

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest on the Series 2020A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, based on existing law, for so long as interest on the Series 2020A Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. In the opinion of Bond Counsel, interest on the Series 2020B Bonds is not excluded from gross income for federal income tax purposes and is subject to personal income taxes imposed by the State of New York and any political subdivision thereof. See "TAX MATTERS" herein regarding certain other tax considerations.



\$29,955,000
MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION
CHARTER SCHOOL REVENUE BONDS
(TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL PROJECT)

\$27,275,000
SERIES 2020A

\$2,680,000
SERIES 2020B (TAXABLE)

Dated: Date of Issuance**Due: June 1, as shown on inside cover**

This cover page contains information for general reference only. It is not intended as a summary of these issues. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision.

The Series 2020 Bonds described above (the "Series 2020 Bonds") are special, limited obligations of the Monroe County Industrial Development Corporation (the "Issuer") and will be issued under and will be payable solely from and secured by (i) a pledge of certain funds held under the Trust Indenture, dated as of July 1, 2020 (the "Indenture"), between the Issuer and Zions Bancorporation, National Association, as trustee (the "Trustee") and (ii) certain payments to be made by True North Rochester Mark Street, LLC, Rochester Chili Avenue, LLC, True North Rochester Real Estate Ames Street, LLC, True North Andrews Street, LLC and True North St. Jacob Street, LLC (each, a "Borrower" and, collectively, the "Borrowers"), each a New York limited liability company the sole member of which is Rochester Prep Foundation, Inc. a New Jersey nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), under a Loan Agreement dated as of July 1, 2020 (the "Loan Agreement") among the Issuer and the Borrowers. Each of the Borrowers is jointly and severally liable for the repayment obligations under the Loan Agreement.

Proceeds of the Series 2020 Bonds will be used by the Borrowers to (i) finance and/or refinance the costs of the acquisition, construction, renovation, equipping and modernization of certain charter school facilities located in Rochester, New York (the "Facilities"), (ii) fund capitalized interest through August 1, 2021 on a portion of the Series 2020 Bonds related to the Mark Street Project (as defined herein), (iii) fund a debt service reserve fund, and (iv) pay costs of issuance of the Series 2020 Bonds. Each Borrower will lease a Facility financed in part from the proceeds of the Series 2020 Bonds to True North Rochester Preparatory Charter School, a New York education corporation and an organization described in Section 501(c)(3) of the Code (the "Rochester Prep") for lease payments sufficient to pay the principal of, premium, if any, and interest on the Series 2020 Bonds. See "SECURITY FOR THE SERIES 2020 BONDS – The Lease Agreements" herein. The Borrowers' obligations under the Loan Agreement will be secured by a Mortgage and Security Agreement and an Absolute Assignment of Leases and Rents, each dated as of July 1, 2020, in favor of the Trustee.

EACH OF THE BORROWERS IS A SINGLE PURPOSE ENTITY, IS NOT A SCHOOL AND WILL HAVE NO OPERATIONS AND NO ASSETS EXCEPT FOR THE FACILITY OWNED AND LEASED THEREBY.

The Series 2020 Bonds will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside front cover hereof. Interest on the Series 2020 Bonds is payable semiannually on each June 1 and December 1, commencing on December 1, 2020. The Series 2020 Bonds will be issued as fully registered bonds, and, when issued, will be registered in the name of Cede & Co, as nominee for The Depository Trust Company, New York, New York ("DTC" or the "Securities Depository"), an automated depository for securities and a clearinghouse for securities transactions. Purchases of beneficial interests in the Series 2020 Bonds will be made in book-entry form (without certificates). The Series 2020 Bonds will be issued in minimum denominations of \$25,000 or any integral multiple of \$5,000 in excess thereof. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Series 2020 Bonds, payments of the principal of, premium, if any, and interest on the Series 2020 Bonds will be made directly by the Trustee to Cede & Co., which will remit such payments to the beneficial owners of the Series 2020 Bonds. See "APPENDIX G – BOOK-ENTRY SYSTEM" attached hereto.

The Series 2020 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described under "THE SERIES 2020 BONDS – Redemption" herein.

THE PURCHASE AND HOLDING OF THE SERIES 2020 BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK THAT MAY NOT BE APPROPRIATE FOR CERTAIN INVESTORS, AND IS SPECULATIVE IN NATURE. SEE "CERTAIN RISK FACTORS" HEREIN. THE SERIES 2020 BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" OR "ACCREDITED INVESTORS" (EACH AS DEFINED HEREIN). SEE "NOTICE TO INVESTORS" AND "TRANSFER RESTRICTIONS" HEREIN.

THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST REVENUES (AS DEFINED HEREIN), WHICH TRUST REVENUES ARE PLEDGED AND ASSIGNED FOR THE EQUAL AND RATABLE PAYMENT OF ALL SUMS DUE UNDER THE SERIES 2020 BONDS. THE SERIES 2020 BONDS ARE NOT AND SHALL NOT BE A DEBT OF THE COUNTY OF MONROE (THE "COUNTY") OR THE STATE OF NEW YORK (THE "STATE"), AND NEITHER THE COUNTY NOR THE STATE SHALL BE LIABLE THEREON. THE SERIES 2020 BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY OR THE STATE. THE ISSUER HAS NO TAXING POWER. THE SCHOOLS MAY NOT CHARGE TUITION AND HAVE NO TAXING POWER.

The Series 2020 Bonds are offered when, as and if issued by the Issuer, subject to the approval of the legality of the Series 2020 Bonds by Harris Beach PLLC, Rochester, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Borrower by Faegre Drinker Biddle & Reath LLP, Florham Park, New Jersey; for Rochester Prep by Vaisey Nicholson & Nearpass PLLC, Rochester, New York; and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is expected that the Series 2020 Bonds will be available for delivery through the facilities of DTC on or about July 22, 2020.

STIFEL

MATURITY SCHEDULE

\$27,275,000

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION
CHARTER SCHOOL REVENUE BONDS
(TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL PROJECT)
SERIES 2020A**

\$5,690,000 5.000% Term Bonds Priced to Yield 2.660%[†] due June 1, 2040 CUSIP 61075YAB3⁽¹⁾

\$8,885,000 5.000% Term Bonds Priced to Yield 2.860%[†] due June 1, 2050 CUSIP 61075YAC1⁽¹⁾

\$12,700,000 5.000% Term Bonds Priced to Yield 2.960%[†] due June 1, 2059 CUSIP 61075YAD9⁽¹⁾

\$2,680,000

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION
CHARTER SCHOOL REVENUE BONDS
(TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL PROJECT)
SERIES 2020B (TAXABLE)**

\$2,680,000 4.000% Term Bonds Priced to Yield 3.900% due June 1, 2030 CUSIP 61075YAE7⁽¹⁾

[†] Yield to call at par on June 1, 2028.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Services. None of the Issuer, Underwriter and the Borrowers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Limited Offering Memorandum does not constitute an offer to sell the Series 2020 Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Series 2020 Bonds, and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the headings “THE ISSUER” and “ABSENCE OF MATERIAL LITIGATION – The Issuer” has been furnished by the Issuer and the Issuer makes no representation, warranty or certification as to the adequacy of the information set forth elsewhere in this Limited Offering Memorandum. All other information set forth herein has been obtained from the Borrowers and other sources that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Issuer or the Underwriter. 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 any implication that there has been no change in the affairs of the Issuer, The Depository Trust Company, the Borrowers or Rochester Prep since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of these transactions, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the headings “CERTAIN RISK FACTORS,” and “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.” in this Limited Offering Memorandum. 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. None of the Borrowers nor the Foundation nor Rochester Prep plan 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.

Rochester Prep and Uncommon Schools, Inc. maintain websites providing additional information about themselves and their operations. The information on such websites is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum.

NOTICE TO INVESTORS

The Series 2020 Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors (each as defined herein). The Indenture under which the Series 2020 Bonds will be issued contains provisions limiting transfers of the Series 2020 Bonds and beneficial ownership interests in the Series 2020 Bonds only to Qualified Institutional Buyers or Accredited Investors. In addition, the face of each Series 2020 Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Indenture.

Each purchaser of any Series 2020 Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the Issuer, the Borrowers, the Underwriter and the Trustee as follows:

1. That the Series 2020 Bonds are payable solely from certain revenues derived by the Issuer under the Loan Agreement, and from certain funds and accounts established and maintained pursuant to the Indenture;
2. That it is a Qualified Institutional Buyer or an Accredited Investor and that it is purchasing the Series 2020 Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act") or other applicable securities laws;
3. That the Series 2020 Bonds (a) have not been registered under the Securities Act and are not registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) may not be readily marketable;
4. That the Series 2020 Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers or Accredited Investors; and
5. That the Issuer, the Borrowers, the Rochester Prep, the Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

See "TRANSFER RESTRICTIONS" herein.

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SERIES 2020B (TAXABLE)

INTRODUCTION

General

This Limited Offering Memorandum, including the cover page, the inside cover page, and Appendices hereto (the “Limited Offering Memorandum”), is provided to furnish information with respect to the sale and delivery of the Monroe County Industrial Development Corporation Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project) Series 2020A, in the aggregate principal amount of \$27,275,000 (the “Series 2020A Bonds” or the “Tax-Exempt Bonds”) and the Monroe County Industrial Development Corporation Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project) Series 2020B (Taxable), in the aggregate principal amount of \$2,680,000 (the “Series 2020B Bonds” or the “Taxable Bonds” and, together with the Series 2020A Bonds, the “Series 2020 Bonds” or the “Initial Bonds”) issued by the Monroe County Industrial Development Corporation (the “Issuer”).

The Issuer

The Issuer is a not-for-profit local development corporation existing under the laws of the State of New York (the “State”), which is authorized under Section 1411 of the New York State Not-for-Profit Corporation Law (the “Act”) to issue the Series 2020 Bonds for the purposes described herein. See “THE ISSUER” herein.

The Series 2020 Bonds

The Series 2020 Bonds will be special, limited obligations of the Issuer and will be issued pursuant to a Trust Indenture, dated as of July 1, 2020 (the “Indenture”), between the Issuer and Zions Bancorporation, National Association, as trustee (the “Trustee”).

The proceeds of the Series 2020 Bonds will be loaned to True North Rochester Mark Street, LLC (“Mark Street LLC”); Rochester Chili Avenue, LLC (“Chili Avenue LLC”); True North Rochester Real Estate Ames Street, LLC (“Ames Street LLC”); True North Andrews Street, LLC (“Andrews Street LLC”), and True North St. Jacob Street, LLC (“St. Jacob Street LLC”), each a New York limited liability company (each, a “Borrower” and collectively, the “Borrowers”), pursuant to a Loan Agreement dated as of July 1, 2020 (the “Loan Agreement”) among the Issuer and the Borrowers. The Series 2020 Bonds and the interest thereon are payable solely out of certain revenues and income received by the Issuer or the Trustee pursuant to the Loan Agreement. See “THE SERIES 2020 BONDS” herein.

The Series 2020 Bonds will be issued in initial minimum denominations of \$25,000 and any integral multiple of \$5,000 in excess thereof and in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) and beneficial ownership interests in the Series 2020 Bonds are to be sold (including secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. Pursuant to the Indenture, “Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and “Accredited Investor” means an “accredited investor” as defined in Regulation D promulgated under the Securities Act. The Indenture and the Series 2020 Bonds contain

provisions limiting transfers of the Series 2020 Bonds and beneficial ownership interests in the Series 2020 Bonds to Qualified Institutional Buyers or Accredited Investors. The face of each Series 2020 Bond will contain a legend indicating that such Series 2020 Bond is subject to the transfer restrictions set forth in the Indenture. See “TRANSFER RESTRICTIONS” and “CERTAIN RISK FACTORS – Purchases and Transfers of Series 2020 Bonds Restricted to Qualified Institutional Buyers and Accredited Investors” herein.

Authority for Issuance

The Issuer authorized the issuance of the Series 2020 Bonds pursuant to a resolution adopted on March 25, 2020 (the “Resolution”). The Series 2020 Bonds will be issued by the Issuer pursuant to the Act, the Resolution, and the Indenture. See “THE ISSUER” herein.

Use of Proceeds

The proceeds of the Series 2020 Bonds will be used to finance (i) (a) the refunding of the Mark Street Line of Credit (as defined herein), (b) the renovation, equipping and modernization of the Mark Street Facility (as defined herein), (c) the construction and equipping of an addition to the Mark Street Facility, and (d) the acquisition and installation of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property at the Mark Street Facility (collectively, the “Mark Street Project”); (ii) the refunding of the Chili Avenue Loan (as defined herein) (the “Chili Avenue Project”); (iii) the refunding of the Ames Street Loan (as defined herein) (the “Ames Street Project”); (iv) the refunding of the Andrews Street Line of Credit (as defined herein) (the “Andrews Street Project”); (v) the refunding of the St. Jacob Street Line of Credit (as defined herein) (the “St. Jacob Street Project” and, together with the Mark Street Project, the Chili Avenue Project, the Ames Street Project and the Andrews Street Project, the “Project”); (vi) capitalized interest through August 1, 2021, on a portion of the Series 2020 Bonds related to the Mark Street Project; (vii) a deposit to the Reserve Fund (as defined herein); and (viii) certain expenses incurred in connection with the issuance of the Series 2020 Bonds.

See “THE PROJECT” herein.

The Borrowers, Rochester Prep and the Schools

Each of the Borrowers is a single purpose entity, the sole member of which is Rochester Prep Foundation, Inc. (the “Foundation”), a New Jersey nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). Each of the Borrowers is a party to the Loan Agreement as a borrower thereunder and each is jointly and severally liable thereunder. The Foundation is a controlled affiliate of Uncommon Schools, Inc. (“Uncommon Schools”), and is not a party to the Loan Agreement.

Each Borrower owns a school facility located in Rochester, New York (each a “Facility” and, collectively, the “Facilities”), and leases such Facility to True North Rochester Preparatory Charter School, a New York education corporation and an organization described in Section 501(c)(3) of the Code (“Rochester Prep”) pursuant to a Lease (as defined herein). Rochester Prep currently operates six charter schools (the “Schools”) serving 2,396 students in grades K-12 in Rochester, New York, pursuant to three charters (the “Charters”) authorized by the Board of Trustees of the State University of New York (the “Authorizer”).

The payment of rent under each Lease, representing the main source of revenues of the Borrowers for the satisfaction of their obligations under the Loan Agreement and, in turn, the source of revenues for the payment of debt service on the Series 2020 Bonds, is a general obligation of Rochester Prep pledged to be paid from all legally-available revenue sources, including revenues attributable to the Schools and any other schools that Rochester Prep may operate in the future.

For more information regarding the Borrowers, Rochester Prep, the Schools and Uncommon Schools, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.” attached hereto.

Currently, the Governor of New York has ordered public school buildings to remain closed through the remainder of the 2019-20 school year, in a response to the spread of the novel coronavirus known as COVID-19. Guidance on reopening schools in the fall of 2020 is expected late summer. See “CERTAIN RISK FACTORS – Infectious Disease Outbreak; COVID-19” herein.

Security for the Series 2020 Bonds

The Series 2020 Bonds and the interest thereon are payable solely out of certain revenues and income received by the Issuer or the Trustee pursuant to the Loan Agreement. Pursuant to and to the extent described in the Indenture, the Issuer assigns to the Trustee certain of the Issuer’s rights under the Loan Agreement, including the right to receive payments thereunder, but excluding the Issuer’s Reserved Rights. Payment of fees to Uncommon Schools by Rochester Prep pursuant to that certain Master Services Agreement between Rochester Prep and Uncommon Schools will be subordinated to the obligation to pay Rent under the Leases. See “THE LEASES” herein. Pursuant to the Mortgage (as defined herein), the Borrowers each grant to the Trustee a first priority lien on the Facilities, subject to certain permitted encumbrances. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS” herein.

The Borrowers’ payment obligations under the Loan Agreement will be evidenced by a promissory note, dated the date of issuance of the Series 2020 Bonds, from the Borrowers to the Issuer (the “Promissory Note”), which Promissory Note will be endorsed by the Issuer to the Trustee for the benefit of the Holders of the Series 2020 Bonds. The payment obligations under the Loan Agreement will be in amounts sufficient to pay the principal of, and premium, if any, and interest on, the Series 2020 Bonds when due.

As security for the Series 2020 Bonds and payments to be made pursuant to the Loan Agreement, the Issuer will pledge and assign to the Trustee pursuant to the Indenture all of the Issuer’s right, title and interest in the Promissory Note and all (except for the Issuer’s Reserved Rights) of the Issuer’s right, title and interest in the Loan Agreement, including all loan payments thereunder and under the Promissory Note, and in furtherance of said pledge the Issuer will unconditionally assign such loan payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture.

The loan payments required by the Borrower under the Loan Agreement for the Series 2020 Bonds are further secured by a Mortgage and Security Agreement and an Absolute Assignment of Leases and Rents, each dated as of July 1, 2020, from the Borrowers to the Issuer (the “Mortgage” and the “Assignment of Leases,” respectively). The Mortgage will be assigned by the Issuer to the Trustee for the benefit of the Holders of the Series 2020 Bonds pursuant to an Assignment of Mortgage, dated as of July 1, 2020 (the “Assignment of Mortgage”). The Assignment of Leases will be assigned by the Issuer to the Trustee for the benefit of the Holders of the Series 2020 Bonds pursuant to an Assignment of Assignment of Leases, dated as of July 1, 2020 (the “Assignment of Assignment of Leases”).

Pursuant to the Indenture, the Trustee will hold a portion of the proceeds of the Series 2020 Bonds, as well as other amounts deposited by the Borrowers pursuant to the Loan Agreement, if any, in a Reserve Fund for the payment of debt service on the Series 2020 Bonds to the extent payments of Rent under the Leases are insufficient. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – Indenture – Assignment of Payments and Other Amounts, Loan Agreement, Leases, and Mortgage – Reserve Fund” herein.

THE BORROWERS ARE SINGLE PURPOSE ENTITIES AND ARE NOT EXPECTED TO HAVE ANY OPERATIONS OR ASSETS OTHER THAN THE FACILITIES. EXCEPT WITH

RESPECT TO PAYMENTS BY ROCHESTER PREP UNDER THE LEASES, NEITHER UNCOMMON SCHOOLS NOR ANY OF ITS AFFILIATES NOR ROCHESTER PREP IS OBLIGATED TO MAKE PAYMENTS WITH RESPECT TO THE PRINCIPAL AND PREMIUM, IF ANY, OF OR INTEREST ON THE SERIES 2020 BONDS.

All Debt Service Payments on the Series 2020 Bonds are a special obligation of the Issuer and payable solely from payments and receipts received pursuant to the Loan Agreement. Nothing in the Series 2020 Bonds or the Indenture shall be construed as creating a general obligation of the Issuer or pledging funds or assets other than those pledged under the Indenture. See “SECURITY FOR THE SERIES 2020 BONDS” herein.

No Pledge of Rochester Prep Revenues or Assets. Under State law, Rochester Prep may not legally assign or pledge any interest in public education aid payable to it pursuant to the New York State Charter Schools Act of 1998, as amended (the “Charter School Act”) to secure its obligations under the Leases, as charter schools in the State are prohibited from pledging or assigning such aid in connection with the purchase or construction, acquisition, reconstruction, rehabilitation or improvement of a school facility.

The requirement to make Basic Rent and Additional Rent payments under each Lease is considered a general obligation of Rochester Prep which will be repaid from all legally available revenue sources. See “APPENDIX E – SUMMARY OF THE LEASES” attached hereto. Under each Lease, Rochester Prep covenants that it will not pledge per student revenue, assets or other income streams (a) without the prior written consent of the applicable Borrower, and (b) unless the satisfaction of Rochester Prep’s obligations under the Lease are secured by a parity or senior pledge of such revenues, assets and other income streams.

Depository Account Control Agreement. In connection with the issuance of the Series 2020 Bonds, the Borrowers will enter into a Lease Payments Accounts Pledge, Control and Custody Agreement (the “Depository Account Control Agreement”), dated as of the date of issuance of the Series 2020 Bonds, by and among each of the Borrowers, the Trustee and Zions Bancorporation, National Association, as depository bank (the “Bank”). Pursuant to the Depository Account Control Agreement, each of the Borrowers will deposit all of their revenues into a respective sub-account held by the Bank (the “Depository Accounts” or “Depository Account”). Each of the Borrowers has pledged and granted to the Trustee a security interest in the Depository Account and, in the event of a default under the Loan Agreement, the Trustee may exercise its option to take exclusive control of the Depository Account. In such an event, the Bank agrees in the Depository Account Control Agreement to comply only with written instructions of the Trustee regarding the Depository Account, and cease complying with any instructions of any Borrower regarding the Depository Account.

The Bank will make quarterly transfers of funds held in the Depository Accounts to the Trustee in amounts equal to the Borrowers’ loan payments required under the Loan Agreement as described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – The Loan Agreement – Loan Payments; Payments under the Loan Agreement; the Promissory Note; and Pledge and Assignment to Trustee” herein. Semiannually on December 1 and June 1, beginning December 1, 2020, funds on deposit in the Depository Accounts in excess of the loan payments due from the Borrowers, as available, will be transferred from the Bank to the Borrowers, free and clear of the security interest granted to the Trustee pursuant to the Depository Account Control Agreement.

On July 1 of each year, beginning July 1, 2021, any funds remaining in the Depository Account, in excess of \$20,000, following such transfers described above and payment of any fees due to the Bank pursuant to the Depository Account Control Agreement, will be transferred from the Bank to the Borrowers, free and clear of the security interest granted to the Trustee pursuant to the Depository Account Control Agreement.

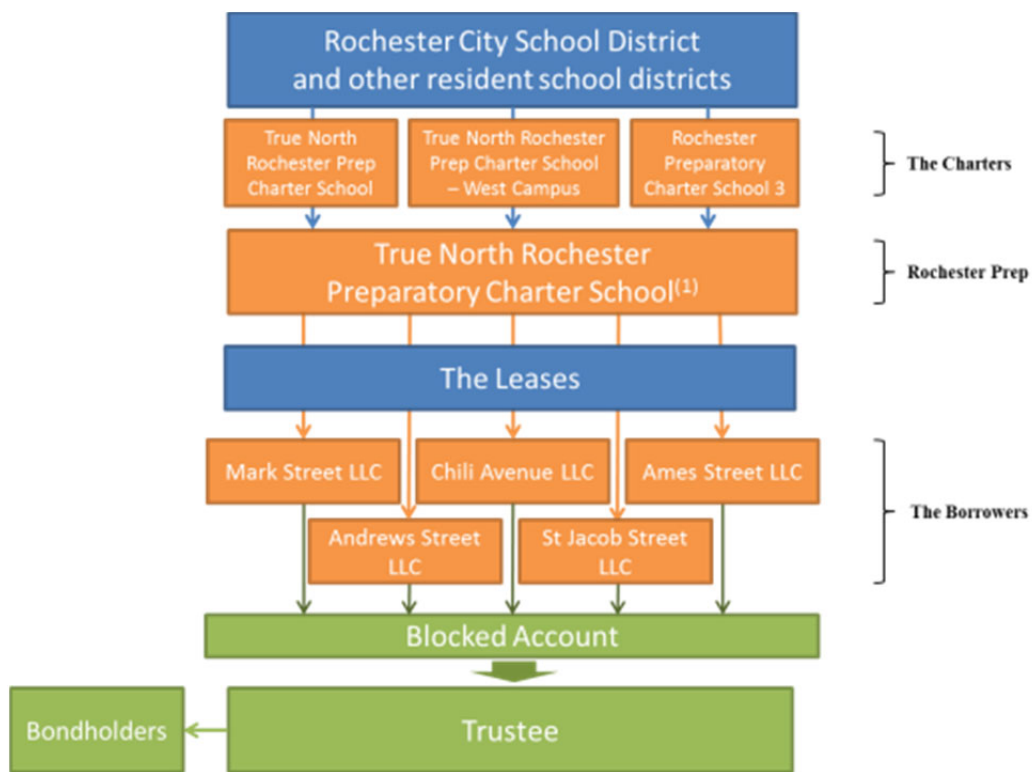
Limited Obligations. THE SERIES 2020 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF MONROE COUNTY OR THE STATE OF NEW YORK AND NONE OF MONROE COUNTY OR THE STATE OF NEW YORK SHALL BE LIABLE THEREON.

THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

Joint and Several Obligation of the Borrowers. Under the Loan Agreement, the Borrowers, jointly and severally, are required to make loan payments sufficient to pay when due the principal of, and premium, if any, and interest on, the Series 2020 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – The Loan Agreement – Joint and Several Obligation of the Borrowers” herein.

The following figure summarizes the sources of payment of Rent under the Leases and the sources of loan repayments due under the Loan Agreement, each representing the source of payment of debt service on the Series 2020 Bonds.

FLOW OF FUNDS



(1) Rochester Prep holds the charters for each of the Schools and serves as the tenant under each Lease. See “THE LEASES” herein. See “THE LEASES” herein. Rochester Prep operates six schools (three elementary schools, two middle schools and one high school) pursuant to three charters authorized by the Board of Trustees of the State University of New York (“SUNY”). See “The Charter Agreements and Schools” in Appendix A attached hereto.

The following table summarizes the Facilities, which further secure the obligations of the Borrowers under the Loan Agreement and the Mortgage.

THE FACILITIES

<i>Facility</i>	<i>Owner⁽¹⁾</i>	<i>Location of Facility</i>	<i>Description of Facility</i>	<i>Appraised Value⁽²⁾</i>	<i>Facility Capacity</i>
Ames Street Facility	Ames Street LLC	899 Jay Street, Rochester, New York	50,928 square foot two-story school building constructed in 1906 and a surface parking lot	\$6,700,000 ⁽³⁾	500
Andrews Street Facility	Andrews Street LLC	305 Andrews Street, Rochester, New York	39,124 square foot six-story school building constructed in 1958 and a surface parking lot	\$5,900,000 ⁽³⁾	500
Chili Avenue Facility	Chili Avenue LLC	432 Chili Avenue, Rochester, New York	31,617 square foot three-story school building constructed in 1940 and a surface parking lot	\$4,350,000 ⁽³⁾	400 ⁽⁴⁾
Mark Street Facility	Mark Street LLC	14 Mark Street, Rochester, New York	Currently improved: 3-level, recently renovated former church building and an attached 3-story addition, both completed in 2016, containing a total of 52,286 square feet. At completion of Mark Street Project: Additional improvements including 32,836 square feet addition, comprising a cafeteria, auditorium/gymnasium, classrooms, outdoor recreational space and an entrance with modern security	\$25,350,000 ⁽⁵⁾	850
St. Jacob Street Facility	St. Jacob Street LLC	85 St. Jacob Street, Rochester, New York	57,346 square foot two-story school building constructed in 1898 and a surface parking lot	\$6,100,000 ⁽³⁾	900 ⁽⁶⁾
<i>Totals</i>				<i>\$48,400,000</i>	<i>3,150</i>

- (1) Each owner is a special purpose entity (i.e. a limited liability company) whose sole member is the Foundation. The Foundation is a New Jersey nonprofit corporation and 501(c)(3) corporation which develops, renovates and leases educational facilities to Rochester Prep to support Rochester Prep's educational mission. See "General Overview" in Appendix A attached hereto.
- (2) The values of the Facilities as estimated in the appraisals represent only the opinion of the respective appraisers, and only as of the effective dates. The appraisers have not been engaged to update or revise the estimates contained in the appraisals since their effective dates. See "CERTAIN RISK FACTORS – Limitations of Appraisals" herein.
- (3) As-is market value, as of an effective date of February 10, 2020. See "THE PROJECT – Appraisals" herein.
- (4) Currently, the Chili Avenue Facility is occupied pursuant to a Certificate of Occupancy limiting the facility to occupancy of 335 students. Chili Avenue LLC will seek an amendment to such certificate to increase its allocable occupancy. See "CERTAIN RISK FACTORS – Limitation on Occupancy at Certain Facilities – Chili Avenue Facility" herein.
- (5) Prospective market value assuming the completion of the Mark Street Project, as described to the Appraiser, as of an effective date of September 1, 2021. See "THE PROJECT – Mark Street Project" and "— Appraisals" herein.
- (6) Currently, the St. Jacob Street Facility is occupied pursuant to a Certificate of Occupancy limiting the facility to occupancy of 495 students. St. Jacob Street LLC is currently seeking an amendment to such certificate to increase its allocable occupancy. See "THE PROJECT – St. Jacob Street Project" and "CERTAIN RISK FACTORS – Limitation on Occupancy at Certain Facilities – St. Jacob Street Facility" herein.

For more information on the Facilities, see "THE PROJECT" herein.

Redemption

The Series 2020 Bonds will be subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described below under "THE SERIES 2020 BONDS – Redemption."

Certain Risk Factors

The Series 2020 Bonds may not be a suitable investment for all investors. Prospective purchasers of the Series 2020 Bonds should read this entire Limited Offering Memorandum, including the appendices and the information under the section "CERTAIN RISK FACTORS" before making an investment in the Series 2020 Bonds.

Limited Offering of Series 2020 Bonds

The Series 2020 Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The Indenture under which the Series 2020 Bonds will be issued contains provisions limiting transfers of the Series 2020 Bonds and beneficial ownership interests in the Series 2020 Bonds only to Qualified Institutional Buyers or Accredited Investors. In addition, the face of each Series 2020 Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Indenture.

Each purchaser of any Series 2020 Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the Issuer, the Borrowers, the Underwriter and the Trustee as follows:

1. That the Series 2020 Bonds are payable solely from certain revenues derived by the Issuer under the Loan Agreement from amounts received by the Trustee, and from certain funds and accounts established and maintained pursuant to the Indenture;
2. That it is a Qualified Institutional Buyer or an Accredited Investor and that it is purchasing the Series 2020 Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act or other applicable securities laws;
3. That the Series 2020 Bonds (a) have not been registered under the Securities Act and are not registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) may not be readily marketable;
4. That the Series 2020 Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers or Accredited Investors; and
5. That the Issuer, the Borrowers, the Rochester Prep, the Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Miscellaneous

This Limited Offering Memorandum contains brief descriptions of, among other things, the Series 2020 Bonds, the Indenture, the Loan Agreement, the Leases, the Borrowers, Rochester Prep, the Schools and Uncommon Schools. All references in this Limited Offering Memorandum to documents are qualified in their entirety by reference to such documents, and references to the Series 2020 Bonds are qualified in their entirety by reference to the form of the Series 2020 Bonds included in the Indenture. Rochester Prep and Uncommon Schools maintain websites providing additional information about themselves and their operations. The information on such websites is not included as part of, or incorporated by reference in, this Limited Offering Memorandum. Certain capitalized terms used and not otherwise defined in this Limited Offering Memorandum will have the respective meanings given to them in the Indenture, Loan Agreement or Leases.

