
- Any grants the Borrower currently has, and expects to continue (entitlement grants) were left fixed

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**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SIERRA VISTA  
EDUCATION FACILITY REVENUE BONDS (FLAGSTAFF JUNIOR ACADEMY PROJECT), SERIES 2025**



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