THE ISSUER

The Issuer is a not-for-profit local development corporation duly organized and existing under the Act, having an office for the transaction of business at 50 W. Main Street, Rochester, New York 14614. The Issuer has the authority and power to own, lease and sell personal and real property for the purposes of, among other things, acquiring, constructing and equipping certain projects exclusively in furtherance of the charitable or public purposes of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs, by encouraging the development of, or retention of, an industry in the community or area, and lessening the burdens of government and acting in the public interest.

The Act further authorizes the Issuer to issue its bonds and to loan the proceeds thereof for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to pledge certain revenues and receipts to secure the payment of such bonds and interest thereon.

The Issuer has no power of taxation.

The Series 2020 Bonds are special and limited obligations of the Issuer, payable solely as provided in the Indenture.

THE SERIES 2020 BONDS ARE NEITHER A GENERAL OBLIGATION OF THE ISSUER, NOR A DEBT OR INDEBTEDNESS OF MONROE COUNTY OR THE STATE OF NEW YORK AND NEITHER MONROE COUNTY NOR THE STATE OF NEW YORK WILL BE LIABLE THEREON.

THE SERIES 2020 BONDS

The following is a summary of certain provisions of the Series 2020 Bonds. Reference is made to the Series 2020 Bonds for the complete text thereof and to the Indenture for all of the provisions relating to the Series 2020 Bonds. The discussion herein is qualified by such reference.

General

The Series 2020 Bonds are to be dated as of the date of their issuance, and are to bear interest payable semiannually each June 1 and December 1, commencing on December 1, 2020, at the rates per annum, according to years of maturity, set forth on the inside front cover hereof. The Series 2020 Bonds are to mature on June 1 of the years and in the principal amounts set forth on the inside front cover hereof, and will be subject to redemption prior to maturity, including optional redemption, extraordinary redemption and mandatory redemption, as set forth under the heading “— Redemption” below.

Interest payable on any Bond Payment Date for the Series 2020 Bonds shall be payable to the Person in whose name such Bond is registered at the close of business on the Regular Record Date with respect to such Bond Payment Date (sometimes referred to herein as the “Holders”).

The Series 2020 Bonds are to be issued in the form of fully registered Bonds without coupons in the denominations of \$25,000 and any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”). In the event any Series 2020 Bond is mutilated, lost, stolen or destroyed, the Issuer shall execute, and thereafter the Trustee shall authenticate and deliver a new Bond of like series, maturity, interest rate and unpaid principal amount as the mutilated, destroyed, lost or stolen bond, in exchange for the mutilated Bond or in substitution for the Series 2020 Bond so destroyed, lost or stolen and in accordance with the provisions of the Indenture.

Book-Entry Only System

DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully registered securities without coupons in Authorized Denominations. The Series 2020 Bonds will be 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 Bond certificate will be issued for each maturity of a Series of Bonds set forth on the inside cover of this Limited Offering Memorandum, and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see “APPENDIX G – BOOK-ENTRY SYSTEM” attached hereto.

Redemption

As described below, the Series 2020 Bonds are subject to extraordinary optional and mandatory redemption prior to their stated maturities.

Optional Redemption. The Series 2020A Bonds maturing on or after June 1, 2029 are subject to redemption prior to their respective stated maturities, at the option of the Borrowers from any amounts in the Redemption Account, in whole or in part on any date on or after June 1, 2028, at a redemption price equal to 100% of the principal amount of Series 2020A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Extraordinary Optional Redemption Upon Exercise of Purchase Option. The Series 2020B Bonds maturing on or after June 1, 2029 are subject to redemption prior to their respective stated maturities, at the option of the Borrowers in connection with the exercise of the Purchase Option with respect to a Facility from any amounts in the Redemption Account, in whole or in part on any date on or after June 1, 2028, at a redemption price equal to 100% of the principal amount of Series 2020B Bonds called for redemption, plus accrued interest to the date fixed for redemption, plus an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight-line basis. See “THE LEASES – Purchase Option Under the Leases” herein.

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Series 2020 Bonds are subject to redemption prior to their Stated Maturity, at the option of the Borrowers, as a whole or in part on any date from moneys required to be transferred from the Renewal Fund to the Redemption Account at a redemption price equal to 100% of the principal amount of the Series 2020 Bonds called for redemption plus an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight-line basis.

Extraordinary Optional Construction Related Redemption. The Series 2020 Bonds are subject to redemption in part on any date prior to their stated maturities, at the option of the Borrowers, from excess funds on deposit in the Series 2020A Project Account and Series 2020B Project Account following Completion of the Project as provided in the Indenture, at a redemption price equal to 100% of the principal amount of the Series 2020 Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, plus an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight-line basis.

Extraordinary Mandatory Redemption due to Prohibited Use. The Series 2020 Bonds are subject to redemption prior to their Stated Maturity, as a whole or in part, on any date from loan prepayments made by the Borrowers in the event any Facility is used or operated in any manner that violates the provisions of the Charter School Act, at a redemption price equal to 100% of the principal amount of the Series 2020 Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, plus an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight-line basis.

Mandatory Sinking Fund Installment Redemption. The Series 2020A Bonds maturing on June 1, 2040 shall be subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on June 1 of the years and in the principal amounts set forth below:

Series 2020A Term Bonds Maturing

June 1, 2040

Sinking Fund Installment <u>Payment Date</u>	Principal <u>Amount</u>
June 1, 2030	\$230,000
June 1, 2031	435,000
June 1, 2032	455,000
June 1, 2033	480,000
June 1, 2034	505,000
June 1, 2035	525,000
June 1, 2036	555,000
June 1, 2037	580,000
June 1, 2038	610,000
June 1, 2039	640,000
June 1, 2040 [†]	675,000

[†] Maturity Date.

The Series 2020A Bonds maturing on June 1, 2050 shall be subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on June 1 of the years and in the principal amounts set forth below:

Series 2020A Term Bonds Maturing

June 1, 2050

Sinking Fund Installment <u>Payment Date</u>	Principal <u>Amount</u>
June 1, 2041	\$705,000
June 1, 2042	740,000
June 1, 2043	780,000
June 1, 2044	820,000
June 1, 2045	860,000
June 1, 2046	900,000
June 1, 2047	945,000
June 1, 2048	995,000
June 1, 2049	1,045,000
June 1, 2050 [†]	1,095,000

[†] Maturity Date.

The Series 2020A Bonds maturing on June 1, 2059 shall be subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on June 1 of the years and in the principal amounts set forth below:

Series 2020A Term Bonds Maturing

June 1, 2059

Sinking Fund Installment <u>Payment Date</u>	Principal <u>Amount</u>
June 1, 2051	\$1,150,000
June 1, 2052	1,210,000
June 1, 2053	1,270,000
June 1, 2054	1,335,000
June 1, 2055	1,400,000
June 1, 2056	1,470,000
June 1, 2057	1,545,000
June 1, 2058	1,620,000
June 1, 2059 [†]	1,700,000

[†] Maturity Date.

The Series 2020B Bonds maturing on June 1, 2030 shall be subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on June 1 of the years and in the principal amounts set forth below:

Series 2020B Term Bonds Maturing

June 1, 2030

Sinking Fund Installment <u>Payment Date</u>	Principal <u>Amount</u>
June 1, 2023	\$315,000
June 1, 2024	330,000
June 1, 2025	340,000
June 1, 2026	355,000
June 1, 2027	370,000
June 1, 2028	385,000
June 1, 2029	400,000
June 1, 2030 [†]	185,000

[†] Maturity Date.

Acceleration. Upon (i) the occurrence of certain specified Events of Default in the Indenture, the Trustee shall or (ii) upon the occurrence of certain other specified Events of Default in the Indenture, and so long as such Event of Default is continuing, the Trustee may, and upon the written request of the Majority Holders, the Trustee shall, by notice in writing delivered to the Borrower, with a copy of such notice being sent to the Issuer, declare the entire principal amount of all Series 2020 Bonds then outstanding and the interest accrued thereon to be immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Series 2020 Bonds to be immediately due and payable under the Loan Agreement and thereupon the principal of the Series 2020 Bonds then Outstanding and the interest accrued thereon shall become immediately due and payable, and interest shall continue to accrue thereon until the date of payment.

Notice of Redemption. When the Series 2020 Bonds are to be redeemed pursuant to the Indenture, the Trustee shall give notice of the redemption of the Series 2020 Bonds in the name of the Issuer and at the expense of the Borrower specifying the name of the Series, CUSIP number, Bond numbers, the date of original issue of such Series, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2020 Bonds or portions thereof to be redeemed, the redemption date, the Redemption Price, and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone

number of a contact person at the Trustee) and specifying the principal amounts of the Series 2020 Bonds or portions thereof to be payable and, if less than all of the Series 2020 Bonds of any maturity are to be redeemed, the numbers of such Bonds or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice may set forth any additional information relating to such redemption.

The Trustee, in the name and on behalf of the Issuer, (i) shall mail a copy of such notice by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption, to the registered owners of any Series 2020 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of such Series of Bonds with respect to which proper mailing was effected; and (ii) cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notice.

Payment of Redeemed Bonds. Notice having been given in the manner provided in the Indenture, the Series 2020 Bonds or portions thereof so called for redemption shall become due and payable on the redemption dates so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys for the redemption of all the Series 2020 Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, (i) interest on the Series 2020 Bonds or portions thereof so called for redemption shall cease to accrue and become payable, (ii) the Series 2020 Bonds or portions thereof so called for redemption shall cease to be entitled to any lien, benefit or security under the Indenture, and (iii) the Holders of the Series 2020 Bonds or portions thereof so called for redemption shall have no rights in respect thereof, except to receive payment of the Redemption Price together with interest accrued to the redemption date. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Partial Redemption of Bonds. If there shall be drawn for redemption less than all of a Bond, the Issuer shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Series 2020 Bond so surrendered, a Bond or Bonds of like Series and maturity in any of the authorized denominations. Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default thereunder, there shall be no redemption of less than all of the Series 2020 Bonds Outstanding.

Selection of Bonds to be Redeemed. When any redemption is made pursuant to any of the provisions of the Indenture and less than all of the Outstanding Bonds are to be redeemed, the Trustee shall select the Series 2020 Bonds to be redeemed from the Outstanding Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in such order of maturity as shall be specified in a Request of the Borrowers and the Mandatory Sinking Account Payments shall be reduced as shall be specified in a Request of the Borrowers. In no event shall Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Bonds in denominations greater than minimum Authorized Denominations, the Trustee shall assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, shall treat such amounts as separate Bonds. The Trustee shall promptly notify the Issuer and the Borrowers in writing of the numbers of the Series 2020 Bonds selected for redemption.

If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Bond or Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless,

become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Transfer and Exchange of Bonds

Each Bond shall be transferable only upon compliance with the restrictions on transfer set forth on such Bond and only upon the books of the Issuer, which shall be kept for the purpose at the designated corporate trust office of the Trustee, by the registered owner thereof in person or by his duly authorized attorney-in-fact, upon surrender of such Bond together with a written instrument of transfer in the form appearing on such Bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15. Upon the transfer of any Series 2020 Bond the Trustee shall prepare and issue in the name of the transferee one or more new Bonds of the same aggregate principal amount, related Series, maturity and interest rate as the surrendered Bond.

Any Series 2020 Bond, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer in the form appearing on such Bond, duly executed by the registered owner or his duly authorized attorney-in-fact, with a guaranty of the signature thereon by a member of the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any other Authorized Denominations. However, the Trustee will not be required to (i) transfer or exchange any Series 2020 Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Bonds to be redeemed, or (ii) transfer or exchange any Series 2020 Bonds selected, called or being called for redemption in whole or in part.

The Issuer and the Trustee may deem and treat the Person in whose name any Series 2020 Bond shall be registered as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of, Sinking Fund Installments for, and interest on such Bond and for all other purposes, and all payments made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer, the Borrower nor the Trustee shall be affected by any notice to the contrary.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Issuer or the Trustee may make a charge sufficient to reimburse it for any expenses and any tax, fee or other governmental charge required to be paid in connection therewith; any such expenses shall be paid by the Borrower but any such tax, fee or other governmental charge shall be paid by the Holder requesting such transfer or exchange.

Notwithstanding any other provision of the Indenture, the Series 2020 Bonds may not be registered in the name of, or transferred to, any person except a Qualified Institutional Buyer or an Accredited Investor, unless the Issuer and the Trustee have received an Investment Grade Notice, in which case transfers shall not be restricted to Qualified Institutional Buyer and Accredited Investors; provided however, Bonds registered in the name of Cede & Co. or its nominee shall be deemed to comply with this provision so long as each Beneficial Owner of the Series 2020 Bonds is a Qualified Institutional Buyer or Accredited Investor. Only (i) Beneficial Owners or (ii) the person(s) in whose name(s) the Initial Bonds are registered hereunder shall be treated as Holders and shall have the rights of Holders under the Indenture. See "TRANSFER RESTRICTIONS" herein.

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Loan Agreement, and any other amounts required to be rebated to the Federal government pursuant to the Tax Compliance Agreement or the Indenture, shall be paid in full, then the pledge of any loan payments, revenues or receipts from or in connection with the Project Documents or the Facilities under the Indenture and the estate and rights hereby granted, and all covenants, agreements and other obligations of the Issuer to the Series 2020 Bondholders hereunder shall thereupon cease, terminate and become void and be discharged and satisfied and the Series 2020 Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee as provided below. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee shall cancel and discharge the lien of the Indenture and of the Mortgage and execute and deliver to the Borrowers all such instruments as may be appropriate to satisfy such liens and to evidence such discharge and satisfaction, and (2) the Trustee shall pay over or deliver to the Borrowers or on its order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of the principal or Redemption Price, if applicable, Sinking Fund Installments for, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Project Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the Federal government under the Tax Compliance Agreement or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph above, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice, and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, (y) provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds of the full amount to which they would be entitled by way of principal or Redemption Price, Sinking Fund Installments, and interest and all other amounts then due under the Project Documents to the date of such maturity or redemption, and (z) provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment on such maturity or redemption date.

Prior to any defeasance becoming effective as provided in the foregoing paragraph, there shall have been delivered to the Issuer and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and (B) a verification from an independent certified public accountant or firm of independent certified public accountants (in each case reasonably satisfactory to the Issuer and the Trustee) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, Sinking Fund Installments for, interest on, and redemption premium, if any, of the Series 2020 Bonds to be defeased.

TRANSFER RESTRICTIONS

The Series 2020 Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The foregoing limitation will cease to apply (without

notice to or consent of any Bondholder) upon and after receipt by the Trustee of a rating letter by Fitch, S&P or Moody’s indicating that the Series 2020 Bonds are rated “A-” or “A3,” as applicable, or better. Pursuant to the Indenture, “Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act. Pursuant to the Indenture, “Accredited Investor” means an “accredited investor” as defined in Regulation D promulgated under the Securities Act. In addition, the face of each Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Indenture. See “CERTAIN RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Series 2020 Bonds.

	Series 2020A	Series 2020B	Equity	Total
SOURCES				
Par Amount of Bonds	\$27,275,000.00	\$2,680,000.00	--	\$29,955,000.00
Net Original Issue Premium	4,071,930.50	21,654.40	--	4,093,584.90
Equity Contribution ⁽¹⁾	--	--	<u>\$3,572,047.44</u>	<u>3,572,047.44</u>
Total	<u>\$31,346,930.50</u>	<u>\$2,701,654.40</u>	<u>\$3,572,047.44</u>	<u>\$37,620,632.34</u>
USES				
Project Costs ⁽²⁾	\$28,164,990.81	\$1,350,000.00	\$3,463,000.00	\$32,977,990.81
Capitalized Interest Account ⁽³⁾	970,591.81	95,368.87	--	1,065,960.68
Reserve Fund ⁽⁴⁾	1,364,150.00	424,600.00	--	1,788,750.00
Costs of Issuance ⁽⁵⁾	<u>847,197.88</u>	<u>831,685.53</u>	<u>109,047.44</u>	<u>1,787,930.85</u>
Total	<u>\$31,346,930.50</u>	<u>\$2,701,654.40</u>	<u>\$3,572,047.44</u>	<u>\$37,620,632.34</u>

⁽¹⁾ \$3.5 million of donor-restricted equity to be contributed toward the Mark Street Project (i.e. high school), and \$72,047 of equity contributed by the Foundation.

⁽²⁾ See “THE PROJECT” herein.

⁽³⁾ Represents capitalized interest through August 1, 2021 on a portion of the Series 2020A Bonds related to the Mark Street Project.

⁽⁴⁾ Initially sized at maximum annual debt service on the Series 2020 Bonds.

⁽⁵⁾ Includes Issuer Fees, Bond Counsel fees, Underwriter’s Discount, Underwriter’s Counsel fees, Trustee and Trustee’s Counsel fees, Borrowers’ Counsel fees, fees of the Borrowers’ financial consultants, title insurance premium, printing costs and other miscellaneous costs associated with the issuance of the Series 2020 Bonds.

THE PROJECT

The net proceeds of the Series 2020 Bonds will be used to (i) finance or refinance the acquisition, construction, renovation, equipping and modernization costs of the Facilities (collectively, the “Project”), (ii) finance capitalized interest through August 1, 2021 on a portion of the Series 2020 Bonds related to the Mark Street Project; (iii) finance a deposit to the Reserve Fund (initially sized at maximum annual debt service on the Series 2020 Bonds); and (iv) pay certain expenses incurred in connection with the issuance of the Series 2020 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” above.

Rochester Prep currently operates six schools, including five schools across the Ames Street Facility, Andrews Street Facility, Chili Avenue Facility and St. Jacob Street Facility. The aggregate current enrollment of programs at the existing Facilities is 2,396 for the 2019-20 school year. For additional information regarding Rochester Prep, the Schools and their programs, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.” attached hereto.

The following table presents a summary of the components of the Project.

SUMMARY OF THE PROJECT

Project	Location of Facility	Description of Project	Cost	Use of Facility
Ames Street Project	899 Jay Street, Rochester, New York	Refinancing of Ames LIIF Loan	\$2,553,540.90	Operation of Rochester Prep Elementary School, currently serving 460 students in kindergarten through grade 4
Andrews Street Project	305 Andrews Street, Rochester, New York	Refinancing of a portion of the Andrews Line of Credit	\$3,048,895.61	<i>Current:</i> Operation of Rochester Prep High School, currently serving 401 students in grades 9-12 <i>Upon completion of Mark Street Project:</i> Operation of Rochester Prep West Campus Elementary School, currently serving 459 students in kindergarten through grade 4 at the St. Jacob Street Project
Chili Avenue Project	432 Chili Avenue, Rochester, New York	Refinancing of Chili LIIF Loan	\$1,992,554.30	Operation of Rochester Prep Middle School – West Campus, currently serving 356 students in grades 5-8
Mark Street Project	14 Mark Street, Rochester, New York	Refinancing of Mark Street Line of Credit; Construction of approximately 35,000 square foot addition, and other improvements and renovations to, the Mark Street Facility	\$24,033,000.00	<i>Upon completion of Mark Street Project:</i> Operate Rochester Prep High School, with a projected enrollment of 509 students in grades 9-12 in the 2021-22 school year; growing to serve approximately 823 students in grades 9-12 by the 2028-29 school year ⁽¹⁾
St. Jacob Street Project	85 St. Jacob Street, Rochester, New York	Refinancing of St. Jacob Line of Credit	\$1,350,000.00	Operation of Rochester Prep Elementary School 3, currently serving 360 students in kindergarten through grade 3 ⁽²⁾ . Additionally, Rochester Prep Middle School 3 will open in fall 2021 with a projected enrollment of 90 students in grade 5 in the 2021-22 school year ⁽³⁾
Total Project Cost:			\$32,977,990.81	

⁽¹⁾ Rochester Prep High School is expected to continue to grow based on the organic growth of incoming 9th grade students from the two existing middle schools and the third middle school (i.e. Rochester Prep Middle School 3) which will open with grade 5 in 2021-22 and grow to serve grades 5-8 by 2024-25.

⁽²⁾ Expected to expand to serve 450 students in kindergarten through grade 4 in the 2020-21 school year.

⁽³⁾ Expected to expand by one grade each year, until serving 350 students in grades 5 through 8 in the 2024-25 school year.

Source: *The Borrowers*.

General

The Project comprises expansion of and improvements to the Mark Street Facility and the refinancing of the (i) Ames LIIF Loan, (ii) Andrews Line of Credit, (iii) Chili LIIF Loan, (iv) Mark Street Line of Credit and (v) St. Jacob Line of Credit (all as defined herein).

Ames Street Project

General. Rochester Prep currently operates Rochester Prep Elementary School, serving 459 students in kindergarten through grade 4 in the 2019-20 school year, at a charter school facility located at 899 Jay Street in Rochester, New York (as further described herein, the “Ames Street Facility”). The Ames Street Facility is owned by Ames Street LLC and situated on a 1.42 acre site bounded by Jay Street to the north, Lorenzo Street to the south, residential properties to the west and a church to the east.

Pursuant to that certain Loan Agreement, dated as of August 28, 2015, by and between Ames Street LLC and Low Income Investment Fund (“LIIF”), Ames Street LLC obtained a loan in the amount of \$2,790,000 (the “Ames LIIF Loan”), of which \$2,553,541 is currently outstanding. Proceeds of the Ames LIIF Loan were used by Ames Street LLC to (i) refinance a prior loan from LIIF with an outstanding balance of \$1,090,359.52 used to acquire and renovate the Ames Street Facility in 2010 and (ii) make an equity contribution of \$1,554,697.90 to Chili LLC for facility renovations.

Rochester Prep operates at the Ames Street Facility pursuant to a Lease Agreement, dated as of February 18, 2016 (the “Original Ames Street Lease”), by and between Ames Street LLC and Rochester Prep. In connection with the issuance of the Series 2020 Bonds, the Original Ames Street Lease will be amended and restated as that certain Amended and Restated Lease Agreement, dated as of July 1, 2020 (the “Ames Street

Lease”). See “THE LEASES” herein. Rochester Prep expects to continue operating Rochester Prep Elementary School at the Ames Street Facility pursuant to the Ames Street Lease, with an enrollment of approximately 450 students in kindergarten through grade 4, which is considered full enrollment for this school. The Ames Street Facility has a maximum capacity of 500 students.

Refinancing of Ames LIIF Loan. A portion of the net proceeds of the Series 2020 Bonds will be used to pay the outstanding amount of the Ames LIIF Loan, together with interest accrued to the date of such payment and any fees or expenses due thereunder.

Site Layout and Construction. The Ames Street Facility consists of an approximately 50,928 square foot two-story school building constructed in 1906, a vacant convent building containing 9,344 square feet constructed in 1891, and a surface parking lot. The Ames Street Facility includes administrative offices, classrooms, a gymnasium/auditorium, and a four-lane bowling alley in the basement. The school building has a brick/masonry exterior on concrete foundation and stone foundation walls. Interior finishes include drywall, sheetrock and concrete walls, and wood, carpet, tile and sealed concrete flooring.



Building Façade



Hallway



Typical Classroom



Gymnasium

Andrews Street Project

General. Rochester Prep currently operates Rochester Prep High School, serving 404 students in grades 9-12 in the 2019-20 school year, at a charter school facility located at 305 Andrews Street in Rochester, New York (as further described herein, the “Andrews Street Facility”). The Andrews Street Facility is owned

by Andrews Street LLC and situated on a 1.27 acre site bounded by Andrews Street to the north, Pleasant Street and a park to the south, and commercial properties to the east and west.

Pursuant to that certain Line of Credit Agreement, dated as of July 1, 2016, by and between Andrews Street LLC and Uncommon Schools, Andrews Street LLC obtained a loan in an amount up to \$6,900,000 (the “Andrews Line of Credit”), of which approximately \$6,441,000 is currently outstanding. Proceeds of the Andrews Line of Credit were used by Andrews Street LLC to (i) refinance a prior loan from LIIF used to acquire the Andrews Street Facility in September 2016 and (ii) complete renovations to the Andrews Street Facility.

Rochester Prep operates at the Andrews Street Facility pursuant to a Lease Agreement, dated as of July 1, 2016, as amended by a First Amendment to Lease, dated as of July 1, 2017, a Second Amendment to Lease, dated as of August 24, 2018 and a Third Amendment to Lease to be executed before June 30, 2020 (as amended, the “Original Andrews Street Lease”), by and between Andrews Street LLC and Rochester Prep. In connection with the issuance of the Series 2020 Bonds, the Original Andrews Street Lease will be amended and restated as that certain Amended and Restated Lease Agreement, dated as of July 1, 2020 (the “Andrews Street Lease”). See “THE LEASES” herein.

Rochester Prep Schools Operating in the Andrews Street Facility. Upon being acquired in September 2016, renovations were completed and Rochester Prep High School operations moved to the Andrews Street Facility in fall 2019. In 2019-20, Rochester Prep High School served 401 students in grades 9-12. For the 2020-21 school year, Rochester Prep expects to continue operating Rochester Prep High School at the Andrews Street Facility pursuant to the Andrews Street Lease. During 2020-21, a new high school facility at 14 Mark Street in Rochester, New York will be developed, which includes the renovation of an existing school building acquired in 2019 and the construction of a new 32,836 square foot addition that will include a cafeteria, gymnasium/auditorium, and classrooms known as the Mark Street Project (see “— Mark Street Project” herein).

Once the Mark Street Project is complete, Rochester Prep High School will move to the new facility for the 2021-22 school year. Rochester Prep expects to relocate Rochester Prep West Campus Elementary School at the Andrews Street Facility beginning in fall 2021. The Andrews Street Facility has a maximum capacity of 500 students.

Refinancing of Andrews Line of Credit. A portion of the net proceeds of the Series 2020 Bonds will be used to pay approximately \$3,055,000 of the outstanding Andrews Line of Credit, together with interest accrued to the date of such payment and any fees or expenses due thereunder. The remainder of the Andrews Line of Credit will be repaid with funds from a tenant contribution from Rochester Prep prior to the issuance of the Series 2020 Bonds.

Site Layout and Construction. The Andrews Street Facility consists of an approximately 39,124 square foot, six-story school building constructed in 1958 and a surface parking lot. The school building has a brick/masonry exterior on concrete foundation and stone foundation walls. Interior finishes include drywall, sheetrock and concrete walls, and wood, carpet, tile and sealed concrete flooring. The Andrews Street Facility includes administrative offices, classrooms and a gymnasium/auditorium.



Building Facade



Hallway



Typical Classroom



Gymnasium/Auditorium

Chili Avenue Project

General. Rochester Prep currently operates Rochester Prep Middle School-West Campus, serving 357 students in grades 5-8 in the 2019-20 school year, at a charter school facility located at 432 Chili Avenue in Rochester, New York (as further described herein, the “Chili Avenue Facility”). The Chili Avenue Facility is owned by Chili Avenue LLC and situated on a 1.42 acre site bounded by Chili Avenue to the south, Hobart Street to the west, Lozier Street to the east, and residential properties to the north.

Pursuant to that certain Loan Agreement, dated as of August 28, 2015, by and between Chili Avenue LLC and LIIF, Chili Avenue LLC obtained a loan in the amount of \$2,160,000 (the “Chili LIIF Loan”), of which \$1,992,554 is currently outstanding. Proceeds of the Chili LIIF Loan were used by Chili Avenue LLC, along with equity from Ames Street LLC and proceeds of an additional loan from the Gleason Family Foundation (the “Gleason Loan”), to acquire the Chili Avenue Facility in August 2015 and to renovate and improve the Chili Avenue Facility. The Gleason Loan has since been forgiven.

Rochester Prep operates at the Chili Avenue Facility pursuant to a Lease Agreement, dated as of February 18, 2016 (the “Original Chili Avenue Lease”), by and between Chili Avenue LLC and Rochester Prep. In connection with the issuance of the Series 2020 Bonds, the Original Chili Avenue Lease will be amended and restated as that certain Amended and Restated Lease Agreement, dated as of July 1, 2020 (the “Chili Avenue Lease”). See “THE LEASES” herein. Rochester Prep expects to continue operating Rochester

Prep Middle School-West Campus at the Chili Avenue Facility pursuant to the Chili Avenue Lease, with an approximate enrollment of 357 students in grades 5-8 which is considered full enrollment for this school.

The Chili Avenue Facility has an operational capacity of 400 students, however it is currently operating pursuant to a Certificate of Occupancy from the City of Rochester limiting its capacity to 335 students. Chili Avenue LLC will seek an amendment to the Special Use Permit relating to the Chili Avenue Facility to increase its capacity under its Certificate of Occupancy. See “CERTAIN RISK FACTORS – Limitation on Occupancy at Certain Facilities – Chili Avenue Facility” herein.

Refinancing of Chili LIIF Loan. A portion of the net proceeds of the Series 2020 Bonds will be used to pay the outstanding amount of the Chili LIIF Loan, together with interest accrued to the date of such payment and any fees or expenses due thereunder.

Site Layout and Construction. The Chili Avenue Facility consists of an approximately 31,617 square foot, three-story school building constructed in 1940, consisting of a two- and three-story school building and a one-story annex addition, and a surface parking lot. The school building has a brick/masonry exterior on concrete foundation and stone foundation walls. Interior finishes include drywall, abuse resistant at corridors and stairs, on wood and/or metal stud, along with sheetrock and/or concrete walls, and wood, carpet, tile and sealed concrete flooring.



Building Façade



Recreational/Library Room



Gymnasium



Typical Classroom



General Interior



Typical Hallway

St. Jacob Street Project

General. Rochester Prep currently operates two co-located elementary schools at a charter school facility located at 85 St. Jacob Street in Rochester New York (as further described herein, the “St. Jacob Street Facility”): (i) Rochester Prep Elementary School 3, serving 360 students in kindergarten through grade 3 in the 2019-20 school year, and (ii) Rochester Prep West Campus Elementary School, serving 459 students in kindergarten through grade 4 in the 2019-20 school year. The Rochester Prep West Campus Elementary School is considered at full enrollment for the 2019-20 school year with 459 students. The Rochester Prep Elementary School 3 was at approximately 78% of full enrollment serving 360 students in kindergarten through grade 3 for the 2019-20 school year; for the 2020-21 school year, the school is expected to reach full enrollment of 450 students in kindergarten through grade 4.

The St. Jacob Street Facility is owned by St. Jacob Street LLC and situated on a 2.12 acre site bounded by St. Jacob Street to the north, Bernard Street to the south, residential properties to the west and Carter Street to the east.

Pursuant to that certain Line of Credit Agreement, dated as of December 1, 2018, by and between St. Jacob Street LLC and Uncommon Schools, St. Jacob Street LLC obtained a loan in the amount of up to \$1,350,000 (the “St. Jacob Line of Credit”), of which \$1,350,000 is currently outstanding. Proceeds of the St. Jacob Line of Credit were used by St. Jacob Street LLC to (1) repay a \$1,350,000 loan from LIIF used to repay an outstanding line of credit that St. Jacob Street LLC used to acquire the St. Jacob Street Facility in May 2016.

Rochester Prep operates at the St. Jacob Street Facility pursuant to a Lease Agreement, dated as of July 1, 2016, as amended by a First Amendment to Lease, dated as of June 1, 2017, and a Second Amendment to Lease, dated as of August 24, 2018 (as amended, the “Original St. Jacob Street Lease”), by and between St. Jacob Street LLC and Rochester Prep. In connection with the issuance of the Series 2020 Bonds, the Original St. Jacob Street Lease will be amended and restated as that certain Amended and Restated Lease Agreement, dated as of July 1, 2020 (the “St. Jacob Street Lease”). See “THE LEASES” herein. Rochester Prep expects to continue operating Rochester Prep West Campus Elementary School and Rochester Prep Elementary School 3, each with an approximate enrollment of 450 students in kindergarten through grade 4 in the 2020-21 school year until completion of the Mark Street Project (see “— Mark Street Project” herein).

Rochester Prep Schools Operating in the St. Jacob Street Facility. Rochester Prep expects to relocate Rochester Prep West Campus Elementary School from the St. Jacob Street Facility to the Andrews Street Facility beginning in fall 2021.

Rochester Prep expects to open a new middle school (Rochester Prep Middle School 3) at the St. Jacob Street Facility beginning in fall 2021. Rochester Prep Middle School 3 will open in 2021-22 with 90 students serving 5th grade alone. Over the next several years, Rochester Prep Middle School 3 will add one grade per year until it reaches projected full enrollment of 357 students serving grades 5-8 by the 2024-25 school year. Starting in the 2021-22 school year, Rochester Prep expects to operate both Rochester Prep Elementary School 3 and Rochester Prep Middle School 3 in the St. Jacob Street Facility with a projected combined enrollment of 540 students in grades K-5. At full enrollment, these schools will serve 807 students in grades K-8.

Certificate of Occupancy. Rochester Prep currently occupies the St. Jacob Street LLC subject to a Certificate of Occupancy issued by the City of Rochester on August 16, 2016 (the “St. Jacob Street Certificate”). The St. Jacob Street Certificate limits the St. Jacob Street Facility to an occupancy of 490 students in kindergarten through grade four.

Rochester Prep has operated at an enrollment in excess of 490 for the past three school years and has received annual sign-off on occupancy by the City of Rochester fire marshal in each year. Additionally, Uncommon has received a building code evaluation from Edge Architecture, PLLC, determining a building capacity of 1,350 occupants.

St. Jacob Street LLC is currently in the process of seeking a Special Use Permit from the City of Rochester to expand the permitted use of the St. Jacob Street Facility to an enrollment of at least 900 students in kindergarten through grade 8. In preparation for updating its existing Special Use Permit, St. Jacob Street LLC has engaged an engineer to complete a traffic study, however such study has not been able to be performed yet due to the ongoing closure of school facilities as a result of the outbreak of COVID-19. Once the traffic study is able to be undertaken and the report is completed, St. Jacob Street LLC expects to proceed to requesting an increase of its occupational capacity.

There can be no assurance that the traffic study will not require changes to Rochester Prep’s operations or changes to the Facility, or that the City of Rochester will approve any request to increase the Facility’s operational capacity. Further, there can be no assurance that the City of Rochester will continue its ongoing practice of not enforcing the existing limitation on building capacity. If an increased occupancy were not approved by the City of Rochester, or the allowable grade range of students changed to allow for students in grades 5-8, Rochester Prep may have to make various operational changes to house Rochester Prep Middle School 3 beginning in the 2021-22 school year.

See “CERTAIN RISK FACTORS – Limitation on Occupancy at St. Jacob Street Facility” herein.

Refinancing of St. Jacob Line of Credit. A portion of the net proceeds of the Series 2020 Bonds will be used to pay the outstanding amount of the St. Jacob Line of Credit, together with interest accrued to the date of such payment and any fees or expenses due thereunder.

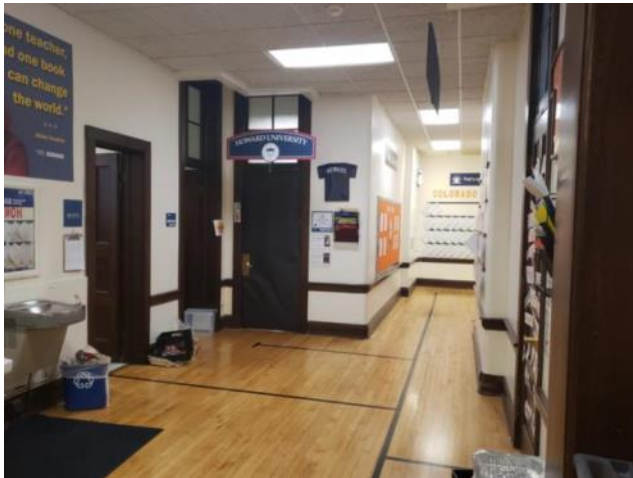
Site Layout and Construction. The St. Jacob Street Facility consists of an approximately 57,346 square foot two-story school building constructed in 1898. The school building has a brick/masonry exterior on concrete foundation and stone foundation walls. Interior finishes include drywall, abuse resistant at corridors and stairs, on wood and/or metal stud, along with sheetrock and/or concrete walls, and wood, carpet, tile and sealed concrete flooring.



Building Façade



Gymnasium



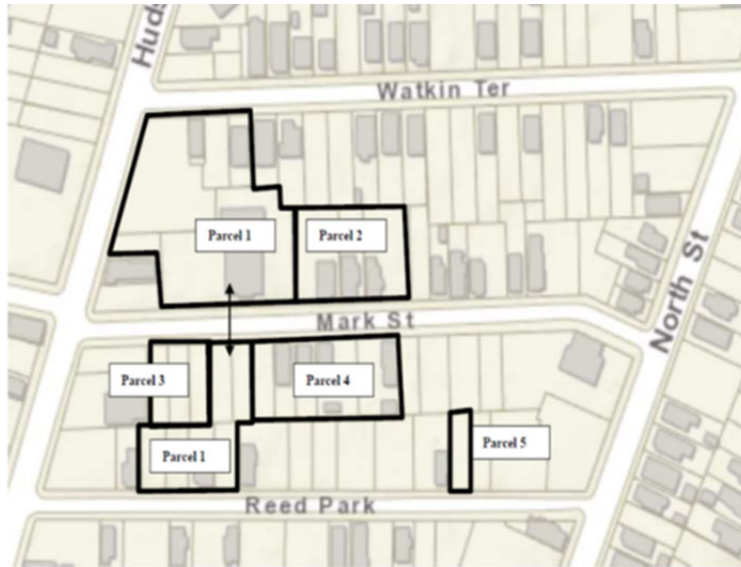
General Interior



Typical Classroom

Mark Street Project

General. In 2019 and 2020, Mark Street LLC used proceeds of the Mark Street Line of Credit to acquire four parcels of land (shown as Parcels 1-4 in the map below) within a two-block area bounded by Hudson Avenue to the west, Watkin Terrace to the north, North Street to the east and Reed Park to the south, in Rochester, New York. The acquired parcels, as shown on the map below, as improved and described further below, comprise the “Mark Street Facility.” The Mark Street Facility comprises approximately 3.18 acres of land, and is currently improved with 52,286 total square feet of building area. The aggregate purchase price of the parcels comprising the Mark Street Facility was \$5,520,988.



Mark Street Facility

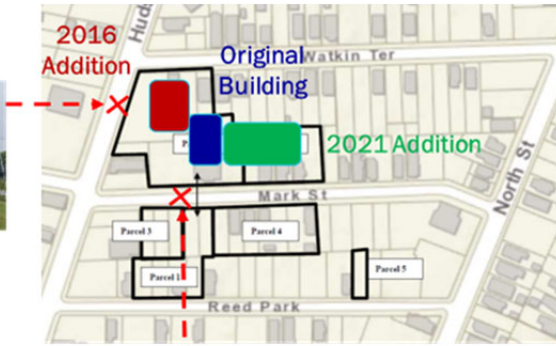
An additional parcel located to the east (shown as Parcel 5 in the map above, the “38 Reed Park Parcel”), and within the same block as the Mark Street Facility (south of Mark Street, and to the west of North Street), is owned by True North Rochester Mark & Reed Park, LLC (“Mark & Reed Park LLC”), an affiliate of Mark Street LLC. The 38 Reed Park Parcel is not included in the Mark Street Facility. The 38 Reed Park Parcel is expected to be improved in the future as an athletic field, for future use by Rochester Prep. Mark & Reed Park LLC is not a Borrower and has no obligations under the Loan Agreement, and the improvement of such parcel is not being financed with proceeds of the Series 2020 Bonds and is not being leased to Rochester Prep pursuant to the Mark Street Lease (as defined below) or any other Lease (as defined in the Indenture).

The “Mark Street Project” includes the refinancing of the Mark Street Line of Credit and the construction, improvement, furnishing and equipping of an addition thereon (as discussed further below).

Existing Site Layout and Construction. As currently improved, the Mark Street Facility improvements consists of a school building on multiple, adjacent tax lots, as a well as a noncontiguous parking lot. The school building includes a 3-level, recently renovated former church building and an attached, recently completed, 3-story addition, for a total of 56,739 square feet. The existing improvements were completed in phases with the church to school renovation completed in 2015 and the addition completed in 2016. The Mark Street Facility was originally used for PUC (Partnership to Uplift Communities) Achieve Charter School which then converted into an independent charter school formerly known as ROC Achieve Charter School which decided to close as of the end of June 30, 2019 based on academic underperformance.



View from Hudson Street



Street views of existing improvements, and overview of existing and planned improvements



Hallway (Former Church)



Typical Classroom (Former Church)



Hallway (Addition)



Typical Classroom (Addition)

Parking Lot Parcel. Two of the lots comprising a portion of the Mark Street Facility (shown as Parcel 3 on the map above) and identified as Tax ID Sec. 106.41 Block 2 Lots 51 and 52 (collectively, the “Tax Foreclosure Lots”) were acquired by Mark Street LLC from the City of Rochester following the foreclosure of tax liens by the City of Rochester. In accordance with New York Real Property Tax Law, the City of Rochester’s delivery of deeds for the Tax Foreclosure Lots constitutes presumptive evidence that the tax foreclosure proceedings were regular and in accordance with all provisions of law relating thereto. Despite that presumption, the New York Real Property Tax Law affords tax foreclosure proceeding defendants a right to challenge the validity of the proceedings for a period of two years following the delivery of such deeds.

The deeds for the Tax Foreclosure Lots were recorded on February 5, 2019. Accordingly, the ALTA lender’s policy of title insurance delivered by the Borrowers in connection with the issuance of the Series 2020 Bonds will not cover any loss, costs or damages arising from claims made against the validity of the tax foreclosure proceeding or prior to February 5, 2021. See “CERTAIN RISK FACTORS – Risks of Real Estate Investment – Tax Foreclosure Lots” herein.

Refinancing of Mark Street Line of Credit. A portion of the net proceeds of the Series 2020 Bonds will be used to pay the outstanding amount of the Mark Street Line of Credit, together with interest accrued to the date of such payment and any fees or expenses due thereunder. See “— Construction and Improvement of the Mark Street Facility; Release of Bond Proceeds” below.

Construction and Improvement of the Mark Street Facility; Release of Bond Proceeds. A portion of the proceeds of the Series 2020 Bonds will be used to finance the construction, improvement, furnishing and equipping of an addition to the Mark Street Facility (the “Addition”) as well as renovations to the existing facility. The Addition will consist of 32,836 square feet, comprising a cafeteria, auditorium, gymnasium, classrooms, outdoor recreational space and an entrance with modern security.



Rendering of South Elevation of Mark Street Facility



First Floor Plan



Gymnasium Rendering



Commons Rendering

Project Zoning and Permitting. Mark Street LLC received approval from the City of Rochester Zoning Board of Appeals on June 18, 2020 for the development of the Mark Street Project. No further discretionary approvals are required from the City of Rochester. Mark Street LLC expects to receive a construction permit in July 2020.

Project Budget and Construction Agreement. The total Mark Street Project budget is estimated to be approximately \$23,989,871. This includes the repayment of the Mark Street Line of Credit and all the development and construction costs related to the Addition and renovation work as described above. In addition to proceeds of the Series 2020 Bonds, construction of the Mark Street Project will be partially financed with an equity contribution of approximately \$3.5 million from Mark Street LLC or the Foundation.

Mark Street LLC expects to enter into a guaranteed maximum price contract in July 2020 with Russell P. LeFrois Builder, Inc. in an amount of approximately \$13,724,276 for construction of the Facility (the “GMP Contract”), which is expected to begin in July 2020. See “CERTAIN RISK FACTORS – Construction Risks” herein. The GMP Contract will include payment and performance bonds.

A detailed breakdown of the costs is shown in the table below.

PROJECT BUDGET

Cost Category	Total
Acquisition costs (Mark Street Line of Credit)	\$5,639,870.92
Soft costs	2,042,614.00
Construction	13,724,276.00
Contingency & Other	2,583,110.00
Total Project Budget	\$23,989,870.92

Project Timeline. The following table indicates the anticipated construction timeline for the Mark Street Project.

CURRENT DEVELOPMENT & CONSTRUCTION TIMELINE

<i>Milestone Event</i>	<i>Date</i>
Zoning Appeals Board Approval	June 18, 2020
Receive Construction Permit	July 2020
Sign GMP Contract	July 2020
Begin Construction	July 2020
Complete Renovation	June 2021
Furnishing and Equipping	July 2021
Partial Occupancy by Rochester Prep	July 2021
Complete Construction of Addition	January 2022

Rochester Prep expects to continue operating Rochester Prep High School at the Andrews Street Facility for the remainder of the 2019-20 and the 2020-21 school year. Rochester Prep High School is expected to occupy the majority of the Mark Street Facility in July 2021, with the Addition being completed in January 2022.

Currently, the construction of public school facilities is exempted from the current stay-at-home orders in effect in New York State and Monroe County related to the ongoing outbreak of COVID-19 (as defined herein). There can be no assurance that existing public health orders will not be revised or new orders issued that would have the effect of interrupting or delaying construction on the Mark Street Facility. See “CERTAIN RISK FACTORS – Construction Risks” and “— Infectious Disease Outbreak; COVID-19” herein.

Rochester Prep will lease the Mark Street Facility pursuant to a Lease Agreement, dated as of July 1, 2020, by and between Mark Street LLC and Rochester Prep (the “Mark Street Lease”). See “THE LEASES” herein. Upon completion of the Mark Street Project, Rochester Prep will relocate Rochester Prep High School from the Andrews Street Facility to the Mark Street Facility. See “CERTAIN RISK FACTORS – Construction Risks” herein. At full enrollment, Rochester Prep expects to enroll 823 students in grades 9-12 at the Mark Street Facility by the 2028-29 school year.

Appraisals

General. BBG, Inc. (the “Appraiser”), appraised the site and the buildings comprising the Ames Street Facility. In that connection, the Appraiser prepared an as-is market value of Ames Street LLC’s fee simple interest in the Ames Street Facility, with an effective date of February 10, 2020 (the “Ames Street Appraisal”).

The Appraiser appraised the site and the buildings comprising the Andrews Street Facility. In that connection, the Appraiser prepared an as-is market value of Andrews Street LLC’s fee simple interest in the Andrews Street Facility, with an effective date of February 10, 2020 (the “Andrews Street Appraisal”).

The Appraiser appraised the site and the buildings comprising the Chili Avenue Facility. In that connection, the Appraiser prepared an as-is market value of Chili Avenue LLC’s fee simple interest in the Chili Avenue Facility, with an effective date of February 10, 2020 (the “Chili Avenue Appraisal”).

The Appraiser appraised the site and the buildings comprising the St. Jacob Street Facility. In that connection, the Appraiser prepared an as-is market value of St. Jacob Street LLC’s fee simple interest in the St. Jacob Street Facility, with an effective date of February 10, 2020 (the “St. Jacob Street Appraisal”).

The Appraiser appraised the site and the proposed improvements comprising the Mark Street Facility. In that connection, the Appraiser prepared (i) an as-is market value of Mark Street LLC’s fee simple interest in the Mark Street Facility, with an effective date of February 10, 2020; and (ii) a prospective as-completed market value of Mark Street LLC’s fee simple interest in the Mark Street Facility upon completion of the Mark Street Project, as described to the Appraiser, with an effective date of September 1, 2021 (collectively, the “Mark Street Appraisal” and, together with the Ames Street Appraisal, the Andrews Street Appraisal, the Chili Avenue Appraisal and the St. Jacob Street Appraisal, the “Appraisals”). See “THE PROJECT – Mark Street Project” herein.

Appraisal Methods. Each of the Ames Street Appraisal, the Andrews Street Appraisal, the Chili Avenue Appraisal and the St. Jacob Street Appraisal employed two different approaches: (i) the income capitalization approach, in which a property's capacity to generate future benefits is analyzed, and the forecasted income is capitalized into an indication of present value; and (ii) the sales comparison approach, which is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised.

Additionally, the Mark Street Appraisal employed a third approach: the cost approach, which is based on the current cost to replace the asset as of the effective date of appraisal.

Appraisal Amounts. The following table summarizes the appraised values of Facilities.

**THE FACILITIES
Appraised Value Summary**

<i>Facility</i>	<i>Borrower</i>	<i>Appraised Value</i>	<i>Date of Value</i>
Ames Street Facility	Ames Street LLC	\$6,700,000	2/10/2020
Andrews Street Facility	Andrews Street LLC	5,900,000	2/10/2020
Chili Avenue Facility	Chili Avenue LLC	4,350,000	2/10/2020
St. Jacob Street Facility	St. Jacob Street LLC	6,100,000	2/10/2020
Mark Street Facility	Mark Street LLC		
As-Is		9,350,000	2/10/2020
At completion of Mark Street Project ⁽¹⁾		25,350,000	9/1/2021
Total Appraised Value⁽²⁾		\$48,400,000	

⁽¹⁾ Based on the prospective market value of the site and buildings comprising the Mark Street Facility as proposed to be built at completion. See “— Mark Street Facility” herein.

⁽²⁾ Total Appraised Value includes the prospective “as-completed” market value of the Mark Street Facility.

Source: *The Borrower*.

The total appraised value of the Facilities of \$48,400,000 is equal to approximately 162% of the aggregate par amount of the Series 2020 Bonds of \$29,955,000. See “CERTAIN RISK FACTORS – Limitations of Appraisals” herein.

Limitations. The summaries of the Appraisals contained in this section is not meant to be exhaustive, and reference should be made to such report for a complete recital of its terms. Complete copies of the Appraisals are available upon request from the Underwriter. The Appraisals were prepared for use by the Foundation, the Issuer, the Underwriter and the Trustee, and the Appraisals state that the intended use of the Appraisals is for asset valuation to be used in a publicly-offered bond financing. The values of the Facilities as estimated in the Appraisals represent only the opinion of the Appraiser, and only as of the effective dates. The Appraiser has not been engaged to update or revise the estimates contained in the Appraisals since their effective dates. See “CERTAIN RISK FACTORS – Limitations of Appraisals” herein.

Environmental Inspections

Ames Street Project. Ravi Engineering & Land Surveying, P.C. (“Ravi”) performed a Phase I Environmental Site Assessment for the Ames Street Facility in connection with the Ames LIIF Loan. In that connection, Ravi prepared a report dated June 23, 2015 (the “Ames Phase I Report”). The Ames Phase I Report states its purpose was to perform an “All Appropriate Inquiry” into the previous ownership and uses of the property in such a manner to be consistent with good commercial and customary practices. The Phase I ESA is performed to characterize the site with respect to recognized environmental conditions (“RECs”) in connection with the property, including the range of contaminants within the scope of Comprehensive Environmental Response, Compensation and Liability Act, and petroleum products. The Ames Phase I Report defines RECs as the presence or likely presence of hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property, even under conditions that are in compliance with the laws.

Ravi’s scope of work included a review of the following sources of information: a review of permits, reports and other records; historical maps and aerial photographs which may reflect prior uses of the subject property and which are reasonably obtainable through state or local government agencies; reasonably obtainable federal, state and local government records of: listed hazardous/solid waste sites, spill reports, underground and bulk storage tank facilities, hazardous waste treatment, storage and disposal handler and generator records and recorded environmental complaints as provided by EDR; a visual site inspection (reconnaissance) of the subject property and all facilities and improvements on the subject property; cursory visual inspection of the subject property, facilities and improvements for suspect asbestos-containing material and lead-based paint, if applicable; and to augment that information, a Freedom of Information Law request was sent to the New York State Department of Environmental Conservation (“NYSDEC”) and the City of Rochester (the “City”) for information relative to the Site.

The Ames Phase I Report revealed no evidence of RECs in connection with the site except for the following:

- Twelve (12) historic dry cleaners fall within a 0.3 mile radius of the site (defined as the search distance for a potential vapor encroachment condition (“pVEC”).

The Ames Phase I Report recommended that, as the classrooms in the subject building are on the first and second floor, and the basement is unfinished storage space and the boiler room, pVECS do not appear to be of concern. However, if pVECS are of concern, Ravi recommended that air samples be collected for laboratory analysis. Additional air samples have not been conducted at the Ames Street Facility. Rochester Prep has occupied the Ames Street Facility continually since acquisition of the Ames Street Facility by Ames Street LLC in 2010.

The Ames Phase I Report speaks only as of its date, and Ravi has not been asked to perform any additional assessments since the time of the assessments described in the Ames Phase I Report. The Ames Phase I Report is subject to a number of limitations and disclaimers, and may only be relied upon by Low Income Investment Fund; neither Ames Street LLC nor Rochester Prep nor the Trustee may rely on the Ames Phase I Report. Potential investors may refer to the complete Ames Phase I Report for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the Ames Phase I Report are available upon request from the Underwriter. Costs incurred by Ames Street LLC or Rochester Prep with respect to environmental remediation or liability could adversely affect their respective financial conditions. See “RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgage” herein.

Andrews Street Project. Ravi performed a Phase I Environmental Site Assessment for the Andrews Street Facility in connection with a prior loan provided by LIIF. In that connection, Ravi prepared a report

dated November 24, 2015 (the “Andrews Phase I Report”). The Andrews Phase I Report states its purpose was to perform an “All Appropriate Inquiry” into the previous ownership and uses of the property in such a manner to be consistent with good commercial and customary practices. The Phase I ESA is performed to characterize the site with respect to RECs in connection with the property, including the range of contaminants within the scope of Comprehensive Environmental Response, Compensation and Liability Act, and petroleum products. The Andrews Phase I Report defines RECs as the presence or likely presence of hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property, even under conditions that are in compliance with the laws.

Ravi’s scope of work included a review of the following sources of information: a review of permits, reports and other records; historical maps and aerial photographs which may reflect prior uses of the subject property and which are reasonably obtainable through state or local government agencies; reasonably obtainable federal, state and local government records of: listed hazardous/solid waste sites, spill reports, underground and bulk storage tank facilities, hazardous waste treatment, storage and disposal handler and generator records and recorded environmental complaints as provided by EDR; a visual site inspection (reconnaissance) of the subject property and all facilities and improvements on the subject property; cursory visual inspection of the subject property, facilities and improvements for suspect asbestos-containing material and lead-based paint, if applicable; and to augment that information, a Freedom of Information Law request was sent to NYSDEC and the City for information relative to the Site. FOIL responses had not yet been received when the Andrews Phase I Report was prepared.

The Andrews Phase I Report revealed no evidence of RECs in connection with the site except for the following:

- A underground storage tank (“UST”) used for heating oil is present beneath a concrete pad in the lawn at the southwest corner of the building. According to the New York State Office of General Services, State University of New York (“SUNY”) installed the 2,500-gallon UST to serve their new dual fuel boilers in 2005. However, since that time, the boilers have been fired with natural gas; the UST has reportedly not been used. Based on information provided by NYSDEC, the tank was not registered by SUNY Brockport.
- Although non-scope issues, Fisher Associates identified asbestos containing materials (“ACM”), lead-based paint (“LBP”), and polychlorinated biphenyls (“PCBs”) in building materials or components during a previous evaluation.

The Andrews Phase I Report provided the following recommendations:

- Tightness testing the heating oil UST to confirm tank integrity.
- Assuming that the UST passes the tightness test, it should be registered with NYSDEC in compliance with PBS regulations.
- Prior to renovation of the subject building, we recommend that an asbestos survey, lead paint survey, and hazardous material survey be conducted. Any ACM, LBP, or hazardous materials should be handled by qualified contractors in conformance with all applicable regulations.

All of the recommendations set forth in the Andrews Phase I Report were undertaken in connection with the renovations undertaken in 2016. Any materials identified in connection with the recommended hazardous material surveys were handled by qualified contractors in conformance with applicable regulations, and the UST passed the recommended initial tightness test. Andrews Street LLC has owned the Andrews

Facility since September 2016, and Rochester Prep has occupied the Andrews Street Facility continually since the renovation of the Andrews Street Facility by Andrews Street LLC was completed in summer 2019.

The Andrews Phase I Report speaks only as of its date, and Ravi has not been asked to perform any additional assessments since the time of the assessments described in the Andrews Phase I Report. The Andrews Phase I Report is subject to a number of limitations and disclaimers, and may only be relied upon by Uncommon Schools; neither Andrews Street LLC nor Rochester Prep nor the Trustee may rely on the Andrews Phase I Report. Potential investors may refer to the complete Andrews Phase I Report for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the Andrews Phase I Report are available upon request from the Underwriter. Costs incurred by Andrews Street LLC or Rochester Prep with respect to environmental remediation or liability could adversely affect their respective financial conditions. See “RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgage” herein.

Chili Avenue Project. Ravi performed a Phase I Environmental Site Assessment for the Chili Avenue Facility in connection with the Chili LIIF Loan. In that connection, Ravi prepared a report dated June 11, 2014 (the “Chili Phase I Report”). The Chili Phase I Report states its purpose was to perform an “All Appropriate Inquiry” into the previous ownership and uses of the property in such a manner to be consistent with good commercial and customary practices. The Phase I ESA is performed to characterize the site with respect to RECs in connection with the property, including the range of contaminants within the scope of Comprehensive Environmental Response, Compensation and Liability Act, and petroleum products. The Chili Phase I Report defines RECs as the presence or likely presence of hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property, even under conditions that are in compliance with the laws.

Ravi’s scope of work included a review of the following sources of information: a review of permits, reports and other records; historical maps and aerial photographs which may reflect prior uses of the subject property and which are reasonably obtainable through state or local government agencies; reasonably obtainable federal, state and local government records of: listed hazardous/solid waste sites, spill reports, underground and bulk storage tank facilities, hazardous waste treatment, storage and disposal handler and generator records and recorded environmental complaints as provided by EDR; a visual site inspection (reconnaissance) of the subject property and all facilities and improvements on the subject property; cursory visual inspection of the subject property, facilities and improvements for suspect asbestos-containing material and lead-based paint, if applicable; and to augment that information, a Freedom of Information Law request was sent to NYSDEC and the City for information relative to the Site.

The Chili Phase I Report revealed no evidence of RECs in connection with the site except for the following:

- Potential vapor encroachment conditions (“pVICs”) are identified. EDR indicates approximately 15 cleaners and Historic Auto Stations, at higher elevations, within 0.3 mile of the site.
- Historic USTs are a REC. The City issued permits to install one 5,000-gallon fuel oil tank and fill one 3,000-gallon tank and one 4,000-gallon tank with “K-Crete.”
- No “clean closure” documentation is available relative to the historic USTs.
- Although non-scope issues, based on the age of the subject building, suspected ACM, LBP, PCBs, and mercury are present in building materials or components.

The Chili Phase I Report provided the following recommendations:

- Conducting a Limited Phase II ESA to collect groundwater samples for volatile organic compound (“VOC”) analysis. If VOCs are detected in site groundwater, Ravi recommends that vapor sampling be conducted in the building.
- Conducting a geophysical investigation to investigate for USTs. An electromagnetic survey should be conducted to investigate for buried metal objects. Anomalous areas should be excavated to identify USTs; if identified, the tanks should be properly closed in.
- Prior to renovation of the subject building, an asbestos survey, lead paint survey, and hazardous material survey be conducted. Any ACM, LBP, or hazardous materials should be handled in by qualified contractors in conformance with all applicable regulations.

Ravi performed a Limited Phase II Environmental Site Assessment for the Chili Avenue Facility. In that connection, Ravi prepared a report dated July 29, 2014 (the “Chili Phase II Report” and, together with the Chili Phase I Report, the “Chili Environmental Reports”). The Chili Phase II Report concluded as follows:

- Vapor encroachment conditions are not of concern on the site.
- The historical USTs have not resulted in a petroleum release to site soils and groundwater.
- The historic site usage, and nearby properties, have not impacted site groundwater.

Ravi concluded that no further investigation or remedial measures are warranted.

All relevant ACM, LBP and hazardous material surveys were completed and all materials identified were handled by qualified contractors in conformance with all applicable regulations during the renovation work, which occurred while the facility was not occupied. Rochester Prep has occupied the Chili Avenue Facility continually since completion of renovations of the Chili Avenue Facility by Chili Avenue LLC in August 2016.

The Chili Environmental Reports speak only as of their dates, and Ravi has not been asked to perform any additional assessments since the time of the assessments described in the Chili Environmental Reports. The Chili Environmental Reports are subject to a number of limitations and disclaimers, and may only be relied upon by Uncommon Schools; neither Chili Avenue LLC nor Rochester Prep nor the Trustee may rely on the Chili Environmental Reports. Potential investors may refer to the complete Chili Environmental Reports for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the Chili Environmental Reports are available upon request from the Underwriter. Costs incurred by Chili Avenue LLC or Rochester Prep with respect to environmental remediation or liability could adversely affect their respective financial conditions. See “RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgage” herein.

St. Jacob Street Project. Ravi performed a Phase I Environmental Site Assessment for the St. Jacob Street Facility. In that connection, Ravi prepared a report dated April 5, 2016 (the “St. Jacob Phase I Report”). The St. Jacob Phase I Report states its purpose was to perform an “All Appropriate Inquiry” into the previous ownership and uses of the property in such a manner to be consistent with good commercial and customary practices. The Phase I ESA is performed to characterize the site with respect to RECs in connection with the property, including the range of contaminants within the scope of Comprehensive Environmental Response, Compensation and Liability Act, and petroleum products. The St. Jacob Phase I Report defines RECs as the presence or likely presence of hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property, even under conditions that are in compliance with the laws.

Ravi's scope of work included a review of the following sources of information: a review of permits, reports and other records; historical maps and aerial photographs which may reflect prior uses of the subject property and which are reasonably obtainable through state or local government agencies; reasonably obtainable federal, state and local government records of: listed hazardous/solid waste sites, spill reports, underground and bulk storage tank facilities, hazardous waste treatment, storage and disposal handler and generator records and recorded environmental complaints as provided by EDR; a visual site inspection (reconnaissance) of the subject property and all facilities and improvements on the subject property; cursory visual inspection of the subject property, facilities and improvements for suspect asbestos-containing material and lead-based paint, if applicable; and to augment that information, a Freedom of Information Law request was sent to NYSDEC and the City for information relative to the Site. The FOIL response received from the City states there are "no files of environmental significance." The NYSDEC replied "A diligent search of the files maintained by the Department produced no responsive records."

The St. Jacobs Phase I Report revealed no evidence of RECs in connection with the site except for the following:

- Basement boiler plumbing fixtures including suction and return piping, in-line oil filters, oil pumps, ignition transformers, electrodes, and nozzles are indicative of a secondary fuel supply for each boiler. No records of heating oil tank installation or removal permits were available at the time that this report was prepared. An orphan heating oil tank (or tanks) is suspected to be present in the lawn area southwest of the boiler room.

The St. Jacobs Phase I Report provided the following recommendations:

- A geophysical investigation to investigate for USTs in the lawn area southwest of the boiler room. An electromagnetic survey should be conducted to investigate for buried metal objects. Anomalous areas should be excavated to identify USTs; if identified, the tanks should be properly closed
- Prior to renovation of the subject building, an asbestos survey, lead paint survey, and hazardous material survey be conducted. Any ACM, LBP, or hazardous materials should be handled in by qualified contractors in conformance with all applicable regulations.
- Prior to reopening the school, Ravi recommends that Uncommon Schools verify compliance with the United States Environmental Protection Agency Asbestos Hazard Emergency Response Act.
- The source of water incursion into the boiler room be identified and mitigated so that mold growth does not promulgate.

Ravi performed a Limited Phase II Environmental Site Assessment for the St. Jacob Street Facility. In that connection, Ravi prepared a report dated April 12, 2016 (the "St. Jacob Phase II Report" and, together with the St. Jacob Phase I Report, the "St. Jacob Environmental Reports"). The St. Jacob Phase II Report revealed no evidence of RECs in connection with the site, and made the following recommendations:

- Prior to renovation of the subject building, an asbestos survey, lead paint survey, and hazardous material survey be conducted. Any ACM, LBP, or hazardous materials should be handled by qualified contractors in conformance with all applicable regulations.
- Prior to reopening the school, Ravi recommends that Uncommon Schools verify compliance with the United States Environmental Protection Agency Asbestos Hazard Emergency Response Act.
- The source of water incursion into the boiler room be identified and mitigated so that mold growth does not promulgate.

All relevant ACM, LBP and hazardous material surveys were completed and all materials identified were handled by qualified contractors in conformance with all applicable regulations. Rochester Prep has occupied the St. Jacob Street Facility continually since acquisition of the St. Jacob Street Facility by St. Jacob Street LLC in 2016.

The St. Jacob Environmental Reports speak only as of their dates, and Ravi has not been asked to perform any additional assessments since the time of the assessments described in the St. Jacob Environmental Reports. The St. Jacob Environmental Reports are subject to a number of limitations and disclaimers, and may only be relied upon by Uncommon Schools; neither St. Jacob Avenue LLC nor Rochester Prep nor the Trustee may rely on the St. Jacob Environmental Reports. Potential investors may refer to the complete St. Jacob Environmental Reports for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the St. Jacob Environmental Reports are available upon request from the Underwriter. Costs incurred by St. Jacob Avenue LLC or Rochester Prep with respect to environmental remediation or liability could adversely affect their respective financial conditions. See “RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgage” herein.

Mark Street Project. Lifespace Corporation (“Lifespace”) performed Phase I Environmental Site Assessments for each of the 24 separate tax lots comprising the Mark Street Facility in connection with the acquisition of the Mark Street Facility by Mark Street LLC. In that connection, Lifespace prepared 24 separate reports, dated March 29, 2019 through May 14, 2019 (collectively, the “Mark Street Phase I Reports”). Each Mark Street Phase I Report states its purpose was to identify, to the extent feasible, recognized environmental conditions defined as “the presence or likely presence of any hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property.”

Lifespace’s scope of work for each environmental site assessment included a review of available historic documentation to determine past ownership and use; a review of historic aerial photographs, topographic maps, city and suburban directories; a review of federal, state and local databases; interviews by telephone, email and/or in person with individuals with knowledge of environmental incidents or conditions on subject property site or adjoining or nearby sites; site and area reconnaissance and completion of a transaction screen questionnaire; and preparation of the Mark Street Phase I Reports.

The Mark Street Phase I Reports revealed no evidence of RECs, historical RECs or controlled RECs in connection with any of the sites comprising the Mark Street Facility, and each Mark Street Phase I Report concluded that no further investigation or testing was warranted at the time of such report.

Each Mark Street Phase I Report speaks only as of its date, and Lifespace has not been asked to perform any additional assessments since the time of the assessments described in the Mark Street Phase I Reports. The Mark Street Phase I Reports are subject to a number of limitations and disclaimers, and may only be relied upon by Uncommon Schools; neither Mark Street LLC nor Rochester Prep nor the Trustee may rely on the Mark Street Phase I Reports. Potential investors may refer to the complete Mark Street Phase I Reports for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the Mark Street Phase I Reports are available upon request from the Underwriter. Costs incurred by Mark Street LLC or Rochester Prep with respect to environmental remediation or liability could adversely affect their respective financial conditions. See “RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgage” herein.

DEBT SERVICE SCHEDULE

The following table sets forth the amounts required to make debt service payments with respect to the Series 2020 Bonds, including principal due at maturity, and interest.

<i>Period Ending June 1</i>	<i>Series 2020A Bonds⁽¹⁾</i>		<i>Series 2020B Bonds⁽¹⁾</i>		<i>Less: (Capitalized Interest & Reserve Fund)⁽²⁾</i>	<i>Net Debt Service</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>		
2021	--	\$1,170,552.08	--	\$92,013.33	(\$892,633.75)	\$369,931.66
2022	--	1,363,750.00	--	107,200.00	(173,326.93)	1,297,623.07
2023	--	1,363,750.00	\$315,000.00	107,200.00	--	1,785,950.00
2024	--	1,363,750.00	330,000.00	94,600.00	--	1,788,350.00
2025	--	1,363,750.00	340,000.00	81,400.00	--	1,785,150.00
2026	--	1,363,750.00	355,000.00	67,800.00	--	1,786,550.00
2027	--	1,363,750.00	370,000.00	53,600.00	--	1,787,350.00
2028	--	1,363,750.00	385,000.00	38,800.00	--	1,787,550.00
2029	--	1,363,750.00	400,000.00	23,400.00	--	1,787,150.00
2030	\$230,000.00	1,363,750.00	185,000.00	7,400.00	--	1,786,150.00
2031	435,000.00	1,352,250.00	--	--	--	1,787,250.00
2032	455,000.00	1,330,500.00	--	--	--	1,785,500.00
2033	480,000.00	1,307,750.00	--	--	--	1,787,750.00
2034	505,000.00	1,283,750.00	--	--	--	1,788,750.00
2035	525,000.00	1,258,500.00	--	--	--	1,783,500.00
2036	555,000.00	1,232,250.00	--	--	--	1,787,250.00
2037	580,000.00	1,204,500.00	--	--	--	1,784,500.00
2038	610,000.00	1,175,500.00	--	--	--	1,785,500.00
2039	640,000.00	1,145,000.00	--	--	--	1,785,000.00
2040	675,000.00	1,113,000.00	--	--	--	1,788,000.00
2041	705,000.00	1,079,250.00	--	--	--	1,784,250.00
2042	740,000.00	1,044,000.00	--	--	--	1,784,000.00
2043	780,000.00	1,007,000.00	--	--	--	1,787,000.00
2044	820,000.00	968,000.00	--	--	--	1,788,000.00
2045	860,000.00	927,000.00	--	--	--	1,787,000.00
2046	900,000.00	884,000.00	--	--	--	1,784,000.00
2047	945,000.00	839,000.00	--	--	--	1,784,000.00
2048	995,000.00	791,750.00	--	--	--	1,786,750.00
2049	1,045,000.00	742,000.00	--	--	--	1,787,000.00
2050	1,095,000.00	689,750.00	--	--	--	1,784,750.00
2051	1,150,000.00	635,000.00	--	--	--	1,785,000.00
2052	1,210,000.00	577,500.00	--	--	--	1,787,500.00
2053	1,270,000.00	517,000.00	--	--	--	1,787,000.00
2054	1,335,000.00	453,500.00	--	--	--	1,788,500.00
2055	1,400,000.00	386,750.00	--	--	--	1,786,750.00
2056	1,470,000.00	316,750.00	--	--	--	1,786,750.00
2057	1,545,000.00	243,250.00	--	--	--	1,788,250.00
2058	1,620,000.00	166,000.00	--	--	(3,750.00)	1,782,250.00
2059	<u>1,700,000.00</u>	<u>85,000.00</u>	--	--	<u>(1,785,000.00)</u>	--
Totals	\$27,275,000.00	\$38,199,802.08	\$2,680,000.00	\$673,413.33	(\$2,854,710.68)	\$65,973,504.73

(1) Figures may not sum to totals due to rounding.

(2) Capitalized interest through August 1, 2021 related to the pro-rata portion of the Series 2020 Bonds related to the Mark Street Project (equal to about 70% of the interest during that period of time). Return of the debt service reserve fund of \$1,788,750 is also shown.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

Limited Obligations of the Issuer

The Series 2020 Bonds and interest thereon constitute special, limited obligations of the Issuer and are payable solely from certain revenues received under the Indenture and from certain funds and accounts established and maintained under the Indenture. The Issuer is not obligated to advance any moneys derived from any source whether for the payment of the principal or redemption price or interest with respect to the Series 2020 Bonds.

THE SERIES 2020 BONDS AND THE INTEREST THEREON AND THE ISSUER'S OTHER OBLIGATIONS UNDER THE INDENTURE ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST REVENUES (EXCEPT FOR THE ISSUER'S RESERVED RIGHTS). THE SERIES 2020 BONDS ARE NOT GENERAL OR MORAL OBLIGATIONS OF THE ISSUER, MONROE COUNTY, OR THE STATE AND WILL NEITHER CONSTITUTE NOR GIVE RISE TO A DEBT OF THE ISSUER, MONROE COUNTY OR THE STATE OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE ISSUER, MONROE COUNTY, OR THE STATE, OR ANY PROPERTY OF THE STATE, MONROE COUNTY, OR THE ISSUER (OTHER THAN THE INTERESTS OF THE ISSUER UNDER THE LOAN AGREEMENT ASSIGNED TO THE TRUSTEE BY THE INDENTURE). THE ISSUER DOES NOT HAVE ANY TAXING POWER. SEE "SOURCES OF PAYMENT," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS," AND "CERTAIN RISK FACTORS" HEREIN.

General

The Series 2020 Bonds, together with the premium, if any, and the interest thereon, shall be limited obligations of the Issuer payable, with respect to the Issuer, solely from the Trust Revenues, which Trust Revenues are pledged by the Indenture and assigned for the equal and ratable payment of all sums due under the Series 2020 Bonds, and shall be used for no other purpose than to pay the principal of, premium, if any, on and interest on the Series 2020 Bonds, except as may be otherwise expressly provided in the Indenture.

- (1) Trust Revenues are defined in the Indenture as follows:
 - (i) all loan repayments made or to be made by or on behalf of the Borrowers under the Loan Agreement (except payments made with respect to the Issuer's Reserved Rights) and the Promissory Note;
 - (ii) all other amounts pledged to the Trustee by the Issuer or the Borrowers to secure the Series 2020 Bonds and Additional Bonds or performance of their respective obligations under the Loan Agreement, the Leases and the Indenture;
 - (iii) the Net Proceeds (except proceeds with respect to the Issuer's Reserved Rights) of insurance settlements and Condemnation awards with respect to the Facilities;
 - (iv) all payments received or otherwise realized by the Trustee under the Leases paid pursuant to the Loan Agreement, the Mortgage and the Assignment of Leases (subject to the terms of the Depository Account Control Agreement);
 - (v) moneys and investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1) moneys, earnings and investments held in the Rebate Fund, (2) moneys deposited with or paid to the Trustee for the redemption of the Series 2020 Bonds or Additional Bonds, notice of which has been duly given, and (3) as specifically otherwise provided;

- (vi) any amounts realized through the exercise of any and all contract rights granted or assigned to the Trustee under the Project Documents; and
- (vii) all other moneys received or held by the Trustee for the benefit of the Holders of the Series 2020 Bonds or Additional Bonds pursuant to the Indenture.

Notwithstanding anything to the contrary, the following amounts shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and such amounts shall not secure any amount payable on the Bonds: (A) State school or education aid payments received by Rochester Prep, and (B) amounts held in the Rebate Fund.

No recourse shall be had for the payment of the principal of, or the premium, if any, or the interest on, any Series 2020 Bond or for any claim based thereon or on the Indenture against any past, present or future member, officer, employee or agent (other than the Borrowers), as such, of the Issuer or of any predecessor or successor corporation, either directly or through the Issuer or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

The Indenture

General. As security for the Series 2020 Bonds, the Indenture grants a security interest in, pledges and assigns to the Trustee and its successors and assigns, for the benefit of the holders and all future holders of the Series 2020 Bonds (subject to Permitted Encumbrances and excepting therefrom the Issuer's Reserved Rights), (i) all right, title and interest of the Issuer in and to the Trust Revenues; (ii) any and all moneys and securities from time to time held by the Trustee under the terms of the Indenture, except (a) moneys deposited with or paid to the Trustee for the redemption of the Series 2020 Bonds, notice of which has been duly given, and (b) moneys on deposit in the Rebate Fund; (iii) any and all contract rights of the Issuer under the Project Documents; (iv) any and all other Property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security under the Indenture, by the Issuer or by anyone in its behalf or with its written consent in favor of the Trustee. See "APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE" attached hereto.

Establishment of Funds. The Indenture establishes and creates the following funds as special trust funds:

- (i) Project Fund (containing subaccounts);
- (ii) Bond Fund (containing subaccounts);
- (iii) Reserve Fund;
- (iv) Renewal Fund;
- (v) Repair and Replacement Fund;
- (vi) Earnings Fund; and
- (vii) Rebate Fund.

All of the funds and accounts created under the Indenture are to be held by the Trustee. All moneys required to be deposited with or paid to the Trustee for the credit of any fund or account under any provision of the Indenture and all investments made therewith must be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee constitute part of the Trust

Estate (subject to the granting clauses of the Indenture), other than the Rebate Fund, and be subject to the lien set forth in the Indenture. For additional information, see “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE” attached hereto.

Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the Project Fund. Proceeds of the Series 2020 Bonds shall be deposited in the Project Fund. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. Moneys in the Project Fund shall be disbursed pursuant to requisitions of the Borrowers.

Reserve Fund. The Indenture provides for the creation of the Reserve Fund in the custody of the Trustee.

On the Closing Date for the Series 2020 Bonds, the Trustee shall deposit (i) proceeds of the Series 2020A Bonds in an amount equal to the Reserve Fund Requirement with respect to the Series 2020A Bonds into the Reserve Fund and (ii) proceeds of the Series 2020B Bonds in an amount equal to the Reserve Fund Requirement with respect to the Series 2020B Bonds into the Reserve Fund. In addition, there shall be credited to the Reserve Fund: (a) loan repayments under the Loan Agreement to be deposited thereto; and (b) amounts transferred from the Bond Fund. Upon the issuance of any Additional Bonds, the Trustee shall deposit an amount equal to the Reserve Fund Requirement relating to such Additional Bonds into the Reserve Fund.

Under the Indenture, the Borrowers must maintain the Reserve Fund in an amount equal to the Reserve Fund Requirement, which shall mean, with respect to the Series 2020 Bonds on the Closing Date, \$1,788,750, and, as of any other particular date of computation, calculated on a combined basis but attributable to each Series of the Series 2020 Bonds on a pro-rata basis taking into account the original par amount of such Series of the Series 2020 Bonds, which is equal to the least of (a) ten percent (10%) of the original principal amount of the Series 2020 Bonds, or (b) one hundred percent (100%) of the greatest amount required in the then current or any future Bond Year to pay the sum of: (1) interest on the Series 2020 Bonds payable in such Bond Year, excluding accrued interest received upon the issuance of such Bonds and capitalized interest financed by the issuance of such Bonds, and (2) the principal and the Sinking Fund Installments due on the Series 2020 Bonds in such Bond Year, or (c) one hundred twenty-five percent (125%) of the average annual debt service on the respective Series 2020 Bonds.

If, on any Bond Payment Date, the amount on deposit in the applicable accounts of the Bond Fund, subsequent to the receipt of all payments pursuant to the Loan Agreement, is not sufficient to pay the principal and/or interest due on such Bond Payment Date with respect to any Series 2020 Bonds then Outstanding, the Trustee shall, transfer from the Reserve Fund and deposit into the applicable account of the Bond Fund an amount of money sufficient, when added to the amounts then on deposit in such account of the Bond Fund and available to make the Debt Service Payments coming due on such Series of Bonds on such Bond Payment Date, to enable the Trustee to make all such Debt Service Payments coming due on such Series of Bonds on such Bond Payment Date. On the Final Maturity Date of the Series 2020 Bonds, any moneys on deposit in the Reserve Fund may be used to pay the principal of and interest on the Series 2020 Bonds on such Final Maturity Date.

The Trustee must notify the Borrowers in writing of any withdrawal from the Reserve Fund, or any deficiency in the amounts required to be on deposit to the credit of the Reserve Fund determined upon the semiannual valuation thereof. Pursuant to the Loan Agreement, the Borrowers have agreed to replenish any withdrawal from, or deficiency in, the Reserve Fund over a twelve (12) month period in quarterly payments, each such payment to be in an amount equal to one-fourth (1/4) of the amount of the deficiency, payable on February 15, May 15, August 15 and November 15, commencing immediately succeeding the date of receipt by the Borrower from the Trustee of notice of such withdrawal or deficiency.

One month prior to each Interest Payment Date, the amounts in the Reserve Fund shall be valued by the Trustee as provided in the Indenture. In the event that on such date with respect to the Series 2020 Bonds, the amount in the applicable accounts of the Bond Fund shall be less than the amount required for payment of interest on and principal of such Series 2020 Bonds (including payment of sinking fund redemption amounts, if any) due and payable on such Bond Payment Date, the Trustee shall, (1) transfer from the Reserve Fund to the applicable Interest Account, Principal Account and Sinking Fund Installment Account of the Bond Fund such amount as will increase the balance in such accounts of the of the Bond Fund to an amount sufficient to make such payment and (2) immediately notify the Issuer and the Borrowers of such transfer.

Amounts transferred from the Reserve Fund which are in excess of the amount required to be held in the Reserve Fund as of such date shall be credited to applicable Project Account until the Completion Date and thereafter to the applicable Interest Account of the Bond Fund and applied to the payment of interest on the Initial Bonds.

For additional information, see “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE” attached hereto.

Additional Bonds. So long as the Leases, the Mortgage, the Loan Agreement and the Promissory Note are each in effect, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) completing the Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facilities, the purpose of which shall be for the Approved Project Operations or (iv) refunding Outstanding Bonds. Such Additional Bonds shall be payable from the loan payments, receipts and revenues of the Facilities (including the Leases), including such extensions, additions and improvements thereto. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Issuer and the Borrowers shall enter into an amendment to the Loan Agreement, and the Borrowers shall execute a new Promissory Note, which shall provide, among other things, that the loan payments payable under the Loan Agreement and the aggregate amount to be paid under all Promissory Notes, shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. Such amendment to the Loan Agreement may include the addition of one or more additional parties as Borrowers thereunder.

Each such Series of Additional Bonds must be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of such Series of Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(i) a copy of the resolution, duly certified by the Secretary, Assistant Secretary or any other Authorized Representative of the Issuer, authorizing, issuing and awarding the Series of Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Loan Agreement and any other Project Document to which the Issuer shall be a party;

(ii) original executed counterparts of the Supplemental Indenture and an amendment of or supplement to the Loan Agreement expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, the Loan Agreement, and the Mortgage, the Facility referred to therein and the premises subject thereto shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Series of Additional Bonds being issued as well as the Series 2020 Bonds and any Series of Additional Bonds theretofore issued;

(iii) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Series of Additional Bonds and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled and that the issuance of the Series of Additional Bonds will not cause the interest on any Series of Bonds Outstanding to become includable in gross income for Federal income tax purposes;

(iv) a certificate of an Authorized Representative of the Borrowers to the effect that no Borrower is in default under the Loan Agreement or the Indenture, is not aware of any Events of Default under the Loan Agreement or the Indenture and that such Series of Additional Bonds may be issued under the Loan Agreement;

(v) an original, executed counterpart of the amendment to each Project Document; and

(vi) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

Upon the request of the Borrowers, one or more Series of Additional Bonds may be authenticated and made available for pick-up upon original issuance to refund (“Refunding Bonds”) all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

A Series of Refunding Bonds may be authenticated and made available for pick-up only upon receipt by the Trustee (in addition to the receipt by it of the documents set forth in the Indenture, as may be applicable) of:

(a) Irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and

(b) Either: (1) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Series 2020 Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or (2) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the defeasance provisions of the Indenture, and any moneys required pursuant to said Section (with respect to all Outstanding Bonds or any part of one or more Series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Indenture. See “THE SERIES 2020 BONDS” herein.

The Borrowers shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of financing additional projects of the Borrowers, provided that, in addition to the

requirements set forth in the Indenture, the Trustee shall have received evidence that the conditions for the incurrence of Additional Indebtedness set forth in the Loan Agreement have been met. Such Additional Bonds shall be payable from the loan payments, receipts and revenues of the Facilities (including the Leases), including such extensions, additions and improvements thereto. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Issuer and the Borrowers shall enter into an amendment to the Loan Agreement, and the Borrowers shall execute a new Promissory Note, which shall provide, among other things, that the loan payments payable under the Loan Agreement and the aggregate amount to be paid under all Promissory Notes, shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith.

Each Series of Additional Bonds issued pursuant to the Indenture shall be equally and ratably secured under the Indenture with the Series 2020 Bonds and all other Series of Additional Bonds, if any, issued pursuant to the Indenture, without preference, priority or distinction of any Bond over any other Bonds except as provided in or permitted by the Indenture.

No Series of Additional Bonds may be issued unless the Leases, the Loan Agreement, the Promissory Note, the Indenture, the Assignment of Leases and the Mortgage are in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default. For additional information, see “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE” attached hereto.

The Loan Agreement

As security for the payment of the Series 2020 Bonds and the obligations of the Borrowers under the Project Documents, the Issuer pledges and assigns to the Trustee pursuant to the Indenture all of the Issuer’s right, title and interest in the Promissory Note and all (except for the Issuer’s Reserved Rights) of the Issuer’s right, title and interest in the Loan Agreement, including all loan payments thereunder and under the Promissory Note, and in furtherance of said pledge the Issuer will unconditionally assign such loan payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture. The Borrower has consented to the pledge and assignment of the Loan Agreement and the endorsement of the Promissory Note. See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT” attached hereto.

Joint and Several Obligation of the Borrowers. The obligation to repay the Loan is a joint and several obligation of the Borrowers under the Loan Agreement and the Promissory Note.

Depository Account; Pledge and Security Interest. The Borrowers represent and warrant that (a) they maintain and shall maintain a Depository Account; (b) they have caused a Depository Account Control Agreement in form and substance satisfactory to the Trustee to be executed, together with an approving opinion of counsel to the Borrowers, which has subjected the Depository Account to the Depository Account Control Agreement; (c) they will deposit all revenues into such Depository Account, except as otherwise expressly governed by the Depository Account Control Agreement, and (d) they shall not move the Depository Account, or deposit revenues into any other accounts without first having entered into an agreement in the form and substance of the Depository Account Control Agreement covering all such accounts, acceptable to the Trustee and a majority in aggregate principal amount of the Bonds then Outstanding.

To secure the payment and performance of its obligations under the Loan Agreement, each Borrower pledges to the Issuer and the Trustee and grants the Issuer and Trustee a security interest in all of its revenues. Pursuant to the Loan Agreement, all such revenues shall be deposited as soon as practicable into the Depository Account, except as otherwise stated in the Depository Account Control Agreement. The Borrowers consent to the filing by the Trustee of Uniform Commercial Code financing

statements as the Trustee may determine to be necessary to perfect the Issuer and the Trustee's security interest in such revenues, will execute and cause to be sent to each banking institution at which such revenues are deposited a notice of the security interest granted by the Loan Agreement, and will execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as the Trustee may determine to be necessary or reasonably request in order to perfect or maintain as perfected such security interest or give public notice thereof. Upon an Event of Default under the Loan Agreement, the Issuer or Trustee may, in accordance with applicable law, apply such revenues in the exercise of its remedies under the Loan Agreement.

Loan Payments; Payments under the Loan Agreement; the Promissory Note; and Pledge and Assignment to Trustee. Under the Loan Agreement, the Issuer agrees to loan the proceeds of the Series 2020 Bonds to the Borrowers, and the Borrowers agree to pay the Promissory Note and repay the Loan made pursuant to the Loan Agreement by making loan payments which the Issuer agrees shall be paid in immediately available funds directly to the Trustee for deposit in the applicable accounts of the Bond Fund (except to the extent that amounts are on deposit in the applicable account of the Bond Fund and available therefor) as follows:

The Borrowers agree to pay to the Trustee, as the assignee of the Issuer, the following sums at the following times:

(A) on or before the fifteenth day of May, 2023, and the fifteenth day of each May thereafter, the amount which is necessary for the payment of the principal of the Initial Bonds becoming due on such Principal Payment Date, subject to credit for other available funds in the manner provided in the Indenture. In lieu of the portion of the payments due hereunder, the Borrowers may or, at their discretion, cause the Issuer or the Trustee to, purchase for cancellation Initial Bonds of the maturity next becoming due, subject to the applicable requirements set forth in the Indenture;

(B) on or before the fifteenth day of November, 2020 and the fifteenth day of each May and November thereafter, the amount which is necessary for the payment of the interest on the Initial Bonds becoming due on such Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture; and

(C) on each redemption date, with respect to the Redemption Price due and payable on the Initial Bonds, whether as an optional or a mandatory redemption, an amount equal to the Redemption Price together with accrued interest on the Initial Bonds being redeemed on such redemption date.

In anticipation of the payments required by paragraphs (A) and (B) above:

(A) on or before the fifteenth day of each quarter (being August 15, November 15, February 15 and May 15), commencing November 15, 2020, the Borrowers shall make quarterly payments equal to one-fourth (1/4th) of the amount which is necessary for the payment of the principal of the Initial Bonds coming due on the Principal Payment Date of the following year, subject to credit for other available funds in the manner provided in the Indenture, with the Borrowers making a quarterly payment on August 15, 2020 representing a prorated portion of the principal payment necessary for the payment of the principal of the Initial Bonds coming due on the Principal Payment Date of the following year;

(B) on or before the fifteenth day of each quarter (being August 15, November 15, February 15 and May 15), commencing November 15, 2020, the Borrowers shall make quarterly payments equal to one-half (1/2) of the amount which is necessary, after credit for the capitalized interest on deposit in the Capitalized Interest Account, for the payment of the interest of the Initial

Bonds coming due on each Interest Payment Date, thereafter, subject to credit for any other available funds in the manner provided in the Indenture, with the Borrowers making a quarterly payment on August 15, 2020 representing a prorated portion of the principal payment necessary for the payment of the interest of the Initial Bonds coming due on each Interest Payment Date; and

(C) It is the intent of the payment schedule in (A) and (B) above that the full amount necessary to pay the principal of and interest on the Initial Bonds on an Interest Payment Date and/or Principal Payment Date shall be on deposit with the Trustee approximately fifteen (15) days prior to each such Interest Payment Date and/or Principal Payment Date; and

The obligation of the Borrowers to pay the loan payments and other payments under the Loan Agreement and the Promissory Note shall be absolutely net to the Issuer and to the Trustee without any abatement, recoupment, diminution, reduction, deduction, counterclaim, set-off or offset whatsoever, so that this Loan Agreement and the Promissory Note shall yield, net, to the Issuer and to the Trustee, the loan payments and other payments provided for in the Loan Agreement, and all costs, expenses and charges of any kind and nature relating to the Facilities, arising or becoming due and payable during or after the term of the Loan Agreement, shall be paid by the Borrowers and the Indemnified Parties shall be indemnified by the Borrowers, jointly and severally, for, and the Borrowers shall hold the Indemnified Parties harmless from, any such costs, expenses and charges.

Nature of Borrowers' Obligation Unconditional. The Borrower's joint and several obligations under the Loan Agreement and the Promissory Note to pay the loan payments and all other payments provided for in this Loan Agreement and in the Promissory Note shall be absolute, unconditional and a general obligation of each Borrower, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction they might otherwise have against the Issuer, the Trustee or the Holder of any Bond and the obligation of the Borrowers shall arise whether or not (y) the Project has been completed as provided in the Loan Agreement, or (z) any provider of a credit facility or liquidity facility with respect to the Bonds shall be honoring its obligations thereunder. The Borrowers will not suspend or discontinue any such payment or terminate the Loan Agreement (other than such termination as is provided for thereunder), or suspend the performance or observance of any covenant or agreement required on the part of the Borrowers under the Loan Agreement, for any cause whatsoever, and the Borrowers, as provided in the Loan Agreement, waive all rights conferred by statute or otherwise to quit, terminate, cancel or surrender the Loan Agreement or any obligation of the Borrowers thereunder except as provided in the Loan Agreement or to any abatement, suspension, deferment, diminution or reduction in the loan payments or other payments under the Loan Agreement or under the Promissory Note

For additional information, see "APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" attached hereto.

Limitations on Incurrence of Additional Indebtedness. The Borrowers will not incur or assume any Additional Indebtedness except as set forth in the Loan Agreement. Provided no Event of Default under the Loan Agreement shall have occurred and be continuing, the Borrowers may incur or assume:

(a) Long-Term Indebtedness, incurred for the purpose of repairs, additional renovations or other capital projects related to the Facilities, provided that prior to the issuance of such additional Long-Term Indebtedness the following is satisfied: an Independent Consultant selected by the Borrowers provides a written report to the Trustee setting forth projections which indicate that:

(1) 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 Long-Term Indebtedness, based upon a certified written estimated completion date by the consulting engineer for such Facility or Facilities; or

(B) the first full Fiscal Year in which the Borrowers will have scheduled payments of interest on or principal of the Long-Term 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 Long-Term Indebtedness, investment income thereon or from other appropriate sources;

a Debt Service Coverage Ratio, taking into account all outstanding Long-Term Indebtedness and the additional Long-Term Indebtedness to be issued, of not less than 1.15:1.00; and

(2) for the Fiscal Year immediately preceding the issuance of such additional Long-Term Indebtedness, a Debt Service Coverage Ratio, of not less than 1.15:1.00 in such Fiscal Year;

(b) Long-Term Indebtedness incurred for the purpose of refunding or refinancing other Long-Term Indebtedness; and

(c) Short-Term Indebtedness; provided that any such Short-Term Indebtedness must, for a period of 14 consecutive days during each Fiscal Year, be reduced to \$0; provided further, that such “clean-down” requirement shall be waived upon delivery by the Borrowers to the Trustee of a Certificate stating that the Short-Term Indebtedness cannot be paid down a result of delays in the receipt of public funds, either directly or indirectly (in the case of rent due from a tenant).

Any Additional Indebtedness incurred or assumed as provided in the Loan Agreement that is secured by a lien on and security interest in the Facilities and rent due under the Leases may be secured by a lien on and security interest in the Facilities and rent due under the Leases ranking either on a parity with or subordinate to the lien and security interest granted under the Mortgage and the Assignment of Leases and Rents.

“Debt Service Coverage Ratio” means for any Fiscal Year the ratio determined by dividing the Funds Available for Debt Service for such Fiscal Year by the Debt Service Requirement for such Fiscal Year.

“Debt Service Requirement” means, for any Fiscal Year for which such determination is made, the aggregate of the scheduled payments to be made with respect to principal (or mandatory sinking fund or installment purchase price or lease rental or similar payments) and interest on the Bonds and any Outstanding Long-Term Indebtedness of the Borrowers during such period.

“Funds Available for Debt Service” shall mean, in any Fiscal Year, the sum of the following: (i) Net Income for such Fiscal Year, (ii) all principal and interest expense with respect to any outstanding Long-Term Indebtedness for such Fiscal Year; (iii) all depreciation expense, and amortization of financing charges and (v) other non-cash expenses deducted from revenues in determining Net Income for such Fiscal Year, all as determined in accordance with GAAP.

“Long-Term Indebtedness” means all Indebtedness having a final maturity of one year or greater from the date incurred, including all obligations for the payment of money (including, without limitation, all Bonds), incurred, assumed or guaranteed by any Borrower, whether due and payable in all events, or upon the performance of work, the possession of property as lessee or the rendering of services by others, except (i) Short-Term Indebtedness, (ii) current obligations payable out of current revenues, (iii) obligations under

contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid and (iv) rentals payable in future years under leases not required to be capitalized under GAAP.

“Short-Term Indebtedness” means all obligations of any Borrower for the repayment of borrowed money having a final maturity of less than one year from the date incurred, which meets the requirements of Short-Term Indebtedness under the Loan Agreement, excluding the current portion of any Long-Term Indebtedness.

Lease Ratio and Debt Coverage. The Borrowers covenant that they will at all times establish Basic Rent (as such term is defined in the Leases) such that the ratio of Basic Rent to the Debt Service Requirement in each Fiscal Year is at least 1.15.

Each Borrower covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges for the use of its Facilities and for the services furnished or to be furnished by the Borrowers so that the Debt Service Coverage Ratio at the end of each Fiscal Year is not less than 1.15:1.0. If the Debt Service Coverage Ratio falls below 1.15:1.0, it shall constitute an Event of Default under the Loan Agreement.

Sale of a Facility or Mortgaged Property. The Borrowers covenant that, except for exercise of Rochester Prep’s Purchase Option (as defined below) under a Lease and leases or subleases of portions of a Facility entered into in the ordinary course of business and in compliance with the provisions of the Tax Compliance Agreement and the Loan Agreement, they will not transfer, lease, sell or convey the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior approval of the Trustee, provided that the Trustee shall not approve such transfer, lease, sale or conveyance unless:

(a) in the opinion of Nationally Recognized Bond Counsel, the same will not adversely affect the exclusion of interest on any Tax- Exempt Bond from gross income for federal income tax purposes, and

(b) except with respect to leases or subleases in the ordinary course of business, the Borrowers pay to the Trustee either for deposit into the applicable Redemption Account of the Bond Fund, or to purchase defeasance securities in accordance with the Indenture, an amount equal to the greatest of:

(i) the amount, if any, which is sufficient to redeem or provide for payment in accordance with the Indenture of any Outstanding Tax-Exempt Bonds required to be redeemed or deemed paid in order to preserve the exclusion of interest on Tax- Exempt Bonds from gross income for federal income tax purposes;

(ii) an amount sufficient to redeem or provide for payment in accordance with Indenture of not less than the percentage of the then-Outstanding Bonds determined by dividing (1) the principal amount of Bonds issued to finance the portion of such Project being transferred, sold or conveyed (which principal amount shall be reasonably determined by the Issuer) by (2) the aggregate principal amount of Bonds issued; and

(iii) an amount sufficient to redeem or provide for payment in accordance with the Indenture of not less than the Facility Redemption Amount of the then-Outstanding Bonds.

The Trustee shall not approve such transfer, lease, sale or conveyance until the Issuer and Trustee have received a certificate evidencing:

(i) that in the opinion of an appraiser, the aggregate fair market value of the remaining Facilities, following such transfer, lease, sale or conveyance, shall meet or exceed the remaining outstanding obligations of the Borrowers under the Loan Agreement immediately following such transfer, lease, sale or conveyance; and

(ii) confirmation by any Rating Agency then rating the Bonds that following such transfer, lease, sale or conveyance, the existing rating on the Bonds shall not be adversely affected.

Notwithstanding the foregoing and without the consent of the Majority Holders or the Issuer, each Borrower may sell a Facility pursuant to the option of Rochester Prep to purchase such Facility under the applicable Lease (each, a “Purchase Option”) on or after the first call date of the Bonds, with the proceeds of such exercised Purchase Option to be paid to the Trustee either for deposit into the applicable Redemption Account of the Bond Fund, or to purchase defeasance securities in accordance with the Indenture; provided that, in each case, the Purchase Option shall require Rochester Prep to:

(i) pay the “Purchase Price” for such Facility as set forth and defined in the applicable Lease, which, in each case, shall be an amount equal to eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the applicable Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds, together with all costs and expenses incurred by the Borrower in connection with the conveyance of the Facility to Rochester Prep and the redemption in part of the Bonds; and

(ii) establish that, in the opinion of Nationally Recognized Bond Counsel, that the sale of such Facility together with the related redemption of the Bonds will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes; and

(iii) with respect to purchase made at a Purchase Price as set forth above, provide a certificate evidencing (A) that in the opinion of a licensed appraiser, the aggregate fair market value of the remaining Facilities following such sale shall equal or exceed the remaining amount of the then-Outstanding Bonds, giving effect to any defeasance, redemption or prepayment of the Bonds to be made in connection with such purchase from (1) the Purchase Price, and (2) any additional funds that may be contributed by Rochester Prep to satisfy the requirement in this subsection (A), and (B) confirmation by any Rating Agency then rating the Bonds that following such purchase, the existing rating on the Bonds shall not be adversely affected.

No sale, conveyance or release effected under the provisions of the Loan Agreement shall entitle the Borrowers to any abatement or diminution of the loan payments or other amounts payable or any other payments required to be made by the Borrowers under the Loan Agreement, the Promissory Note or any other Project Document to which it shall be a party, except in connection with a reduction in outstanding Debt Service caused by a redemption of then-Outstanding Bonds.

Upon the purchase of any Facility as described above, the obligations under the Loan Agreement of the applicable Borrower shall be terminated in accordance with the provisions thereof.

Under the Loan Agreement, “Facility Redemption Amount” means, with respect to any Facility, an amount in Authorized Denominations not less than eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the applicable Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds (as defined in the Indenture).

See “CERTAIN RISK FACTORS – Sale of Facility and Termination of Leases” herein.

Grant of Easements. The Borrowers may, so long as there exists no Event of Default under the Loan Agreement, grant such rights of way or easements over, across, or under, its leasehold interest in the Facilities, or grant such permits or licenses in respect to the use thereof, free from the Loan Agreement and the lien and security interest of the Mortgage, as shall be necessary or convenient in the opinion of the Borrowers for the operation or use of the Facilities, or required by any utility company for its utility business, provided that, in each case, such rights of way, easements, permits or licenses shall not adversely affect the use or operation of the Facilities as the Approved Facility, and provided, further, that any consideration received by the Borrowers from the granting of said rights of way, easements, permits or licenses shall be paid to the Trustee and deposited in the applicable Redemption Account of the Bond Fund.

Release of Portions of Facility. So long as there exists no Event of Default under the Loan Agreement, and the Borrowers deliver to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that the following action will not affect the exclusion of the interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income tax purposes, the Borrowers may from time to time request in writing to the Issuer and the Trustee the release of and removal from the Loan Agreement and from the lien and security interest of the Mortgage, of any unimproved part of the Land (on which none of the Improvements, including the buildings, structures, major appurtenances, fixtures or other property comprising the Facilities, are situated) provided that such release and removal will not adversely affect the use or operation of the Facilities as the Approved Facility and such release is effected simultaneously with the release of such unimproved Land under the applicable Lease. Upon any such request by the Borrowers, the Issuer shall, at the sole cost and expense of the Borrowers, direct the Trustee to execute and deliver any and all instruments necessary or appropriate to so release and remove such unimproved Land from the Loan Agreement and from the lien and security interest of the Mortgage, subject to the following: (i) any liens, easements, encumbrances and reservations to which title to said property was subject on the Commencement Date; (ii) any liens, easements and encumbrances created at the request of the Borrowers or to the creation or suffering of which the Borrowers consented; (iii) any liens and encumbrances or reservations resulting from the failure of the Borrowers to perform or observe any of the agreements on their part contained in the Loan Agreement or any other Project Document; (iv) Permitted Encumbrances (other than the liens of the Mortgage); and (v) any liens for taxes or assessments not then delinquent; provided, that, no such release shall be effected unless there shall be deposited with the Trustee the following:

(1) a certificate of an Independent engineer, dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the person signing such certificate, the unimproved Land and the release thereof so proposed to be made is not needed for the operation of the Facility, will not adversely affect the use or operation of the Facility as the Approved Facility and will not destroy the means of ingress thereto and egress therefrom;

(2) an amount of cash for deposit in the applicable Redemption Account of the Bond Fund equal to greater of (A) the fair market value of such unimproved Land, such value to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City of Rochester, and (B) if such unimproved Land is released in connection with its sale, the amount received by the Borrowers upon such sale; and

(3) a certificate of the Borrowers stating that upon release of such Land, the Borrowers are still in compliance with the requirements set forth in the Loan Agreement.

Abatement or Diminution. No sale, conveyance or release effected under the provision of the Loan Agreement shall entitle the Borrowers to any abatement or diminution of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any other Project Document to which they are a party.

See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT” attached hereto.

The Mortgage and the Assignment of Leases

The Borrowers will own the Facilities on the Closing Date and will lease the Facilities to Rochester Prep pursuant to the Leases. In order to secure the payment of the principal of and interest on the Series 2020 Bonds and the performance and observance by the Borrowers of all of their obligations under the Project Documents, the Borrowers will enter into a Mortgage and Security Agreement (the “Mortgage”) and an Absolute Assignment of Leases and Rents (the “Assignment of Leases”), each dated as of July 1, 2020, from the Borrowers to the Issuer. The Mortgage will encumber the Facilities. The Mortgage (except for certain reserved rights of the Issuer) will be assigned by the Issuer to the Trustee for the benefit of the Holders of the Series 2020 Bonds pursuant to an Assignment of Mortgage, dated as of July 1, 2020 (the “Assignment of Mortgage”). The Assignment of Leases will be assigned by the Issuer to the Trustee for the benefit of the Holders of the Series 2020 Bonds pursuant to an Assignment of Assignment of Mortgage, dated as of July 1, 2020 (the “Assignment of Assignment of Leases”). See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE AND ASSIGNMENT OF LEASES” attached hereto.

THE LEASES

The following section contains brief descriptions of the Lease. The provisions of each Lease are substantially similar, except for the amount of rent payable thereunder and the Facility subject thereto. All references in this Limited Offering Memorandum to the Leases are qualified in their entirety by reference to Appendix E, and to the individual Leases, copies of which may be obtained by request to the Underwriter. See “APPENDIX E – SUMMARY OF THE LEASES” attached hereto.

General

Each Borrower owns a Facility and will lease such Facility to Rochester Prep pursuant to a Lease Agreement or Amended and Restated Lease Agreement (each, a “Lease” and, collectively, the “Leases”), each dated as of July 1, 2020. Each Lease has an initial term ending on June 30, 2060, and Rochester Prep, as tenant thereunder, has the option to renew each Lease for two renewal terms of five years each (each a “Renewal Option”). Pursuant to each Lease, until such time as the landlord Borrower confirms to Rochester Prep in writing that the Series 2020 Bonds have been fully defeased or satisfied, Rochester Prep shall exercise any available Extension Option. The terms of each Lease are substantially similar.

“Rent” under each Lease shall include Basic Rent (as defined below), Additional Rent (as defined in the Lease) and any other amounts payable by Rochester Prep during the term of each Lease. Rochester Prep’s obligation to pay rent under each Lease and to perform the covenants and agreements on its part to be performed thereunder shall in no way be affected, impaired or excused in any respect because the respective Borrower is unable, for any reason whatsoever, to fulfill any of its obligations under the Lease or because Rochester Prep’s use and occupancy of the Facility shall be disturbed or prevented from any cause whatsoever.

Under each Lease, Rochester Prep will pay to the applicable Borrower, without demand, set-off, abatement, deduction or notice of any kind, except as expressly set forth in the Lease, on the first day of each month, fixed rent as set forth in each Lease. Basic Rent under each Lease will be calculated according to a pro-rata allocation of the proceeds of the Series 2020 Bonds for each Facility such that, on an aggregate basis across all five Leases, total Basic Rent due thereunder will equal no less than 115% of the debt service on the Series 2020 Bonds.

The payment of rent under each Lease, representing the main source of revenues of the Borrowers for the satisfaction of their obligations under the Loan Agreement and, in turn, the source of revenues for the payment of debt service on the Series 2020 Bonds, is a general obligation of Rochester Prep pledged to be paid from all legally-available revenue sources (including but not limited to, per-pupil funding received pursuant to the New York Charter School Act, unrestricted philanthropy and

other unrestricted fundraising activities of Rochester Prep and support received from the Rochester Prep Foundation, Inc.), including revenues attributable to the Schools and any other schools that Rochester Prep may operate in the future. The payment of rent under each lease is not restricted to the revenues generated by Rochester Prep at the Facility subject to a specific lease; the payment of rent is payable from the revenues generated from the operation of all schools.

Payment of Rent

Under each Lease, Rochester Prep shall make all payments thereunder free of any charges, assessments, impositions or deductions of any kind and without abatement, deduction, notice or set-off and all costs, expenses, charges, assessments, impositions and obligations of every kind and nature whatsoever relating to the Facility and/or the use and occupancy thereof, whether foreseen or unforeseen, ordinary or extraordinary, shall be the responsibility of Rochester Prep. All rent shall be paid by Rochester Prep, as and when due, in legal tender and lawful money of the United States of America until such time as the applicable Lease is terminated. Until such time as a Lease is terminated or the respective Borrower confirms to Rochester Prep in writing that the Series 2020 Bonds have been fully defeased or satisfied, rent shall be paid at the address of Trustee, or at such other place as Trustee may from time to time designate in writing, or as directed by Trustee from time to time.

In the event Rochester Prep fails to pay any installment of rent within ten (10) days after the same is due or in the event Rochester Prep fails to make any other payment for Rochester Prep Tenant is obligated under a Lease within ten (10) days after the same is due, Rochester Prep shall reimburse the respective Borrower for any and all interest charged to such Borrower in connection with any late payment made by such Borrower to its lender(s) (including the Trustee) relating to Rochester Prep's late payment. If Rochester Prep fails to pay any installment of rent within ten (10) days after the same is due, Rochester Prep shall pay to the respective Borrower concurrently with such late payment amount, as Additional Rent, a late charge equal to six percent (6%) of the amount due, to compensate such Borrower for the extra costs incurred as a result of such late payment; provided that such late payment amount in combination with the interest calculated in accordance with the foregoing sentence shall not exceed the maximum rate permitted by law, and provided further that such Borrower delivers to Rochester Prep such documentation from Borrower's lender showing the assessment of any interest charge or late payment charge on the Borrower.

Certain Covenants Under the Leases

Lease Service Coverage Ratio Covenant. Beginning with the fiscal year ending June 30, 2021, and at all times during the term of the Lease thereafter, Rochester Prep shall maintain a Lease Service Coverage Ratio of at least 1.05:1.00 as measured on June 30 of each fiscal year; provided that, except as provided below, Rochester Prep's failure to achieve the required Lease Service Coverage Ratio will not constitute an Event of Default under a Lease if Rochester Prep promptly engages an Independent Consultant to prepare a report, to be delivered to Rochester Prep and the applicable Borrower within 45 days of engagement, with recommendations for meeting the required Lease Service Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. Rochester Prep agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Rochester Prep will not be obligated to retain such an Independent Consultant more often than once during any 24 month period (including any retention of an Independent Consultant related to the covenant regarding Days Cash On Hand described below). Notwithstanding the foregoing, Rochester Prep's failure to achieve a Lease Service Coverage Ratio of 1.00 to 1.00 will constitute an Event of Default under a Lease.

In effect, because Basic Rent on an aggregate basis across all five Leases is equal to 1.15 times total debt service, the Lease Service Coverage Ratio yields an effective debt service coverage ratio of 1.21:1.00.

“Lease Service Coverage Ratio” for any given period calculated in accordance with GAAP, shall mean the ratio that (x) the excess of (i) with respect to such period, the actual cash receipts collected by Rochester Prep for such period from all sources over (ii) an amount equal to the total operating expenses incurred by Rochester Prep over such period (other than the payment obligations described in clause (y) below and expressly excluding depreciation, amortization, capital expenditures and subordinated fees under the MSA Agreement (as defined below)) bears to (y) the actual payment obligations of Rochester Prep for such period under all leases and subleases to which Rochester Prep is a party as lessee or sublessee.

“Independent Consultant” means a Person selected by Rochester Prep (except with respect to the provisions under the heading “— Additional Rochester Prep Indebtedness” herein, wherein the Independent Consultant is to be selected by mutual agreement of the Borrowers and Rochester Prep) that (a) does not have any direct financial interest or any material indirect financial interest in the Borrower, Rochester Prep or Uncommon Schools, or any affiliate of any of them, as applicable, and (b) is not connected with the Borrower, Rochester Prep or Uncommon Schools, or any affiliate of any of them, as applicable, as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by Rochester Prep, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by Rochester Prep, and having a favorable reputation for skill and experience in the financial affairs of such facilities.

Liquidity Covenant. Beginning with the fiscal year ending June 30, 2021, and for each fiscal year after the Rent Commencement Date, Rochester Prep shall have at least 45 Days Cash on Hand as measured on June 30 of each fiscal year. Rochester Prep will provide a certificate to the applicable Borrower at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether Rochester Prep has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, Rochester Prep shall promptly engage an Independent Consultant to prepare a report to be delivered to Rochester Prep and the applicable Borrower within 45 days of engagement, with recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. Rochester Prep agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Rochester Prep will not be obligated to retain such an Independent Consultant more often than once during any 24 month period (including any retention of an Independent Consultant related to the covenant regarding the Lease Service Coverage Ratio described above).

“Days Cash On Hand” for any Fiscal Year shall mean the quotient obtained by dividing (a) the Unrestricted Cash and Investments of Rochester Prep plus the Unrestricted Cash and Investments of the Foundation, as of the last day of such fiscal year by (b) the quotient obtained by dividing the total operating expenses (including all lease payments made by Rochester Prep but, excluding depreciation and capital expenditures), calculated solely with respect to the Rochester Prep, for such fiscal year by 365.

For information on the Foundation, See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.” attached hereto.

“Unrestricted Cash and Investments” shall mean the sum of unrestricted cash, cash equivalents, amounts available through open letters of credit, marketable securities, including without limitation board-designated assets, but excluding any trustee-held or similar funds. For the purposes of calculating Days Cash on Hand, any unrestricted grant or philanthropic contribution shall be included in the total of Unrestricted Cash and Investments for the period of such calculation, so long as the unrestricted grant or philanthropic contribution was received by Rochester Prep or the Foundation prior to the date any certificate is required to be delivered by Rochester Prep with respect to such calculation.

Additional Rochester Prep Indebtedness. Except as set forth under the heading “— Covenant Regarding New or Amended Leases” below, Rochester Prep shall not incur debt, except for (i) trade liabilities

incurred in the ordinary course of business of operating a charter school and as otherwise allowed in any agreement amending the Lease (including any subordination, nondisturbance, and attornment agreements entered into by Rochester Prep); or (ii) equipment leases representing trade and operational debt incurred in the ordinary course of business with trade creditors in connection with performing Rochester Prep's obligations under the Lease or with operation of the Schools or the Facility, in such amounts as are normal and reasonable under the circumstances ("Operational Leases"), without the written approval of the applicable Borrower and without satisfying the requirements set forth below; provided that, subject to the restrictions below, Rochester Prep shall be permitted to maintain, renew and/or increase any existing line of credit or credit facility or enter into a new line of credit, credit facility, loan or financing primarily for working capital purposes and enter into equipment leases for equipment used in its school operations without any additional tests;

(i) Long-Term Indebtedness may be incurred if prior to the issuance of such additional indebtedness the following is satisfied: an Independent Consultant mutually agreed upon by the applicable Borrower and Rochester Prep provides a written report to the Borrower and Rochester Prep setting forth projections which indicate that:

(A) for each of the three consecutive full Fiscal Years beginning in the earlier of:

(1) the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Long-Term Indebtedness, based upon a certified written estimated completion date by the consulting engineer for such Facility or Facilities; or

(2) the first full Fiscal Year in which Rochester Prep will have scheduled payments of interest on or principal of the Long-Term 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 Long-Term Indebtedness, investment income thereon or from other appropriate sources,

a Debt Service Coverage Ratio, taking into account all outstanding Long-Term Indebtedness and the additional Long-Term Indebtedness to be issued, of not less than 1.10:1.00.

(B) the Debt Service Coverage Ratio for the Fiscal Year immediately preceding the assumption of the proposed additional Long-Term Indebtedness is calculated to be at least 1.10 in such Fiscal Year, or would have been greater than it would otherwise have been absent such proposed additional Long-Term Indebtedness.

(ii) The report of the Independent Consultant will take into account: (A) the audited results of operations and verified enrollment of the Schools for the most recently completed Fiscal Year, (B) projected enrollment of the Schools, and (C) revenues at the completion of such Facility or Facilities financed with such additional Long-Term Indebtedness. In addition, the report of the Independent Consultant will assume that the Long-Term Indebtedness then to be incurred will have been outstanding for the entire year.

Under the Leases, "Long-Term Indebtedness" means Indebtedness having an original maturity greater than one year or renewable at the option of Rochester Prep 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 twenty (20) consecutive days during each calendar year; provided, however, that, for the purposes of this covenant against Additional Indebtedness of Rochester Prep, Operational Leases shall not constitute Long-Term Indebtedness, except as specified elsewhere in the Lease.

“Indebtedness” means all obligations for borrowed money, installment sales and lease obligations, incurred or assumed by Rochester Prep.

Covenant Regarding New or Amended Leases. Except as set forth below, prior to amending or entering into any one or more lease(s) or sublease(s) that do not otherwise fall within the definition of Operational Lease (“non-Operational Leases”) and which will result in an increase in aggregate annual lease payments required of Rochester Prep, Rochester Prep shall provide the applicable Borrower with an Additional Lease Certificate in the form attached to the Lease, and shall satisfy the additional Long-Term Indebtedness requirements above for any such new non-Operational Leases.

Notwithstanding the foregoing:

(A) Rochester Prep shall have the right to amend or enter into any one or more non-Operational Leases without the written approval of the applicable Borrower and without evidencing satisfaction of the additional Long-Term Indebtedness requirements above and the requirements in the foregoing paragraph so long as the aggregate annual lease or sublease payments due under any one or more non-Operational Leases when calculated collectively does not exceed \$75,000 at any time; and

(B) Rochester Prep shall have the right to enter into any lease or sublease without the written approval of the applicable Borrower and without evidencing satisfaction of the additional Long-Term Indebtedness requirements above and the requirements in the foregoing paragraph (1) for the academic calendar years of 2020-21 or 2021-22 should construction of the Mark Street Facility not be completed and/or the campus is not ready for occupancy during those academic years and alternative suitable accommodations have to be leased or subleased for purposes of temporarily housing Rochester Prep’s high school, or (2) that is required in connection with securing temporary facilities as the result of a casualty or condemnation and paid from the insurance proceeds of such event.

Restriction on Pledge of Student Revenue. Rochester Prep shall not pledge per student revenue, assets or other income streams (a) without the prior written consent of the applicable Borrower, and (b) unless the satisfaction of Rochester Prep’s obligations under the Lease are secured by a parity or senior pledge of such revenues, assets and other income streams.

No Senior Obligations. Rochester Prep shall not incur any lease obligation or Indebtedness which is senior in priority to Rochester Prep’s obligations under the Lease.

Selection of Independent Consultant. Upon the selection by Rochester Prep or the applicable Borrower of an Independent Consultant as required under the provisions of a Lease, the applicable Borrower will notify the Trustee of such selection. The Trustee is required to, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Holders of all Bonds of such selection. Such notice will (i) include the name of the Independent Consultant and a brief description of the Independent Consultant, (ii) state the reason that the Independent Consultant is being engaged including a description of the covenant(s) of the Lease that require the Independent Consultant to be engaged, and (iii) state that the holder of the Series 2020 Bonds will be deemed to have consented to the selection of the Independent Consultant named in such notice unless such Holder submits an objection to the selected Independent Consultant in writing to the Trustee within 15 days of the date that the notice is sent to the Holders. No later than two Business Days after the end of the 15-day objection period, the Trustee is required to notify the Borrowers of the number of objections. If 66.6% or more in aggregate principal amount of the Holders of the Series 2020 Bonds have been deemed to have consented to the selection of the Independent Consultant, the applicable Borrower shall cause Rochester Prep to engage the Independent Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the Holders have objected to the Independent Consultant selected, Rochester Prep will be required to select another Independent Consultant which may be engaged upon compliance with the procedures described herein.

Subordination of Management Fees. In the event that Rochester Prep does not have sufficient funds to pay the Basic Rent, Additional Rent or other payments payable by Rochester Prep under a Lease and any payments due from Rochester Prep to Uncommon Schools under that certain Master Services Agreement between Rochester Prep and Uncommon Schools (as the same may be amended, modified or renewed from time to time, the “MSA Agreement”), Rochester Prep shall make all payments due under the Lease to the exclusion of making any payments to Uncommon Schools under the MSA Agreement.

See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.” attached hereto for more information on the MSA Agreement and Uncommon Schools.

Other Covenants. Rochester Prep shall comply with all operating requirements in connection with its Charters as a public charter school, shall maintain its existence as an education corporation in good standing, shall maintain the Charters in good standing, and shall maintain the Schools as public charter schools in good standing. Rochester Prep shall use its best efforts to maintain in effect its three Charters, pursuant to the terms of applicable law.

Rochester Prep shall cause all maintenance and repair of the Property required hereunder to be completed in a timely manner.

Rochester Prep shall not take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Series 2020 Bonds to fail to qualify as tax exempt bonds under the Code or would cause the Series 2020 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, or otherwise cause the Series 2020 Bonds to lose their status.

Financial Reporting. Under each Lease, Rochester Prep agrees to provide to the applicable Borrower or its designees, and upon written request, to the Trustee, on a timely basis information in such format and by such time necessary to comply with Borrower’s requirements under any Continuing Disclosure Agreement entered into by the Borrower, the Trustee and Rochester Prep, including but not limited to:

(a) Audited financial statements, to be provided to the Borrower within one hundred eighty (180) days after the end of Rochester Prep’s fiscal year and a certificate of the chief financial officer of Rochester Prep reflecting that over the prior calendar year, Rochester Prep maintained the Lease Service Coverage Ratio as set forth above;

(b) On a quarterly basis within sixty (60) days after the end of each fiscal quarter, management-prepared financial statements;

(c) Annual reports of the public charter school operated on the Property, to be provided to the Borrower at the time same are submitted to Rochester Prep’s chartering authority;

(d) Within thirty (30) days of Rochester Prep’s receipt of same by Rochester Prep, any reports or reviews of the public charter school operated on the Property prepared by Rochester Prep’s chartering authority;

(e) No later than thirty (30) days prior to the start of each fiscal year of operations, the annual operating budget and five (5) year operating proforma;

(f) By November 1 of each year annual reports for the prior school year on the school’s student retention, teacher retention, high school graduation, college acceptance and college matriculation rates and college board exams results, as available, federal free and reduced-price lunch eligibility, and ethnicity data;

(g) By November 1 of each year, demand and enrollment statistics for the new academic year (including enrollment by grade, applications by grade, acceptances by grade, waiting list by grade and matriculations statistics);

(h) Within thirty (30) days of receipt, a report of average standardized examination scores of the students at the school operated on the Property, and comparison of those scores with those of the applicable local school district and the State;

(i) Within fifteen (15) days of submission to or receipt from the charter authorizer and any other applicable regulatory authorities, copies of all reports submitted to the charter authorizer or other applicable regulatory authorities, and notices of actions from the charter authorizer other applicable regulatory authorities;

(j) Within ten (10) days of receipt, results of reviews/performance or financial audits or other regulatory reviews;

(k) Within thirty (30) days after request, updates on per pupil funding from the applicable local school district and/or the State of New York;

(l) Within ten (10) business days after receipt by Rochester Prep, any notice given to Rochester Prep pursuant to any of Rochester Prep's Charters granted by the State University of New York to operate a charter school; and

(m) such other information as may be reasonably requested by the Borrower or the Trustee.

Purchase Option Under the Leases

Under each Lease, provided no Event of Default beyond any applicable notice and cure period is occurring under the Lease as of the date on which Rochester Prep gives the Election Notice (as defined herein) or as of the Purchase Date (as defined herein) and the first call date of the Series 2020 Bonds has occurred, Rochester Prep has the right to purchase the applicable Facility upon written notice to the applicable Borrower (the "Election Notice"), subject to the requirement that prior to or simultaneous with such acquisition of the Facility, either:

(a) (i) (A) all of the Bonds outstanding have been redeemed or considered legally defeased, and (B) all obligations of the respective Borrower (or other borrower under any related loan agreement) related to the issuance and funding of the Bonds be satisfied in full, and (ii) there shall be delivered to the applicable Borrower and the Issuer an opinion of Nationally Recognized Bond Counsel (meaning an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America) reasonably acceptable to the Issuer to the effect that the acquisition of the Facility together with the redemption or defeasance of the Bonds will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes; or

(b) subject to the written confirmation of the Trustee that Rochester Prep has fully satisfied the requirements below, which confirmation shall be in the sole and commercially reasonable discretion of the Trustee, and which shall be given provided Rochester Prep satisfies the following, Rochester Prep:

(i) provide a certificate evidencing (A) that in the opinion of a licensed appraiser, the aggregate fair market value of the remaining real property collateral under the Security Documents, following the proposed purchase, shall equal or exceed the remaining outstanding amount of the Bonds, giving effect to any defeasance or prepayment of Bonds to

be made in connection with such purchase from (1) the Purchase Price, and (2) any additional funds that may be contributed by the Tenant to satisfy the requirement in this subsection, and (B) confirmation by any Rating Agency then rating the Bonds that following such purchase, the existing rating on the Bonds shall not be adversely affected;

(ii) establish that, in the opinion of Nationally Recognized Bond Counsel (meaning an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America) reasonably acceptable to the Issuer, the acquisition of the Facility will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes; and

(iii) pay the Purchase Price for the Facility.

The Election Notice shall set forth the date on which Tenant desires to purchase the Facility (the "Purchase Date"), which Purchase Date shall be at least sixty (60) days after the date of the Election Notice, and the Purchase Date shall be on or after the first call date of the Bonds. The giving of any such Election Notice by Rochester Prep shall constitute an irrevocable agreement by Rochester Prep to purchase the Facility for the Purchase Price (as defined herein) in accordance with these provisions on the Purchase Date. Notwithstanding the exercise of such purchase option, the Lease shall remain in full force and effect and Rochester Prep shall remain liable and shall continue to perform all obligations hereunder until the closing of title.

The term "Purchase Price" means:

(A) with respect to subsection (a) above (i) the aggregate outstanding principal amount of, and accrued and unpaid interest on the Bonds (to the first available date that such Bonds may be redeemed) under all Security Documents (as defined below) as of the date Rochester Prep sends the Election Notice and (ii) all costs and expenses incurred by the applicable Borrower (including, without limitation, reasonable attorneys' fees and expenses) in connection with the conveyance of the Facility to Rochester Prep pursuant to these provisions and the in-whole redemption of the Bonds; and

(B) with respect to paragraph (b) above, an amount (as evidenced in a verification from an independent certified public accountant or firm of independent certified public accountants, in each case reasonably satisfactory to the Issuer and the Trustee) equal to eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the applicable Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds, and (ii) all costs and expenses incurred by applicable Borrower (including, without limitation, reasonable attorneys' fees and expenses) in connection with the conveyance of the Facility to Tenant pursuant to the Lease and the redemption in part of the Bonds. With respect to this subsection (B) of the Purchase Price, it is the parties' intention and understanding that the prescribed calculation is designed to generate a Purchase Price roughly equivalent to the remaining principal amount of the then-outstanding Bonds allocated on a Bond proceed funding basis to the Property.

The applicable Borrower shall have the right to pay off any Security Documents affecting the Facility on the Purchase Date out of the Purchase Price payable to Borrower, provided, in the case of Security Documents held by institutional lenders, Borrower shall deliver a pay-off letter at the closing which is reasonably acceptable to Rochester Prep, and, in the case of Security Documents held by non-institutional lenders, recordable instruments of release or discharge of such Security Documents in form and substance reasonably satisfactory to Rochester Prep are then delivered to Rochester Prep. The term "Security Documents" means all mortgages and/or deeds of trust (and associated loan documents executed in connection

therewith), security interests, UCC Financing Statements, assignments of leases, judgments, liens and other instruments that can be discharged by the payment of a sum of money.

The applicable Borrower agrees in the Lease that it will provide Rochester prep with thirty (30) days' written notice prior to making any application or request to place additional debt on the Facility, the proceeds of which will only be used to improve the Facility or other properties where Rochester Prep is a tenant.

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – The Loan Agreement – Sale of a Facility or Mortgaged Property" herein and "APPENDIX E – SUMMARY OF THE LEASES" attached hereto.

Sublease of Facility by Rochester Prep. Rochester Prep shall not sublease all or substantially all of the Property subject to a Lease, or allow others to use or occupy all or substantially all of the same, without obtaining the prior written consent of the applicable Borrower (which shall not be unreasonably withheld, conditioned or delayed), provided, that the following conditions are satisfied by Rochester Prep prior to entering into such sublease:

(a) Rochester Prep shall remain primarily liable to the Borrower for the payment of all Rent payments and for the full performance of all terms of the Lease;

(b) an opinion of Nationally Recognized Bond Counsel acceptable to the Issuer shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such sublease shall not affect the exclusion of the interest on any Bonds then outstanding from gross income for federal income tax purposes or affect the then rating the Bonds; and

(c) confirmation by any Rating Agency then rating the Bonds that following such sublease, the existing rating on the Bonds will not be adversely affected.

Notwithstanding the provisions of this section, Rochester Prep shall have the right without the applicable Borrower's consent to sublease portions of the Property subject to a Lease pursuant to any Excluded Use Agreement, but only to the extent that such Excluded Use Agreement does not materially interfere with Rochester Prep's operation of the Schools or the Facility. "Excluded Use Agreement" shall mean (i) any arrangement pursuant to a lease, license or other use or occupancy agreement with Rochester Prep, pursuant to which Rochester Prep permits (provided such action is in compliance with the Issuer's Tax Compliance Agreement for the Bonds) the use or other occupancy of a portion of the Facility by a public school, any agency or instrumentality of local government or any organization which is recognized by Section 501(c)(3) of the Code, and which will use or occupy such portion of the Property for an activity which is not an unrelated trade or business, within the meaning of Section 513 of the Code, with respect to such occupant and Rochester Prep, as applicable and which (ii) is for a term not greater than one hundred (100) days, such period determined by aggregating the total number of days of use contemplated by the applicable agreement.

CERTAIN RISK FACTORS

Investment in the Series 2020 Bonds involves substantial risks. The following information should be considered by prospective investors in evaluating the Series 2020 Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Series 2020 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Certain factors which could result in a reduction of revenues available to the Borrowers and Rochester Prep and a corresponding reduction in payments made to the Issuer are discussed herein.

A number of factors could have an adverse impact on the ability of Rochester Prep to generate revenues needed to meet its obligations under the Leases, which could, in turn, have an adverse effect on the

ability of the Borrowers to generate sufficient revenues to meet their respective obligations to make payments due under the Loan Agreement. The ability of Rochester Prep to generate sufficient revenues to make payments under the Leases is dependent upon a number of elements, including State budget pressures, demand for charter schools, the ability of the Schools to provide the educational services and classes demanded by parents or to attract students generally, changes in the level of confidence in the public school system in general or public charter schools in particular, competition, faculty recruitment, demographic changes, legislation, governmental regulations, changes in immigration policy, litigation and the Schools' ability to achieve enrollment and fundraising levels. This, in turn, is affected by numerous circumstances both within and outside the control of the Borrowers and Rochester Prep, including a continuation of favorable governmental policies and programs with respect to public charter schools; the competitive appeal and perceived quality of the Schools' curriculum; the ability and energy of the Schools' faculties and administration; and the benevolence of the Schools' supporters. There can be no assurance given that revenues of the Borrowers or the revenues of Rochester Prep will not decrease. Any and all financial projections are only good faith estimates and are not intended as a representation or warranty as to the future financial condition of the Borrowers or Rochester Prep.

See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.," "APPENDIX B-1 – FINANCIAL STATEMENTS OF ROCHESTER PREP FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018" and "APPENDIX B-2 – CONSOLIDATED FINANCIAL STATEMENTS OF UNCOMMON SCHOOLS AND AFFILIATES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018" attached hereto.

Sufficiency of School Revenues

The Series 2020 Bonds, together with any Additional Bonds, are secured by and payable solely from a pledge of the Trust Revenues, including certain funds held under the Indenture and certain payments to be made by the Borrowers under the Loan Agreement. The Borrowers are single purpose entities and are entirely dependent on payments from Rochester Prep under the Leases to make payments under the Loan Agreement. Based on present circumstances (i.e., its charter and operating history), Rochester Prep believes it will generate sufficient revenues to meet its obligations under the Leases. However, the Schools' Charters may be terminated or not renewed, or the basis of the assumptions utilized by Rochester Prep to formulate this belief may otherwise change and no representation or assurance can be made that Rochester Prep will continue to generate sufficient revenues to meet its obligations under the Leases.

Economic and Other Factors

Future economic and other factors may adversely affect Rochester Prep's revenues and expenses and, consequently, Rochester Prep's ability to make payments under the Leases. Factors that could have such adverse effects include, but are not limited to: decreases in the number of students seeking to attend the Schools at optimum levels for each grade level; demographic changes or economic developments in the affected service area, including inflation and interest rates; diminution of the Schools' reputation; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of the Schools to attract and retain qualified teachers and staff at forecasted salaries; increased costs associated with technological advances; changes in government regulation of the education industry or in the New York charter school statutes; decrease in per-student funding amounts by the State; future claims and torts (for accidents or any other reason) against Rochester Prep and the extent of insurance coverage for such claims; and the occurrence of natural disasters, such as floods.

Dependence on State Payments that are Subject to Annual Appropriation and Political Factors

New York charter schools such as the Schools may not charge tuition and have no taxing authority. The principal source of charter school funding in New York is "Charter School Basic Tuition" that charter

schools are paid by the school district of the residence of the students attending the charter schools, and the amount of aid received by an individual school is based on a variety of factors. See “APPENDIX C – CHARTER SCHOOLS IN NEW YORK” attached hereto. The overall amount of Education Aid provided by the State in any year is subject to appropriation by the New York Legislature. The Legislature may base its decisions about appropriations on many factors, including the State’s economic performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. As a result, the Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, for Rochester Prep to generate sufficient revenue to meet its operating expenses and to make payments under the Leases allowing the Borrowers to make debt service payments under the Loan Agreement. No liability would accrue to the State in such event, and the State would not be obligated or liable for any future payments or any damages. If the State were to withhold Education Aid payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the Schools could be forced to close.

Claims and Insurance Coverage

Litigation could arise from the corporate and business activities of the Borrowers or Rochester Prep. Such litigation may stem from Rochester Prep’s status as an employer. Many of these risks are covered by insurance, but some are not. For example, claims arising from wrongful termination or sexual harassment claims and business disputes may not be covered by insurance or other sources. Such claims may, in whole or in part, constitute a significant liability of Rochester Prep if determined or settled adversely, as may any additional claims for other torts, accidents, or environmental enforcement actions, to the extent such claims exceed the limits of applicable insurance coverage.

The Borrowers and Rochester Prep covenant and agree in the Loan Agreement and the Leases that they will maintain, or caused to be maintained, property, general liability and business interruption insurance with respect to the Facilities at levels set forth therein. See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS” and “APPENDIX E – SUMMARY OF THE LEASES” attached hereto.

Risk of Noncontinued Philanthropy or Grants

In the past, Rochester Prep, the Foundation and Uncommon Schools have received income from unrestricted gifts and donations or grants to supplement operating revenues to finance operations and capital needs. Gifts, grants and donations are expected to continue and Rochester Prep is currently able to support its operations and educational program through per pupil funding and is not dependent on philanthropy for its ongoing operations. However, there can be no assurance that projections of this non-operating revenue will be realized or will not decrease, adversely affecting the financial condition of the School. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.” attached hereto.

Additional Borrower and School Indebtedness

The Loan Agreement permits the Borrowers to incur additional indebtedness upon compliance with the provisions thereof. The Leases permit Rochester Prep to incur additional debt upon compliance with the provisions thereof. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – The Loan Agreement” and “THE LEASES” herein. The incurrence of such additional indebtedness or lease obligations by the Borrowers or Rochester Prep could increase the economic burden on the Borrowers or Rochester Prep and thereby adversely affect the ability of the Borrowers to make required payments under the Loan Agreement or Rochester Prep to make required payments under the Leases. See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS” and “APPENDIX E – SUMMARY OF THE LEASES” attached hereto.

Additionally, the Loan Agreement permits additional entities to be added as Borrowers, and the Borrowers could incur additional indebtedness (including Additional Bonds) to finance additional facilities for such additional Borrowers. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – The Loan Agreement” herein.

Nonrenewal, Revocation or Termination of Charter

Under the Charter School Act, the Charters are subject to revocation or termination for, among other reasons: (i) when a charter school’s outcome on student assessment measures adopted by the Board of Regents falls below the level that would allow the Commissioner to revoke the registration of another public school, and student achievement on such measures has not shown improvement over the preceding three school years; (ii) serious violations of law; (iii) material and substantial violation of the Charters, including fiscal mismanagement; (iv) when the public employment relations board makes a determination that the charter school demonstrates a practice and pattern of egregious and intentional violations related to improper employer practices of the civil service law involving interference with or discrimination against employee rights under the Public Employees’ Fair Employment Act of the civil service law; or (v) repeated failure to comply with the requirement to meet or exceed enrollment and retention targets of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program pursuant to targets established by the Board of Regents or the board of trustees of the State University of New York, as applicable. See “APPENDIX C – CHARTER SCHOOLS IN NEW YORK” attached hereto. If the Charters are not renewed, or are revoked, terminated or suspended, the Schools could be forced to close and the Leases terminated.

Pursuant to the Charter Schools Act, the Charters each have a five-year term which expires on July 31, 2021, and will then be subject to renewal. There can be no assurance that the Charters will be renewed.

Competition for Students

The Schools compete for students with other public schools, charter schools and private schools. There can be no assurance that the Schools will attract and retain the number of students that are needed to produce the revenues that are necessary to make sufficient Lease payments to pay the debt service on the Series 2020 Bonds. Several public and charter schools are located in close proximity to the Schools. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC. – TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL – Market Share” for information regarding other schools in the Schools’ service area.

Reliance on Projections

The projections of revenues and expenses set forth in Appendix A were prepared by Rochester Prep and the Borrowers and have not been independently reviewed or verified by any other party. Such projections are derived from the actual operation of the Schools, to the extent possible, and from Rochester Prep’s assumptions about the student enrollment, funding and expenses. There can be no assurance that the actual enrollment revenues, funding and expenses for Rochester Prep will be consistent with the projections contained herein.

No feasibility studies have been conducted with respect to operations of the Facilities pertinent to the Series 2020 Bonds. The projections are “forward-looking statements” and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified Rochester Prep’s projections set forth in Appendix A or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Series 2020 Bonds will be outstanding.

ROCHESTER PREP PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC. – TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL" TO REVIEW THE PROJECTIONS, THEIR UNDERLYING ASSUMPTIONS, AND THE OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS. REFER TO "INTRODUCTION" ABOVE, FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

Factors Associated with Education

There are a number of factors affecting schools in general, including the Schools, which could have an adverse effect on Rochester Prep's financial position and ability to make the payments required under the Leases. These factors include, but are not limited to, increasing costs of compliance with Federal or state regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; any unionization of Rochester Prep's workforce with consequent impact on wage scales and operating costs of Rochester Prep; changes in existing statutes pertaining to the powers of Rochester Prep; decline of the Schools' reputation, the faculty or student body, either generally or with respect to certain academic or extracurricular areas; and the disruption of Rochester Prep's operations by real or perceived threats against Rochester Prep, the employees or the students. Rochester Prep cannot assess or predict the ultimate effect of these factors on its operations or its ability to make the required rental payments under the Leases.

Key Management

The creation of, and the philosophy of teaching in, charter schools generally initially may reflect the vision and commitment of a few key persons on the board of trustees and/or the upper management of Rochester Prep (the "Key Trustees/Managers"). Loss of such Key Trustees/Managers, and the inability of Rochester Prep to find comparable qualified replacements, could adversely affect any of Rochester Prep's operations or financial results.

Uncommon Schools functions as a Charter Management Organization for the Schools pursuant to a Master Services Agreement (the "Management Agreement"). The current term of the Management Agreement terminates on June 30, 2024, and renews automatically thereafter each fiscal year unless terminated by either party. See "APPENDIX A – ROCHESTER PREP MANAGEMENT AND LEADERSHIP – Management Agreement" attached hereto. There can be no assurance that the Management Agreement will continue to be renewed in the future.

Value of Facilities May Fluctuate

The value of the Facilities at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Facilities which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline. Upon a default under the Mortgage, no assurances can be given that the Trustee would be able to lease the Facilities, or the rental amount that would be payable thereunder, or that the amount that the Trustee would otherwise receive in connection with a foreclosure of the Facilities would be sufficient to pay the principal of, premium, if any, or interest on the Series 2020 Bonds.

Limitation on Occupancy at Certain Facilities

St. Jacob Street Facility. The St. Jacob Street Certificate limits the St. Jacob Street Facility to an occupancy of 490 students in kindergarten through grade four. Rochester Prep has operated at an enrollment in excess of 490 for the past three school years and has received annual sign-off on occupancy by the City of Rochester fire marshal in each year. Additionally, Uncommon has received a building code evaluation from Edge Architecture, PLLC, determining a building capacity of 1,350 occupants.

St. Jacob Street LLC is currently in the process of seeking a Special Use Permit from the City of Rochester to expand the permitted use of the St. Jacob Street Facility to an enrollment of at least 900 students in kindergarten through grade 8. In preparation for updating its existing Special Use Permit, St. Jacob Street LLC has engaged an engineer to complete a traffic study, however such study has not been able to be performed yet due to the ongoing closure of school facilities as a result of the outbreak of COVID-19. Once the traffic study is able to be undertaken and the report is completed, St. Jacob Street LLC expects to proceed to requesting an increase of its occupational capacity.

There can be no assurance that the traffic study will not require changes to Rochester Prep's operations or changes to the Facility, or that the City of Rochester will approve any request to increase the Facility's operational capacity. Further, there can be no assurance that the City of Rochester will continue its ongoing practice of not enforcing the existing limitation on building capacity. If an increased occupancy were not approved by the City of Rochester, or the allowable grade range of students changed to allow for students in grades 5-8, Rochester Prep may have to make various operational changes to house Rochester Prep Middle School 3 beginning in the 2021-22 school year.

Chili Avenue Facility. Rochester Prep currently occupies the Chili Avenue Facility subject to a Certificate of Occupancy issued by the City of Rochester on July 14, 2016 (the "Chili Avenue Certificate"). The Chili Avenue Certificate limits the Chili Avenue Facility to an occupancy of 335 students in grades five eight. Rochester Prep operated at an enrollment of 356 students during the 2019-20 school year, and expects to enroll approximately 357 students at the Chili Avenue Facility in future school years.

Chili Avenue LLC is planning to seek a Special Use Permit from the City of Rochester to expand the permitted use of the Chili Avenue Facility to a level sufficient to accommodate its projected enrollment of 356 students. There can be no assurance that the City of Rochester will approve any request to increase the Facility's operational capacity. Further, there can be no assurance that the City of Rochester will continue its ongoing practice of not enforcing the existing limitation on building capacity. If an increased occupancy were not approved by the City of Rochester, Rochester Prep may have to make various operational changes in future school years.

Sale of Facility and Termination of Leases

Each Lease provides Rochester Prep to purchase the Facility leased thereunder during the term of the Lease, and while the Series 2020 Bonds may still be outstanding. See "THE LEASES – Purchase Option

Under the Lease” herein. Any proceeds received by a Borrower in connection with the purchase of a Facility under a Lease will be used to defease or optionally redeem Series 2020 Bonds. In connection with the sale of a Facility, the Borrower that sold such Facility will no longer be a party to the Loan Agreement. Such sale of a Facility will result in a decrease in appraised value of the real property securing the Borrowers’ obligations under the Loan Agreement pursuant to the Mortgage.

Each Lease contains certain provisions pursuant to which a Lease may be terminated, including in connection with the loss of a School’s charter, destruction or damage to a Facility, or a condemnation of a Facility. See “APPENDIX E – SUMMARY OF THE LEASES” attached hereto.

Default Under a Lease; No Assurance Regarding Subsequent Tenant

If there is a default by the Borrowers under the Loan Agreement attributable to a default by Rochester Prep under a Lease, the Borrowers will likely not have sufficient funds to satisfy their obligations under the Loan Agreement absent re-leasing – or in appropriate cases, selling – the applicable Facilities. Were Rochester Prep to default under a Lease, there is no assurance that the applicable Borrower would be able to find a new tenant for the applicable Facility which could generate revenues in a sufficient amount to allow the Borrowers to make payments under the Loan Agreement to satisfy debt service on the Series 2020 Bonds. This risk is heightened by the fact that the Facilities have been improved specifically for use as charter school campuses and may be restricted to that use.

Inability to Liquidate or Delay in Liquidating the Facilities

Upon the occurrence and continuance of an event of default, the Trustee shall be entitled to exercise certain rights, including the right to possession of and the right to sell the Facilities pursuant to a foreclosure sale under the Mortgage. The Facilities are intended to be used solely for educational purposes of the Schools. The location of the Facilities might also limit the number of potential purchasers. Consequently, a potential purchaser of the Series 2020 Bonds should not anticipate that a transfer of the Facilities could be accomplished rapidly, or at all. Any sale of the Facilities would require compliance with the laws of the State of New York applicable thereto. Such compliance might be difficult, time-consuming and expensive. Any delays in the ability of the Trustee to foreclose on the Mortgage would likely result in delays in the payment of the Series 2020 Bonds. In addition, in the event the Trustee took possession of the Facilities, the Facilities might be subject to real property taxation.

Enforceability of remedies may also be limited by the requirement of Section 2851(2)(t) of the Act, which provides for disposition of the Schools’ assets to the school district in which the Schools are located or to another charter school within the school district in the event of termination or revocation of the Charters or other closure or dissolution of the Schools.

Factors That Could Affect the Security Interest in the Facilities; Superior Liens

The Trustee’s security interest in the Facilities may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal or state bankruptcy or insolvency laws that may affect the enforceability of the Loan Agreement, (vi) rights of third parties in amounts not in the possession of the Trustee, (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the New York State Uniform Commercial Code as from time to time in effect, and (viii) mechanic’s liens.

Survival of Lease After a Bond Default and Foreclosure

Each Borrower, Rochester Prep and the Trustee will enter into a Subordination, Non-Disturbance and Attornment Agreement (the “SNDA”) with respect to the Facilities. The SNDAs address the priority of the rights between Rochester Prep, each Borrower, as landlord under each Lease, and the Trustee for the Facilities. The SNDA provides that Rochester Prep’s rights under each Lease to the use, possession and enjoyment of the applicable Facility will not be disturbed by the Trustee so long as no event of default exists under the Lease. The non-disturbance portion assures Rochester Prep and the applicable Borrower that its rights to the Facility will be preserved (“nondisturbed”) on specified conditions within control of Rochester Prep or the Borrower, as applicable, if the Borrower defaults on its Loan with the Issuer or Rochester Prep defaults on its obligations under the Lease, respectively, and the Trustee forecloses on the Facility. The attornment component of the SNDA provides that Rochester Prep will continue its obligations under each Lease if a new landlord takes over the Lease.

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 Rochester Prep’s ability to make payments under the Leases. 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.

No Repair and Replacement Fund. Although a Repair and Replacement Fund is established by the Trustee under the Indenture, the Repair and Replacement Fund Requirement under the Indenture is \$0. Holders of the Series 2020 Bonds should not expect any funds to be available under the Indenture for the repair or replacement of the Facilities, other than any condemnation or insurance proceeds received by the Trustee.

Limitations of Appraisals. Appraisals are estimates of value and not an assurance of what any particular property would bring in sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the values represent reliable estimates of what the Facilities would bring in liquidation following an event of default.

Damage, Destruction or Condemnation. Although the Borrowers will be required to obtain certain insurance against damage or destruction and business interruption insurance as set forth in the Loan Agreement and the Mortgage, as applicable, 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 Borrowers or Rochester Prep, as a result of damage or destruction to the Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Facilities, or any portion thereof; are damaged or destroyed, or are taken in a condemnation proceeding, the proceeds of insurance or any such condemnation award for the Facilities, or any portion thereof; is the Borrowers’ right to either restore or rebuild the Facilities or to redeem the Series 2020 Bonds in accordance with the terms of the Loan Agreement. There can be no assurance that the amount of revenues available to restore or rebuild the Facilities, or any portion thereof; or to redeem the Series 2020 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 Borrowers and the debt service on the Series 2020 Bonds remaining outstanding.

Flood. Pursuant to the Loan Agreement, the Borrowers have covenanted that, so long as a Facility is located in an area identified by the Secretary of Housing and Urban Development as having special flood and mud slide hazards, the Borrowers will maintain, or cause to be maintained flood insurance coverage on the applicable Facility. The Facilities are not located in special flood hazard area.

Tax Foreclosure Lots. Two of the lots comprising a portion of the Mark Street Facility, defined as the Tax Foreclosure Lots under the heading “THE PROJECT – Mark Street Project” herein, were acquired by Mark Street LLC from the City of Rochester following the foreclosure of tax liens by the City of Rochester. Due to certain rights afforded to prior owners of property foreclosed on pursuant to tax liens, the ALTA lender’s policy of title insurance delivered by the Borrowers in connection with the issuance of the Series 2020 Bonds will except from coverage any loss, costs or damages arising from claims made against the validity of the tax foreclosure proceeding or prior to February 5, 2021. If there is a successful claim made by such previous property owners relating to the Tax Foreclosure Lots, Mark Street LLC may experience an uninsured loss including a loss of the ownership of the Tax Foreclosure Lots.

The Tax Foreclosure Lots are expected to provide necessary capacity for parking for the Mark Street Facility. If Mark Street LLC were to lose the ownership and use of the Tax Foreclosure Lots, Mark Street LLC anticipates it will be able to secure an alternative location for required parking capacity. However, there can be no assurance that such alternative parking facilities will be readily available.

Construction Risks

Construction under the Project is generally subject to all typical construction related risks. Such risks include, among others, labor disputes, defective building materials, schedule delays, shortages in various labor trades, fire or other property or casualty damage, unanticipated subsoil conditions and financial difficulties on the part of or disputes with a construction manager, key suppliers, contractors or subcontractors. There can be no assurance that construction problems of the types described above, or other problems, will not frustrate the planned completion of any part of the construction of the Mark Street Facility. See “THE PROJECT – Mark Street Project” herein.

Currently, the construction of public school facilities is exempted from the current stay-at-home orders in effect in New York State and Monroe County related to the ongoing outbreak of COVID-19 (as defined herein). There can be no assurance that existing public health orders will not be revised or new orders issued that would have the effect of interrupting or delaying construction on the Mark Street Facility. See “— Infectious Disease Outbreak; COVID-19” herein.

Environmental Regulation and Remediation

The Facilities are and will be subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to the Facilities, or otherwise for complying with environmental requirements, whether arising from pre-existing conditions or conditions arising as a result of activities conducted in connection with the ownership of and operations at the Facilities. Costs incurred with respect to environmental compliance, remediation or liability could adversely affect the Borrowers’ financial condition and their ability to generate pledged revenues sufficient to pay debt service on the Series 2020 Bonds. Any such environmental compliance measures, remediation or any such potential liability to third parties could also make it difficult to successfully re-sell or re-let the Facilities.

See “THE PROJECT – Environmental Inspections” herein.

Potential investors should note that any environmental assessments and the accompanying reports are subject to the limitations specified in such reports and, more generally, and to the basic limitation that no environmental assessment can completely eliminate uncertainty regarding the potential for recognized

environmental conditions in connection with a subject property. Further, the reports and records prepared in connection with such assessments and investigations speak only as of their dates, and no additional assessments have been requested or performed. Potential investors must refer to the complete reports and other documents for a full understanding of such limitations, and for additional information pertinent to those items. The complete documents will be provided upon written request to the Trustee.

Potential Effects of Bankruptcy

If a Borrower were to file a petition for relief (or if a petition were filed against either such entity as debtor) under the United States Bankruptcy Code, 11 U.S.C. §§ 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 debtor. If the bankruptcy court so ordered, such Borrower's property and revenues could be used for the benefit of the Borrower despite the claims of its creditors (including the owners of the Series 2020 Bonds).

In a bankruptcy proceeding, a Borrower could file a reorganization plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the Series 2020 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 Borrower, as the case may be, provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half the number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. The Borrowers are prohibited from creating secured creditors except as provided in the Loan Agreement.

Tax-Related Issues

Under present Federal and State law, regulations and rulings, the income of non-profit exempt organizations, such as the Foundation, the Borrowers and Rochester Prep, is exempt from Federal and State income tax, except for any unrelated business income. Failure of the Foundation, the Borrowers or Rochester Prep to maintain their tax-exempt status or changes in such current laws, or the regulations, rulings or interpretations thereof could adversely affect the Foundation, the Borrowers or Rochester Prep. Such failure would adversely affect the exclusion of interest on the Series 2020A Bonds from income for federal income taxation purposes, and such effects could be material.

Moreover, the ongoing tax-exempt status of interest on the Series 2020A Bonds is conditioned, under relevant provisions of the Code, on compliance by the Foundation, the Borrowers and Rochester Prep with various requirements set forth, *inter alia*, in Sections 145 and 148 of the Code, requiring, among other things, that the Facilities be owned throughout the term of the Series 2020A Bonds by a governmental unit or an organization described in Section 501(c)(3) of the Code, that not more than five percent of the proceeds of the Series 2020A Bonds (inclusive of proceeds applied to defray issuance costs) be applied to any "private business use," any use giving rise to "unrelated business income," or other uses inconsistent with the charitable purposes of Rochester Prep, as an organization described in Section 501(c)(3) of the Code, and that certain investment earnings in respect of the Series 2020A Bonds be subject to non-arbitrage requirements imposed under Section 148 of the Code, including requirements to perform certain "rebate" computations and to make certain "rebate" payments of "arbitrage" earnings all as further provided in applicable statutes, regulations, rulings and decisions. Failure to comply with such requirements could result in the loss of the tax-exempt status of interest on the Series 2020A Bonds to the owners thereof, and such interest could become taxable to such owners retroactive to the date of issuance of the Series 2020A Bonds.

Under current State law, the Facilities are exempt from taxation, fees, assessments or special ad valorem taxes to the same extent as public schools. There can be no assurances that the Facilities will not be subjected in the future to taxation. Moreover, no assurances can be given that the effect of any tax payments on the Borrowers would not be either adverse or material.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). To the extent Rochester Prep or the Foundation do not properly account for and report UBTI, if any, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of Rochester Prep or the Foundation, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2020A Bonds.

Compliance with the No Child Left Behind Act and the Every Student Succeeds Act

Title I of the Elementary and Secondary Education Act (“ESEA”), as reauthorized by the No Child Left Behind Act (“NCLB”) of 2001, requires each state, as a condition of receiving funds under the Title I program, to implement a single, statewide accountability system applicable to all its public schools, including charter schools. The NCLB uses Adequate Yearly Progress (“AYP”) to measure and hold schools and districts responsible for student achievement. In New York, the New York State Department of Education makes AYP determinations for all schools and districts in the State.

In New York, the accountability designations are “Focus District,” “Focus School,” “Priority School,” “Reward School” and “Good Standing.” Materials published by the New York State Education Department, School Accountability Status, indicate that the Schools are in “good standing” for the 2017-18 school year based on performance results from the 2016-17 school year.

On December 10, 2015, President Barack Obama signed the Every Student Succeeds Act (“ESSA”), which replaced NCLB and reauthorized and updated the Elementary and Secondary Education Act (“ESEA”). Overall, the new law provides states more authority on standards, assessments, accountability, supports, and interventions while preserving the general structure of the ESEA funding formulas. On January 12, 2018, the U.S. Department of Education approved New York’s plan for the implementation of ESSA (“ESSA Plan”). On June 12, 2018, the New York State Board of Regents adopted emergency regulations for the implementation of the school accountability provisions embedded in New York’s ESSA Plan. In July of 2018, the NYSED released an update for the Implementation of the State’s ESSA Statewide Accountability System. ESSA requires that the Accountability System be fully implemented for the 2018-19 school year.

On March 27, 2017, President Donald Trump signed into law two resolutions, H.J. Res. 57 and H.J. Res. 58, that roll back Obama-administration regulations informing state education officials how to implement the ESSA. H.J. Res. 57 prevents the Department of Education from dictating prescriptive requirements for how states and school districts measure achievement, using metrics such as school ratings, timelines for interventions for failing schools and student participation in state assessments. H.J. Res. 58 negates a rule that dictates specific requirements states must use to determine the effectiveness of teacher-preparation programs. The underlying ESSA statute is not affected by the two resolutions.

There can be no assurance that the Schools will remain in “Good Standing” in subsequent school years. Failure of the Schools to meet the requirements of ESSA, when implemented, may have a material adverse effect on Rochester Prep and its ability to make payments due under the Leases.

Other Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the Federal and

state tax matters referred to herein or adversely affect the marketability or market value of the Series 2020 Bonds or otherwise prevent holders of the Series 2020 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2020 Bonds. Further, such proposals may impact the marketability or market value of the Series 2020 Bonds simply by being proposed.

Debt Service Reserve Fund

The Indenture establishes the Reserve Fund for payment of principal of and interest on the Series 2020 Bonds to the extent revenues of the Borrowers are insufficient to make such payments. Although the Borrowers believe such reserve to be reasonable and anticipates that revenues of the Borrowers will be sufficient to cover the debt service on the Series 2020 Bonds, there is no assurance that funds on deposit in the Reserve Fund and future revenues will be sufficient to cover debt service on the Series 2020 Bonds.

Purchases and Transfers of Series 2020 Bonds Restricted to Qualified Institutional Buyers and Accredited Investors

As described in the “NOTICE TO INVESTORS” that precedes the Table of Contents of this Limited Offering Memorandum, the Series 2020 Bonds are to be sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The Indenture contains provisions limiting transfers of the Series 2020 Bonds and beneficial interests therein to Qualified Institutional Buyers or Accredited Investors. The face of each Bond will contain a legend indicating that the Series 2020 Bond is subject to transfer restrictions as set forth in the Indenture. The Series 2020 Bonds will be issued in minimum denominations of \$25,000 and 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 2020 Bonds.

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2020 Bonds, and there may be no market for the Series 2020 Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrowers. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Series 2020 Bonds.

Investors should be aware that they might be required to bear the financial risks of this investment for an indefinite period of time and/or that to the extent there is a secondary market for the Series 2020 Bonds, the secondary market price of the Series 2020 Bonds may be affected as a result of the restrictions. If a trading market for the Series 2020 Bonds develops, future trading prices of such Series 2020 Bonds will depend on many factors, including, among other things, prevailing interest rates and the market for similar instruments. Depending upon those and other factors, the Series 2020 Bonds may trade at a discount from their principal amount.

Less Than Unanimous Consent Required to Amend Certain Provisions of the Indenture and Project Documents

The Indenture provides that with the consent of at least a majority of the principal amount of Series 2020 Bonds then outstanding, the Indenture may be modified, altered, or amended, and provisions may be amended or rescinded; *provided, however*, that, nothing contained in the Indenture shall permit: (i) a change in the terms of redemption or maturity of the principal or the time of payment of interest on any Outstanding Bond or a reduction in the principal amount of or premium, if any, on any Outstanding Bond or the rate of interest thereon, without the consent of the Holder of such Series 2020 Bond; or (ii) the creation of a Lien upon the Trust Estate other than the liens or pledge created by the Indenture and other Project Documents, except in connection with Additional Bonds, without the consent of the Holders of all Outstanding Bonds; or (iii) the creation of a preference or priority of any Series 2020 Bond or Bonds over any other Series 2020 Bond or Bonds, without the consent of the Holders of all Outstanding Bonds; or (iv) a reduction in the aggregate

principal amount of the Series 2020 Bonds required for consent to such Supplemental Indenture, without the consent of the Holders of all Outstanding Bonds.

Further, except as otherwise provided in the Indenture, the Issuer and the Trustee may not consent to any amendment, change or modification of the Loan Agreement, Leases, Tax Compliance Agreement, Bond Purchase Agreement and Security Documents (as defined in the Indenture), without the written approval or consent of at least a majority of the principal amount of Bonds outstanding; provided, however, there may be no amendment, change or modification to (i) the obligations of the Borrowers to make loan payments with respect to the Bonds under the Loan Agreement or the Promissory Note, or (ii) the Tax Compliance Agreement without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on any of the Tax-Exempt Bonds to become includable in gross income for Federal income tax purposes.

See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS” attached hereto.

Failure to Provide Ongoing Disclosure

The Borrowers and Rochester Prep will enter into a Continuing Disclosure Agreement with Zions Bancorporation, National Association, as dissemination agent, pursuant to Securities and Exchange Commission Rule 15c2-12 (the “Rule”) in connection with the issuance of the Series 2020 Bonds. Any failure to comply with the Continuing Disclosure Agreement and the Rule in the future may adversely affect the liquidity of the affected Series 2020 Bonds and their market price in the secondary market.

Cybersecurity

Rochester Prep, like many other public and private entities, relies on a technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, Rochester Prep is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to Rochester Prep’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Within the last five years, Rochester Prep has not experienced attacks on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. No assurances can be given that Rochester Prep’s efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of Rochester Prep. Rochester Prep carries cybersecurity insurance.

Infectious Disease Outbreak; COVID-19

An outbreak of disease or similar public health threat, such as the novel coronavirus (“COVID-19”) outbreak, or fear of such an event, could have an adverse impact on the financial condition and operating results of Rochester Prep and/or the Borrowers.

The spread of COVID-19 is currently having significant negative impacts throughout the world, including in the County and the State. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to COVID-19 concerns.

The Centers for Disease Control and Prevention has provided guidance for school closures in the United States. In addition, the Governor of the State has ordered public school buildings to remain closed through the end of the 2019-20 school year. There can be no assurance that public schools, such as the Schools, will not be ordered to remain closed into the 2020-21 school year.

Potential impacts to Rochester Prep and the Borrowers associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing and maintaining distance learning programs or other measures to permit instruction while schools remain closed, decreased demand for Rochester Prep's services, increased competition from established virtual or on-line schools or other distance learning programs, potential decline in academic assessment results due to transition to distance learning programs, disruption of the regional and local economy with corresponding effects on students and their families, adverse effects on State revenues that may affect budgeting and appropriation for charter schools and public education generally.

The NYSED Board of Regents has adopted emergency regulations to permit charter schools to operate for less than 180 days without a reduction in State Aid if the school is closed pursuant to the terms of an Executive Order of the Governor. Additionally, missed instructional hours for any day that a school is closed pursuant to the terms of an Executive Order of the Governor may be counted toward the minimum annual instructional hour requirements. There can be no assurance that such emergency regulations will remain in effect or not be amended if closures of schools extend into the 2020-21 school year.

Due to the outbreak of COVID-19, per-pupil funding rates for the 2020-21 school year have decreased by approximately 1.5% for Rochester Prep from the 2019-20 levels. The funding levels may be adjusted throughout the year by the State legislature on a quarterly basis, and there can be no assurance that per-pupil funding rates will not decrease in 2020-21, or in future years, as a result of extended school closures or other effects of the COVID-19 outbreak. Accordingly, Rochester Prep has developed its budget for the 2020-21 school year assuming a decrease in per-pupil funding of 5% from the 2019-20 levels.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to ameliorate its impact are uncertain. See “— Construction Risks” herein. Currently, the Governor of New York has ordered public school buildings, including the Schools, to remain closed through the remainder of the 2019-20 school year in a response to the spread of COVID-19. Additionally, the Governor of New York has directed all schools to create re-opening plans that re-imagine school facilities in light of the COVID-19 pandemic, which should consider how schools can monitor the spread of COVID-19; how to reinforce student safety; when and how to resume extracurricular activities; protocols for special student populations; steps to ensure student mental health; alternative academic calendars; among other considerations. All plans will be reviewed and approved by the State. Rochester Prep is currently developing a plan for reopening its schools, and expects to have it fully in place prior to the beginning of the 2020-21 school year.

The ultimate impact of COVID-19 on operations and finances of Rochester Prep and the Borrowers is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not adversely impact enrollment of the Schools or participation in any Rochester Prep distance learning programs or, notwithstanding actions by the State, materially adversely impact the financial condition or operations of Rochester Prep or the Borrowers. For example, if it is perceived that competitors of the Schools, including traditional public schools or other charter schools, are better equipped to handle the spread of COVID-19 or similar future outbreaks or to provide distance learning, it could lead to lower enrollment in the future. Additionally, there can be no assurance that Rochester Prep students will continue to receive free internet services by their local providers, that costs of technology to Rochester Prep will not increase, or that third-party vendors will continue to be available in the future, each of which could result in increased costs and difficulty in providing distance learning in the future.

See “APPENDIX A – TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL – COVID-19 Response; Remote Learning; State Assessments; and State Aid” attached hereto for more information on the responses of Rochester Prep and the State to the COVID-19 outbreak.

In addition, while much of the foregoing relates specifically to risks related to the COVID-19 outbreak in 2020, the same types of risks may be associated with subsequent outbreaks of other diseases or illnesses.

Enforceability of Obligations

General. While the Series 2020 Bonds are secured pursuant to the Loan Agreement, the Indenture and the Mortgage, the practical realization of such security upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Indenture, and the Mortgage. These and other remedies are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional, statutory and judicial law, the remedies specified by the Indenture, the Loan Agreement and the Mortgage may not be readily available or may be limited. A court may decide not to order the specific performance of covenants contained in such documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors’ rights. No assurance can be provided that the principal amount of the Series 2020 Bonds outstanding from time to time constitutes a realizable amount upon any foreclosure or forced sale of the Facilities.

Enforceability of remedies may also be limited by the requirement of Section 2851(2)(t) of the Act, which provides for disposition of the Schools’ assets to the school district in which the Schools are located or to another charter school within the school district in the event of termination or revocation of the Charters or other closure or dissolution of the Schools.

Certain Provisions of New York Law Applicable to Charter Schools and Certain Provisions of the Charters. The State’s Education Law requires that, in the event that the Board of Regents has revoked the charter of any education corporation or dissolved such education corporation, or in the event that a provisional charter has expired, the board of trustees of the corporation shall, within three months after such revocation, dissolution or expiration, petition the State supreme court having jurisdiction for an order directing the disposition of any and all property belonging to the corporation. The supreme court is required to direct the sale of sufficient assets of such an education corporation to pay any outstanding debts and, if the corporation’s charter contains a provision indicating a proposed disposition of assets upon dissolution, to follow such provision in its order as far as practicable. The trustees of such an education corporation are empowered to continue in office after charter revocation or dissolution for the purpose of settlement of the corporation’s affairs. The court may direct any surplus monies, after payment of such an education corporation’s debts and liquidation expenses, be applied to any educational, religious, benevolent, charitable or other purposes that the corporation’s board of trustees may indicate in the petition. The Charter Schools Act requires that the applications to establish a charter school set forth procedures to be followed upon closure or dissolution of the charter school, including provisions for the transfer of students and student records to the school district in which the charter school is located, and provide for the disposition of the charter school’s assets to the school district or to another charter school located within such school district.

The Charters provide that the Board of Rochester Prep shall, after providing for the payment of all the debts of the Schools upon dissolution, dispose of its remaining assets to another charter school that is federally tax-exempt and located within the school district in which the Schools are located, or, if no such charter school exists, to the school district in which the Schools are located for a public purpose. In such event, the Charters further require the Schools to follow any procedures required by the Board of Regents to ensure an orderly dissolution process in addition to complying with the applicable provisions of the State’s Education Law. See “—Application of Principles of Equity and Exercise of Judicial Discretion in Cases Bearing Upon Public Interests” below.

New York Foreclosure Procedures. In order to recover the debt due on a defaulted mortgage loan, the holder of the mortgage loan may either commence an action on the mortgage debt or commence an action to foreclose the mortgage. New York law restricts the ability of the holder of a mortgage loan to simultaneously bring an action to recover the mortgage debt and foreclose the mortgage. For purposes of these restrictions, actions to recover the mortgage debt include actions against the party primarily liable on the mortgage debt, actions against any guarantor of the mortgage debt and actions on title insurance policies insuring the mortgage premises. If an election is made to commence an action to foreclose the mortgage, no other action on the mortgage debt may be commenced to recover any part of the mortgage debt without leave of the court. If an election is made to commence an action on the mortgage debt, where final judgment has been rendered in such an action, an action may not be commenced to foreclose the mortgage unless an execution has been issued against the property of the defendant, which has been returned wholly or partially unsatisfied. In addition, there is New York case law indicating that if an action is commenced on the mortgage debt where final judgment has not been rendered and a subsequent action is commenced to foreclose the mortgage, then the action on the mortgage debt may be stayed or discontinued to prevent the mortgagee from pursuing both actions simultaneously.

Where a foreclosure action is brought, every person having an estate or interest in possession or otherwise in the property whose interest is claimed to be subject and subordinate to the mortgage must be made a party defendant to the action in order to have its interest in the property extinguished. At least 20 days before a final judgment directing a sale is rendered, the mortgagee must file, in the clerk's office for the county where the mortgaged property is located, a notice of the pendency of the action. Judicial foreclosure in New York is a lengthy process, as judicial intervention is required at all stages, including, but not limited to: (i) the appointment of a referee to compute the amount due; (ii) the appointment of a receiver to operate the property during the pendency of the action; (iii) the confirmation of the referee's oath and report; (iv) the issuance of the judgment of foreclosure and sale; (v) the confirmation of the sale; and (vi) the issuance of a deficiency judgment and/or rights to surplus monies. If during the pendency of the action the mortgagor pays into court the amount due for principal, interest, the costs of the action and the expenses of the proceedings to sell, if any, the court will: (i) dismiss the complaint without costs against the mortgagee if the payment is made before judgment directing the sale; or (ii) stay all proceedings upon judgment if the payment is made after judgment directing sale but before sale.

Where the mortgage debt remains partly unsatisfied after the sale of the property, the court, upon application, may award the mortgagee a deficiency judgment for the unsatisfied portion of the mortgage debt, or as much thereof as the court may deem just and equitable, against a mortgagor who has appeared or has been personally served in the action. Prior to entering a deficiency judgment the court determines the fair and reasonable market value of the mortgaged premises as of the date such premises were bid in at auction or as of such nearest earlier date upon which there shall have been any market value thereof. In calculating the deficiency judgment, the court will reduce the amount to which the mortgagee is entitled by the higher of the bid price of the mortgaged property or the fair market value of the mortgaged property, as determined by the court.

The mortgagee may also, at its discretion, negotiate with the delinquent mortgagor to offer a deed in lieu of foreclosure to the mortgagee, subject to existing Liens. In some situations this would allow the mortgagee to reduce the cost of, and the time involved in, acquiring the property.

Bankruptcy. If a voluntary petition for relief under Chapter 7 or Chapter 11 of the United States Bankruptcy Code were filed with respect to Rochester Prep, the filing would operate as an automatic stay of the commencement or continuation of any civil action or other proceeding, including, without limitation, foreclosure proceedings, against such mortgagor and its property. Under Chapter 7 or Chapter 11, an involuntary proceeding may not be maintained against a not-for-profit corporation pursuant to a petition filed by its creditors. Subject to a bankruptcy court's order, the mortgagor's property, including its revenues, could be used for the benefit of the mortgagee, despite the rights granted the mortgagee or any trustee. A bankruptcy

court also has the power to invalidate certain provisions of the mortgage that make the initiation of bankruptcy and related proceedings by or against the mortgagor an event of default thereunder.

In addition, if a bankruptcy court concludes that a mortgagee is “adequately protected,” it might: (i) substitute other security for the property presently pledged; and (ii) subordinate the lien of the mortgagee or a trustee to (a) claims by persons supplying goods and services to the mortgagor after commencement of such bankruptcy proceedings, (b) the administrative expenses of the bankruptcy proceedings and (c) liens granted lenders providing funds to the mortgagor during the pendency of the bankruptcy case.

In bankruptcy proceedings initiated by the filing of a petition under Chapter 11, a mortgagor or another party-in-interest could elect to file a plan of reorganization which seeks to modify the rights of creditors generally, or any class of creditors, including secured creditors. In the event a mortgagor files under Chapter 11, the mortgagor may seek to modify the terms of the mortgage note and the mortgage in a plan of reorganization. In a reorganization case, a mortgagee holds a secured claim equal to the lesser of the value of the mortgaged premises or the debt. If the adjusted value of the premises exceeds the pre-petition debt, then the mortgagee has the right to post-petition interest to the extent of such excess. If the adjusted value of the collateral is less than the debt, then the mortgagee generally is not entitled to post-petition interest and the difference (or deficiency) will be treated as an unsecured claim. With respect to the mortgagee’s secured claim, if the debtor intends to retain the premises, the debtor will generally propose to treat the mortgage as unimpaired by curing any defaults and reinstating the terms of the mortgage. Alternatively, the debtor may seek to alter the terms; however, the mortgagee is entitled to retain its lien under a plan and must receive deferred cash payments totaling the amount of the claim with a present value not less than the value of the mortgagee’s interest in the mortgaged premises. If the premises are to be sold by the debtor, the mortgagee can bid at the bankruptcy court sale and offset its claim against the selling price at such sale.

Application of Principles of Equity and Exercise of Judicial Discretion in Cases Bearing Upon Public Interests. The timing and practical availability to creditors of contractual or statutory remedies requiring judicial action to enable such creditors to exercise rights with respect to facilities whose current operation provides public benefits may be influenced by public interest considerations.

TAX MATTERS

Series 2020A Bonds

Federal Income Taxes. In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Furthermore, Bond Counsel is of the opinion that interest on the Series 2020A Bonds is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals.

The Series 2020A Bonds have been offered and sold to the public at prices in excess of their respective stated redemption prices (the principal amount) at maturity (the Series 2020A Bonds are referred to herein as “Premium Bonds”). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A

purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover of this Limited Offering Memorandum, who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the existence of bond premium, the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to Premium Bonds, other federal tax consequences in respect of bond premium, and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

The Code establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2020A Bonds in order that interest on the Series 2020A Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. These continuing requirements include certain restrictions and prohibitions on the use of the proceeds of the Series 2020A Bonds and the Project, restrictions on the investment of proceeds and other amounts and the rebate to the United States of certain earnings in respect of such investments. Failure to comply with such continuing requirements may cause the interest on the Series 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2020A Bonds, irrespective of the date on which such noncompliance occurs. In the Indenture, the Loan Agreement, the Tax Compliance Agreement, and accompanying documents, the Issuer, the Borrowers, and Rochester Prep have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel described above is made in reliance upon, and assumes, continuing compliance with such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal income tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2020A Bonds. The proposed form of approving opinion of Bond Counsel is attached to hereto as APPENDIX H.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2020A Bonds should be aware that the accrual or receipt of interest on the Series 2020A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2020A Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2020A Bonds, (ii) interest on the Series 2020A Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2020A Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2020A Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including, without limitation, banks, thrift companies, and certain other financial companies to purchase or carry tax-exempt obligations, such as the Series 2020A Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2020A Bonds.

Certain requirements and procedures contained in or referred to in the Indenture, the Loan Agreement, the Tax Compliance Agreement, and other relevant documents may be changed, and certain actions may be taken or omitted subsequent to the date of issue, under the circumstances and subject to the terms and conditions set forth in such documents or certificates, upon the advice of, or with the approving opinion of, a

nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2020A Bonds, or the interest thereon, if such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Harris Beach PLLC.

State Income Taxes. In the opinion of Bond Counsel, under existing law as of the date of the issuance of the Series 2020A Bonds, for so long as interest on the Series 2020A Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. Noncompliance with any of the federal income tax requirements set forth above resulting in the interest on the Series 2020A Bonds being included in gross income for federal tax purposes would also cause such interest to be subject to personal income taxes imposed by the State of New York and any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2020A Bonds.

Interest on the Series 2020A Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2020A Bonds under the laws of such other state or local jurisdictions. Each purchaser of the Series 2020A Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2020A Bonds in a particular jurisdiction other than the State of New York.

Other Considerations. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or omitted) or any events occurring (or not occurring) after the date of issuance of the Series 2020A may adversely affect the value of, or the tax status of interest on, the Series 2020A Bonds.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2020A Bonds to be subject to federal or State income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2020A Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series 2020A Bonds or of obligations which present similar tax issues, will not affect the market price or marketability of the Series 2020A Bonds. No prediction is made as to whether any such events will occur. Prospective purchasers of the Series 2020A Bonds should consult their own tax advisors regarding the foregoing matters.

All quotations from and summaries and explanations of provisions of law do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2020A BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2020A BONDS.

Series 2020B Bonds

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, interest on the Series 2020B Bonds is not excluded from gross income for federal income tax purposes and is subject to personal income taxes imposed by the State of New York and any political subdivision thereof.

General. The following discussion summarizes certain United States (“U.S.”) federal tax considerations generally applicable to holders of the Series 2020B Bonds that acquire the Series 2020B Bonds

in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, and any such change could have retroactive effect. Prospective investors should also note that no rulings have been or are expected to be sought from the Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, financial institutions, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, persons holding the Series 2020B Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire the Series 2020B Bonds pursuant to this initial offering for the issue price that is applicable to such Series 2020B Bonds (i.e., the price at which a substantial amount of the Series 2020B Bonds are sold to the public) and who will hold the Series 2020B Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Series 2020B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust).

As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2020B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2020B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2020B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2020B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders.

Interest on Series 2020B Bonds. Payments of interest on the Series 2020B Bonds will be included in gross income for U.S. federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder’s regular method of accounting for tax purposes, provided such interest is “qualified stated interest,” as defined below.

Disposition of Series 2020B Bonds. Except as discussed above, upon the sale, exchange, redemption or retirement of a Series 2020B Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such Series 2020B Bond and such U.S. Holder’s adjusted tax basis in such Bond. A U.S. Holder’s adjusted tax basis in a Series 2020B Bond generally will equal such U.S. Holder’s initial investment in the Series 2020B Bond increased by accrued market discount, if any, if the U.S. Holder has included such market discount in income, and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2020B Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2020B Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an

individual, long-term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Non-U.S. Holders. A Non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2020B Bonds on its own behalf will not be subject to U.S. federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on Series 2020B Bonds, unless the Non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- (a) is signed under penalties of perjury by the beneficial owner of the Series 2020B Bonds,
- (b) certifies that the owner is not a U.S. holder, and
- (c) provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("W-8BEN"), which is effective for the remainder of the year of signature plus three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A Non-U.S. Holder that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2020B Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Series 2020B Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A Non-U.S. Holder of Series 2020B Bonds whose income from such Series 2020B Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder, provided the holder furnishes to the Withholding Agent a Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's Form W-8BEN (or substitute form).

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax on any amount that constitutes capital gain upon retirement or disposition of Series 2020B Bonds, unless the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such Series 2020B Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a Non-U.S. Holder in these circumstances should consult his tax advisor.

Series 2020B Bonds will not be includible in the estate of a Non-U.S. Holder unless, at the time of the decedent's death, income from such Series 2020B Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding. Backup withholding of U.S. federal income tax may apply to payments made in respect of the Series 2020B Bonds to registered owners who are not "exempt

recipients” and who fail to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Series 2020B Bonds to a U.S. Holder must be reported to the IRS, unless U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those Non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Series 2020B Bond to (or through) a broker, the broker must report the sale and withhold the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a Non-U.S. Holder (and certain other conditions are met). Certification of the registered owner’s Non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Defeasance. Under the terms of the Indenture, the Series 2020B Bonds may be legally defeased prior to their stated maturity. Prospective purchasers of Series 2020B Bonds should be aware that, for U.S. federal income tax purposes, any such legal defeasance will be treated as a taxable exchange of such Series 2020B Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of Series 2020B Bonds could differ from the timing and character of the amounts that would have been includable in gross income in respect of such Series 2020B Bonds had the legal defeasance not occurred. Prospective purchasers of the Series 2020B Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2020B BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2020B BONDS.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the Borrowers, Rochester Prep and Zions Bancorporation, National Association, as dissemination agent, will enter into a Continuing Disclosure Agreement. The proposed form of the Continuing Disclosure Agreement is attached to this Limited Offering Memorandum as Appendix F.

A failure by a Borrower or Rochester Prep to provide any information required under the Continuing Disclosure Agreement thereunder shall not constitute an Event of Default under the Indenture, the Loan Agreement, the Leases or any other document related to the issuance of the Series 2020 Bonds. The sole and exclusive remedy for such failure shall be an action by or on behalf of the Holders of the Series 2020 Bonds to compel specific performance of the obligations under the Continuing Disclosure Agreement.

Neither the Borrowers nor Rochester Prep has previously entered into a continuing disclosure undertaking pursuant to the Rule.

ABSENCE OF MATERIAL LITIGATION

The Issuer

There is no action, suit or proceeding at law or in equity pending or, to the Issuer's knowledge, threatened against the Issuer to restrain or enjoin the issuance or sale of the Series 2020 Bonds or in any way contesting the validity or affecting the power of the Issuer with respect to the issuance and sale of the Series 2020 Bonds or the documents or instruments executed by the Issuer in connection therewith or the existence of the Issuer or the right of the Issuer to finance the Project.

The Borrowers and Rochester Prep

There is no litigation of any nature pending or threatened against any Borrower or Rochester Prep to restrain or enjoin completion of the Project or which would materially adversely affect the Borrowers' or Rochester Prep's financial condition or ability to perform their respective obligations under the documents described herein to which they are a party.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the Issuer of the Series 2020 Bonds will be passed upon by Harris Beach PLLC, Rochester, New York, Bond Counsel. Copies of Bond Counsel's approving opinion, a form of which is attached hereto as Appendix H, will be available at the time of delivery of the Series 2020 Bonds. Certain legal matters will be passed upon for the Borrowers by Faegre Drinker Biddle & Reath LLP, Florham Park, New Jersey; for Rochester Prep by Vaisey Nicholson & Nearpass PLLC, Rochester, New York; and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California.

FINANCIAL STATEMENTS

The financial statements of Rochester Prep included in Appendix B-1 of this Limited Offering Memorandum have been audited by Mengel Metzger Barr & Co. LLP and the consolidated financial statements of Uncommon Schools and affiliates included in Appendix B-2 of this Limited Offering Memorandum have been audited by AAFCPAs, Inc. (formerly known as Alexander, Aronson, Finning & Co., P.C.), in each case to the extent and for the periods indicated in the reports which appear in Appendix B.

RATING

Moody's Investors Service ("Moody's") has assigned the Series 2020 Bonds a rating of "Baa3" with a stable outlook. Such rating reflects only the views of Moody's and any explanation of the significance of the rating may only be obtained from Moody's.

Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. A rating is not a recommendation to buy, sell or hold securities. There is no assurance that any rating or outlook will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's if in its judgment circumstances so warrant. None of the Underwriter, the Issuer, Rochester Prep or the Borrowers has undertaken any responsibility either to bring to the attention of the owners of the Series 2020 Bonds any proposed change in or withdrawal of a rating of the Series 2020 Bonds or to oppose any such proposed change or withdrawal. A downward revision or withdrawal of such rating may have a substantial adverse effect on the market price of the Series 2020 Bonds. Actual changes in ratings on the Series 2020 Bonds will be disclosed by the Borrowers as described in the proposed form of the Continuing Disclosure Agreement attached to this Limited Offering Memorandum as Appendix F.

UNDERWRITING

The Series 2020 Bonds will be purchased by the Underwriter at a purchase price of \$33,674,147.40, which represents the par amount of the Series 2020 Bonds, plus aggregate original issue premium of \$4,093,584.90, less an underwriter's discount of \$374,437.50. The obligation of the Underwriter to accept delivery of the Series 2020 Bonds is subject to various conditions contained in the purchase contract. The purchase contract provides that the Underwriter will purchase all of the Series 2020 Bonds if any are purchased.

The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement. The Series 2020 Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Series 2020 Bonds and there may, in fact, be no market for the Series 2020 Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrowers and Rochester Prep.

MISCELLANEOUS

The references herein to the Series 2020 Bonds, the Indenture, the Loan Agreement, the Promissory Note, the Leases and the Mortgage are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to the Series 2020 Bonds, the Indenture, the Loan Agreement, the Promissory Note, the Lease Agreement and the Mortgage, copies of which are available for inspection at the corporate trust office of the Trustee in Boise, Idaho. Summaries of the Loan Agreement, the Indenture, the Mortgage and the Leases are attached to this Limited Offering Memorandum as Appendices D and E.

The agreement of the Issuer with the owners of the Series 2020 Bonds is fully set forth in the Indenture, and neither advertisements of the Series 2020 Bonds nor this Limited Offering Memorandum are to be construed as constituting an agreement with the owners of the Series 2020 Bonds. Statements made in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The attached appendices are integral parts of this Limited Offering Memorandum and must be read together with all of the preceding information.

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The delivery of this Limited Offering Memorandum has been duly approved by the Issuer, the Borrowers and Rochester Prep.

TRUE NORTH ROCHESTER MARK STREET, LLC, a New York limited liability company, as Borrower

By: /s/ Jennifer Consilvio
Authorized Signatory

ROCHESTER CHILI AVENUE, LLC, a New York limited liability company, as Borrower

By: /s/ Jennifer Consilvio
Authorized Signatory

TRUE NORTH ROCHESTER REAL ESTATE AMES STREET, LLC, a New York limited liability company, as Borrower

By: /s/ Jennifer Consilvio
Authorized Signatory

TRUE NORTH ANDREWS STREET, LLC, a New York limited liability company, as Borrower

By: /s/ Jennifer Consilvio
Authorized Signatory

TRUE NORTH ST. JACOB STREET, LLC, a New York limited liability company, as Borrower

By: /s/ Jennifer Consilvio
Authorized Signatory

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL, a New York education corporation, as Lessee

By: /s/ Geoffrey Rosenberger
Authorized Trustee

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APPENDIX A

**CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER
PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.**

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APPENDIX A

CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC.

Certain statements contained in this Appendix reflect forecasts, projections and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved. Actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Limited Offering Memorandum. Unless otherwise noted, all information, data, and projections in this Appendix were furnished by the Foundation. All capitalized terms in this Appendix A that are not defined herein will have such meaning as given to them in the forepart of this Limited Offering Memorandum.

GENERAL OVERVIEW

Founded in 1996, Uncommon Schools, Inc. (“Uncommon”) is a New Jersey not-for-profit corporation and recognized as a 501(c)(3) corporation by the Internal Revenue Service. Uncommon comprises a network of public, college-preparatory charter schools located in six regions (Boston, MA; Camden, NJ; Newark, NJ; New York City; Rochester, NY; and Troy, NY), which serves traditionally under-served communities in each of those regions.

Uncommon was one of the first charter management organizations (“CMO”) created in the country through a unique partnership of four charter entrepreneurs who had founded successful charter schools in the Northeast before joining forces to build the Uncommon network:

- (1) Norman Atkins, the founder of North Star Academy Charter School of Newark, Inc. (“North Star”) in Newark, NJ and founder of Uncommon Schools, Inc.;
- (2) Brett Peiser, the founder of South Boston Harbor Academy in south Boston, MA;
- (3) Evan Rudall, the founder of Roxbury Preparatory Charter School in the Mission Hill neighborhood of Boston, MA; and
- (4) Doug Lemov, a founder of Academy of the Pacific Rim in Hyde Park, MA.

Today, the Uncommon network is comprised of 54 schools serving over 20,000 students in grades K-12.

Uncommon has not guaranteed and is not otherwise liable for the payment of the principal or redemption price of, or interest, on the Bonds.



Founded	1997	
Locations	Brooklyn, NYC Rochester, NY Troy, NY	Boston, MA Camden, NJ Newark, NJ
No. of Schools (2019-20)	54 Schools	
	NYC: 24 Rochester: 6 Troy: 3	Boston: 4 Camden: 3 Newark: 14
Enrollment (2019-20)	20,318 Students Grades Serve: K-12	
Total Revenues (2019-20)	\$375 million	



In 2006, Uncommon established True North Rochester Preparatory Charter School, a New York educational corporation (“Rochester Prep”), and opened its first school in upstate New York, located in Rochester, NY, with 73 students in grade 5.

Today, Rochester Prep operates six schools serving 2,396 students in grades K-12 in Rochester. At full capacity, with Rochester Prep is expected to reach by the 2028-29 school year, it expects to operate seven schools serving approximately 3,244 students. It is the largest charter school network within Rochester, New York and the only charter school network to provide a full K-12 grade spectrum to its families. It is the second largest school system within Rochester, New York after the Rochester City School District.

Rochester Prep, as an education corporation, holds three charters granted by the Board of Trustees of the State University of New York (“SUNY”) to operate a network of public schools in Rochester serving grades K-12. Rochester Prep’s first charter was originally approved on January 24, 2006 by SUNY and has been renewed twice. Rochester Prep’s second charter was originally approved on May 11, 2010 by SUNY and has been renewed once. Rochester Prep’s third charter was originally approved on October 2, 2012 by SUNY but delayed opening until 2016 and as a result has not yet come up for renewal. Each of Rochester Prep’s charters current charter terms expire on June 30, 2021. Uncommon has entered into a formal management agreement with Rochester Prep. See “ROCHESTER PREP MANAGEMENT AND LEADERSHIP – Management Agreement” herein.

Founded	2006
No. of Schools (2019-20)	6 Schools <ul style="list-style-type: none"> • 3 elementary schools (K-4) • 2 middle schools (5-8) • 1 high school (9-12)
Authorizer	State University of New York (SUNY)
Charters and Terms	Three charters; originally granted in 2006 (two renewals), 2010 and 2012 (one renewal each) All Charters expire on June 30, 2021
Enrollment (2019-20)	2,396 Students Grades Served: K-12
Total Revenues (2019-20)	\$39.4 million

Since the opening of Rochester Prep, Uncommon has demonstrated that the most revolutionary teaching practices are not happening in the suburbs or elite private schools. Instead, they are happening in urban districts like those in which Uncommon operates. In all regions, Uncommon schools are outperforming their district counterparts. Uncommon holds its schools to a more stringent standard – benchmarking against the results of their non-economically disadvantaged peers. Uncommon believes it is important to be relied upon as a partner, not an adversary, to districts, and has developed specific professional development partnerships in three districts (Newark Public Schools, New York City Department of Education and Camden City School District) and

is in discussion or development in the other three. Uncommon has also made its online materials for remote learning available to the public. See “UNCOMMON SCHOOLS – Student Assessment and Outcomes” herein for detailed information on the overall academic success of Uncommon’s schools, and “ROCHESTER PREP STUDENT OUTCOMES” herein for detailed information on the academic success of Rochester Prep.

Under management agreements with each region, Uncommon provides an extensive list of services, including, but not limited to, program and curriculum design, development and implementation; assistance with student assessment and evaluation; teacher and leader recruitment; teacher and leader professional development; charter renewal and application support; facilities assistance; budgeting, financial management,

bookkeeping and payroll; fundraising; insurance procurement; reporting and compliance; technology; marketing; and advocacy.



As part of its management work for its regions, Uncommon develops or secures facilities for schools not located in local district buildings. In 2016, Uncommon formed Rochester Prep Foundation, Inc. (the "Foundation") and transferred to the Foundation ownership of all facilities owned by Uncommon and leased to Rochester Prep. The Foundation is a New Jersey nonprofit corporation and recognized as a 501(c)(3) corporation by the Internal Revenue Service.

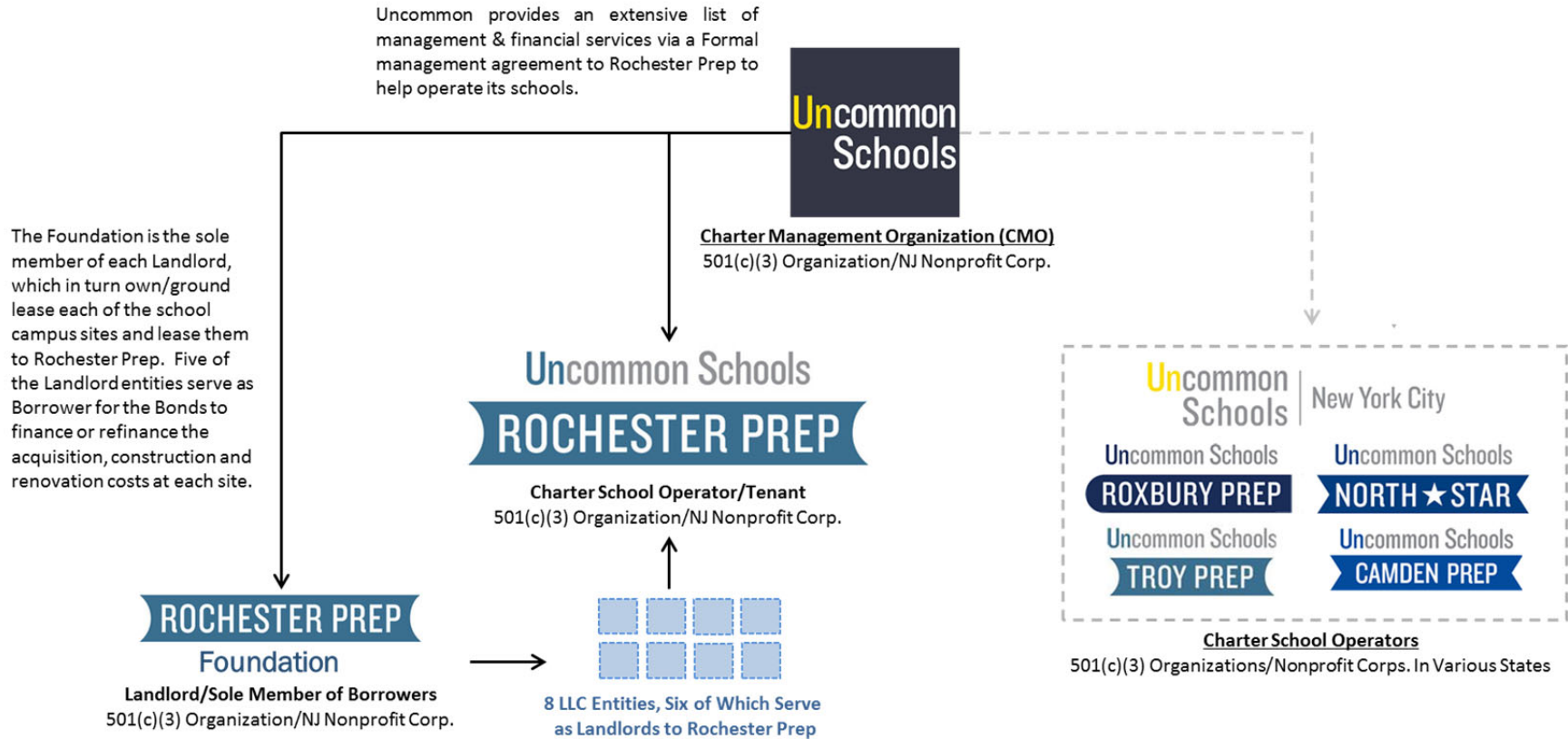
The Foundation was formed to develop, renovate and lease educational facilities to Rochester Prep, and to support Rochester Prep, education, and students in Rochester by sponsoring educational programs, partnering with other education organizations in the area, and making grants to local programs that offer quality educational programs. Today, the Foundation is the sole member of eight disregarded special purpose entities, of which six either own or long-term lease facilities that are subleased to Rochester Prep. Each of the five Borrowers (as defined herein) is such a disregarded special purpose entity. See "ROCHESTER PREP FACILITIES AND RELATED FINANCING" herein.

On the following page, the relationships between the various entities (Uncommon, Rochester Prep and the Foundation) are shown.

More information on Uncommon and its schools, including Rochester Prep, can be found at <http://www.uncommonschools.org/>. However, the information presented on such website is not incorporated herein by reference.

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FIGURE 1
RELATIONAL CHART
 Uncommon, Rochester Prep & Foundation



Source: The Foundation.

ROCHESTER PREP FOUNDATION, INC.

The Foundation (founded in 2016), through special purpose limited liability companies, owns or long-term leases all of the private facilities leased to Rochester Prep. The Foundation does not have employees; its activities are conducted by its board of directors with support from Uncommon.

Pursuant to the Foundation’s bylaws, two-thirds of the board members of the Foundation are appointed by Uncommon (the “Uncommon Appointed Directors”), and the remaining members are appointed by the Uncommon Appointed Directors. There are currently three members on the Foundation board. Brief biographies of the three members of the Foundation board follow:

TABLE 1
BOARD OF DIRECTORS
Foundation

<u>Name</u>	<u>Company Name</u>	<u>Company Title</u>
Brett Peiser, President & Director	Uncommon Schools	Chief Executive Officer
Ahkilah Johnson, Director	Uncommon Schools	Sr. Director of Real Estate
Norman Atkins, Director	Together Education	Co-Founder; President

Source: The Foundation.

Brett Peiser, President & Trustee. Mr. Peiser is President and Chief Executive Officer (“CEO”) of Uncommon. Prior to becoming CEO in July 2012, Mr. Peiser served as founding Managing Director of Uncommon Schools New York City. As Managing Director, he oversaw a network of 14 schools in Brooklyn, serving over 3,000 elementary, middle, and high school students. The network’s first middle school – Williamsburg Collegiate – is the highest scoring school in New York City on the NYC Department of Education Progress Reports since the DOE began issuing reports in 2006. Mr. Peiser is the Founder and former Principal and Executive Director of Boston Collegiate Charter School, one of Massachusetts’ highest performing public schools. Over Mr. Peiser’s last four years, Boston Collegiate was the only public school in Boston with 100% of 10th graders passing both the Math and English MCAS exams, a statewide graduation requirement. Mr. Peiser is a graduate of New York City Public Schools and a former History Teacher at Midwood High School in Brooklyn. Mr. Peiser received a Bachelor of Arts degree from Brown University and a Master of Public Policy degree from the John F. Kennedy School of Government at Harvard University, and is a recipient of the Broad Fellowship for Education Leaders.

Ahkilah Johnson, Trustee. Prior to joining Uncommon as Director of Facilities in the spring of 2009, Ahkilah Johnson served as Chief of Staff Investment Services at Cherokee Investment Partners. Ms. Johnson is LEED (Leadership in Energy an Environmental Design) accredited by the U.S. Green Building Council. Ms. Johnson has served on the Board of Trustees for Teaching Firms of America Charter Schools and previously managed a community development proffer that included the design and predevelopment of a 300-student LEED Platinum middle school. In addition, Ms. Johnson spent two years as an Apprentice-Architect with the architecture firms of Schwartz and Associate Architects and Little and Associate Architects. Ms. Johnson received her M.S. in Real Estate Development from Columbia University and her B.S. magna cum laude in Architecture from the Howard University College of Engineering Architecture and Computer Sciences, where she was a Trustee Scholar and the AIA Henry Adams Scholar.

Norman Atkins, Trustee. Norman Atkins is the President of Together Education, an education innovation studio that catalyzes and builds enduring, mission-driven, nonprofit education organizations. Mr. Atkins is the Co-Founder of Relay Graduate School of Education (“Relay GSE”) and served as President in its first decade, recently becoming Board Chair. During his tenure, Relay GSE grew from a small teacher preparation program serving a few dozen educators in New York City to an accredited, independent graduate school of education training 4,000 current and aspiring teachers in 19 cities and 1,200 school leaders nationwide. Mr. Atkins is also the Founder, former CEO, and current Board Chair of Uncommon. In addition,

he is the Co-Founder and Board Chair of Zearn, a comprehensive, Tier-1 digital math program reaching more than two million students.

In 1997, Mr. Atkins co-founded and co-led North Star Academy of Newark, one of New Jersey's first and most celebrated charter schools. From 1989 to 1994, he was the Co-Executive Director of the Robin Hood Foundation in New York City. Mr. Atkins has supported a number of global education projects and served on the board of the Oprah Winfrey Leadership Academy for Girls. Mr. Atkins was a Pahara-Aspen Education Fellow and an Ashoka Fellow. Mr. Atkins recently received the Heinz Award on the Human Condition, was recognized as a technology innovator by Forbes and has been inducted into the Charter School Hall of Fame.

Mr. Atkins began his career as a journalist, writing about education, poverty, politics, culture, and social issues for The New York Times Magazine, The New Yorker, Rolling Stone, The Wall Street Journal, The Washington Post, and The Boston Globe. He earned an A.B. in History from Brown University and an M.A. in Educational Administration from Columbia University Teachers College.

Foundation Organizational Structure. The following figure shows the subsidiaries of the Foundation that currently lease facilities to Rochester Prep. To date, one major construction or renovation project (more than \$10 million) has been undertaken by Uncommon on behalf of Rochester Prep (including the Facilities, as defined in the forepart of this Limited Offering Memorandum), on top of more than nearly 20 smaller projects. All the projects have been developed by internal Uncommon staff on behalf of the Foundation.

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FIGURE 2
SUBSIDIARY STRUCTURE
 Foundation



Source: The Foundation.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

Overview

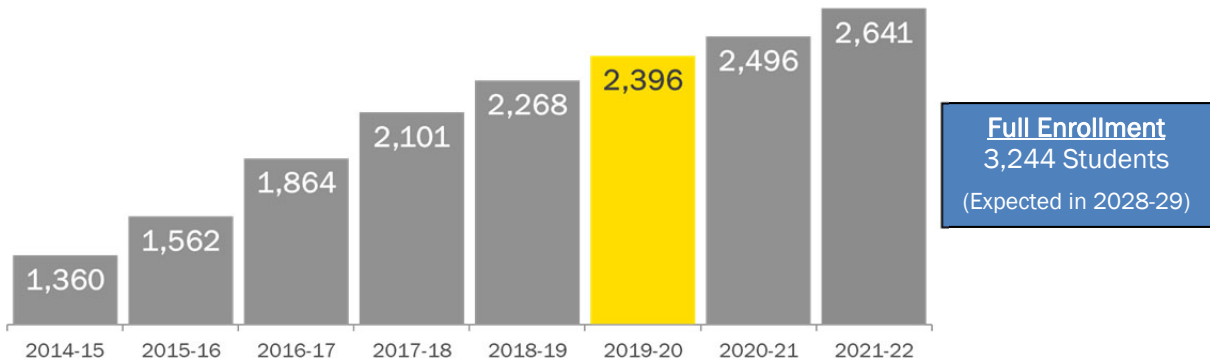
Historically, Rochester Prep has been among the highest performing charter schools in Rochester, and has outperformed the Rochester City School District and the State of New York in academic results. In July 2019, one of Rochester Prep’s schools (West Campus Elementary) was identified by the New York State Education Department as a 2018-19 Recognition School, one of only four K-8 schools outside of New York City to achieve the distinction. Schools identified as “Recognition Schools” have high academic achievement, student growth and graduation rates, and have made progress during the 2017-18 school year.



Rochester Prep operates an extended day model, as well as a data driven approach and rigorous curriculum aligned with Common Core State Standards. Currently, Rochester Prep has 6 schools serving approximately 2,396 students in grades K-12, approximately 93% of students are students of color and approximately 82% of students are economically disadvantaged. Rochester Prep operates the only K-12 charter school system, and the largest charter school system, in Upstate New York.

In Fall 2021, Rochester Prep expects to open its seventh and final school in its 7 school feeder pattern (3 elementary schools, 3 middle schools and 1 high school). That school will continue adding grades until the 2024-25 school year. Rochester Prep expects to reach full enrollment in the 2028-29 school year, serving approximately 3,244 students.

FIGURE 3
HISTORICAL & PROJECTED ENROLLMENT
Rochester Prep



Source: Rochester Prep.

Note regarding COVID-19. The Governor of New York has ordered public school buildings to remain closed for the remainder of the 2019-20 school year, in a response to the spread of the novel coronavirus known as COVID-19. Rochester Prep expects to receive guidance on reopening schools in the fall of 2020 by late summer. See “ – COVID-19 Response; Remote Learning; State Assessments; and State Aid” below and “CERTAIN RISK FACTORS – Infectious Disease Outbreak; COVID-19” in the forepart of this Limited Offering Memorandum.

The Charter Agreements and Schools

Charters. Rochester Prep operates its six current schools pursuant to three charters authorized by the Board of Trustees of the State University of New York (“SUNY”). Rochester Prep’s first charter was approved by SUNY on January 24, 2006, for the operation of True North Rochester Preparatory Charter School (the “TNRP Charter”) which opened in fall 2006 with a single middle school serving 5th grade students. Rochester Prep subsequently had a second charter approved by SUNY on October 2, 2012, for the operation of Rochester Preparatory Charter School 3 (the “RP 3 Charter”).

On May 11, 2010, SUNY approved a charter for the operation of True North Rochester Preparatory Charter School – West Campus (the “TNRP West Charter” and, together with the TNRP Charter and the RP 3 Charter, the “Charters”), to be operated by a separate education corporation named True North Genesee Preparatory Charter School. Effective July 1, 2013, True North Genesee Preparatory Charter School merged into Rochester Prep, and thereafter each of the Charters has been operated by Rochester Prep.

Under the New York State Charter Schools Act of 1998, as amended (the “Charter School Act”), charters may be granted for periods up to five years. The TNRP Charter’s initial term ran from July 2006 to June 2011, and was subsequently renewed by SUNY for full five-year terms in 2011 and 2016. The TNRP West Charter’s initial term was for a term of July 2011 through June 2016, and was subsequently renewed by SUNY for a full five-year term in October 2016. The RP 3 Charter is currently in its first term, which began July 2016. Each of the Charters currently has a termination date of July 31, 2021.

On December 5, 2019, SUNY issued a letter confirming that, as of such date (i) Rochester Prep was in good standing, (ii) its authority to operate each of its Charters was in good standing, (iii) neither Rochester Prep nor any of the Charters were on corrective action, probation or subject to non-renewal, termination or charter revocation, and (iv) the expiration date for all three Charters is July 31, 2021.

Charter schools in New York State are required to include their projected enrollment for each school year of the term of the charter as part of their application for a new or renewal charter to SUNY. Upon the approval of such charter application by SUNY, the projected enrollment, multiplied by a factor of 120%, becomes the maximum enrollment allowed in each year of the five-year charter term. Therefore, under each Charter, Rochester Prep may enroll a total number of students at the Schools operated pursuant to such Charter of up to 120% of the projected total enrollment set forth in such Charter. The current enrollment capacities for the Charters are as set forth in the following table.

In connection with the expected renewal of each Charter prior to July 31, 2021, the new enrollment capacity will be calculated for each School for each year of the term of the renewed charter, which Rochester Prep expects to be greater than or equal to the projected enrollment set forth herein. In connection with prior renewals of its Charters, SUNY has always approved the projected enrollment set forth by Rochester Prep in its charter applications.

TABLE 2
ENROLLMENT CAPACITY UNDER CURRENT CHARTER TERMS
Rochester Prep

<i>Charter</i>	<i>2020-21 Projected Enrollment Under Existing Charter</i>	<i>2020-21 Enrollment Capacity Under Current Charter (120% of Projected Enrollment)</i>	<i>2020-21 Enrollment (Projected)</i>	<i>Projected Full Enrollment</i>
TNRP Charter ⁽¹⁾	1,483	1,779	1,239	1,630
TNRP West Charter ⁽²⁾	810	972	807	807
RP 3 Charter ⁽³⁾	435	522	450	807
Total	2,728	3,273	2,496	3,244

⁽¹⁾ Authorizes Rochester Prep to operate Rochester Prep Elementary School (K-4), Rochester Prep Middle School – Brooks Campus (5-8), and Rochester Prep High School (9-12).

⁽²⁾ Authorizes Rochester Prep to operate Rochester Prep West Campus Elementary School (K-4) and Rochester Prep Middle School – West Campus (5-8).

⁽³⁾ Authorizes Rochester Prep to operate Rochester Prep Elementary School 3 (K-4) and a future middle school, Rochester Prep Middle School 3 (5-8), which is expected to open in the 2021-22 school year.

Source: Rochester Prep.

State Comptroller Reports. In March 2020, the Office of the New York State Comptroller (“OSC”) issued a report of examination for Financial Oversight for the period of July 1, 2016 through May 31, 2019, which examined the financial policies and practices of Rochester Prep (the “OSC Financial Report”). The OSC Financial Report includes several findings and recommendations, as well as a response letter from Rochester Prep dated February 3, 2020, addressing each finding and recommendation. Rochester Prep also prepared a Corrective Action Plan to further address each finding and recommendation, which was adopted by the Rochester Prep Board of Trustees.

On October 18, 2019, OCS issued a report of examination for information technology for the period of July 1, 2016 through December 31, 2018, which examined the information technology practices and policies of Rochester Prep (the “OSC IT Report” and, together with the OSC Financial Report, the “OSC Reports”). The OSC IT Report includes several findings and recommendations relating to information technology security and policies. Rochester Prep initially responded to the OSC IT Report with a letter to OSC dated November 20, 2019, addressing each of the OSC IT Report recommendations, and has prepared a Corrective Action Plan to further address each finding and recommendation.

OSC routinely audits district and charter schools in New York State. OSC does not have any authority or oversight responsibility over district or charter schools in New York State, including the Schools. Copies of the OSC Reports are expected to be published and public available on the OSC website in the spring of 2020. Copies of the Rochester Prep responses to the OSC Reports are available upon request from the Underwriter.

Schools. Rochester Prep currently operates six schools (each, a “School” and, collectively, the “Schools”) pursuant to the three charters. Rochester Prep operates an elementary school, middle school and high school pursuant to the Rochester Prep Charter; an elementary school and middle school pursuant to the Rochester Prep West Charter; and an elementary school pursuant to the Rochester Prep 3 Charter. Rochester Prep expects to open a seventh school in the 2021-22 school year – a middle school, to be operated pursuant to the Rochester Prep 3 Charter. At full scale, the high school is expected to serve students from all three Charters.

The structure of the Schools being operated pursuant to the multiple Charters is a result of the Charter School Act requiring that a separate charter must be issued for any “school” or “grade” being operated by an education corporation at more than one site (i.e., operation of grades K-4 at three different sites necessitates three charters).

The following table summarizes the Charters and the Schools operated, and expected to be operated, by Rochester Prep. See “ROCHESTER PREP FACILITIES AND RELATED FINANCING – Overview” herein for information on the current and anticipated future facility locations for each School.

TABLE 3
The Schools and the Charters
Rochester Prep

<i>School</i>	<i>Charter</i>	<i>First School Year</i>	<i>2019-20 Grades Served</i>	<i>2019-20 Enrollment</i>	<i>Year Full Enrollment Achieved</i>	<i>Projected Full Enrollment</i>
Rochester Prep Middle School-Brooks Campus	TNRP Charter	2006-07	5-8	360	2019-20	357
Rochester Prep Elementary School	TNRP Charter	2010-11	K-4	460	2015-16	450
Rochester Prep Middle School-West Campus	TNRP West Charter	2011-12	5-8	356	2018-19	357
Rochester Prep West Campus Elementary School	TNRP West Charter	2013-14	K-4	459	2017-18	450
Rochester Prep High School	TNRP Charter	2014-15	9-12	401	2028-29	823
Rochester Prep Elementary School 3	RP 3 Charter	2016-17	K-3 ⁽¹⁾	360	2020-21	450
			Subtotal:	2,396		2,887
 Future School						
Rochester Prep Middle School 3	RP 3 Charter	2021-22	5-8 ⁽²⁾	--	2024-25	357
			Total:	2,396		3,244

⁽¹⁾ Expected to expand to serve approximately 450 students in kindergarten through grade 4 beginning in the 2020-21 school year.

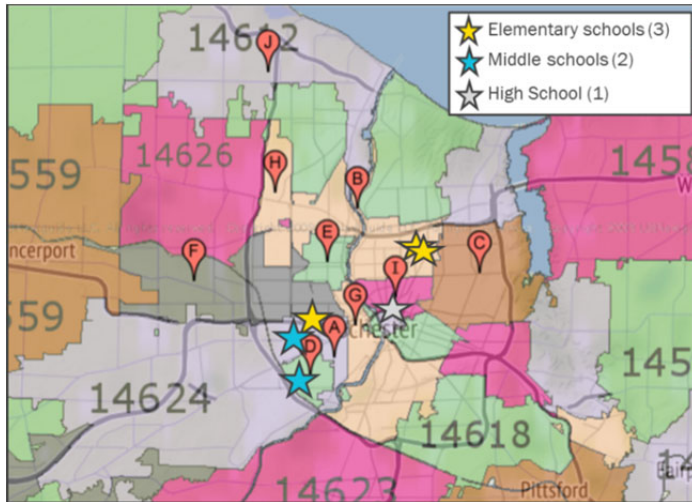
⁽²⁾ Expected to serve 90 students in only grade 5 in its first year 2021-22, and to expand one grade each year until serving 357 students in grades 5-8 in 2024-25.

Source: Rochester Prep.

All students from Rochester Prep elementary schools may go on to their respective Rochester Prep middle schools and then on to the shared Rochester Prep high school. Each year, approximately 91% of graduating 4th grade Rochester Prep students enroll in Rochester Prep middle schools, and 87% of graduating 8th grade Rochester Prep students enroll as 9th grade students at the Rochester Prep high school. Rochester Prep also backfills seats that open throughout the year in grades K-2, and most of the year for 3-8, with a pause from February to May in order to acclimate students before state testing. Rochester Prep will then backfill grades 3-7 from May until the end of the school year.

The following figure shows the locations of the Schools and the zip codes from which Rochester Prep students enrolled in the 2019-20 school year.

FIGURE 4
THE SCHOOLS AND ENROLLMENT BY LOCATION
 Rochester Prep
 2019-20



	<u>Zip Code</u>	<u>Enrollment (%)</u>	<u>Cumulative Enrollment</u>
A	14611 ⁽¹⁾	14.3%	14.3%
B	14621 ⁽²⁾	12.9	27.2
C	14609	12.7	39.9
D	14619	11.7	51.7
E	14613 ⁽³⁾	9.6	61.2
F	14606	8.4	69.6
G	14608	7.1	76.7
H	14615	5.5	82.2
I	14605	5.3	87.5
J	14612	2.3%	89.8

- ⁽¹⁾ Rochester Prep Elementary School and Rochester Prep Middle School-West Campus are located within this zip code.
- ⁽²⁾ Rochester Prep Elementary School 3 and Rochester Prep West Campus Elementary School are located within this zip code.
- ⁽³⁾ Rochester Prep Middle School-Brooks Campus is located within this zip code.

Note: Rochester Prep High School is located in zip code 14604.

Source: Rochester Prep.

In 2019-20, approximately 36.8% of Rochester Prep’s students reside in zip codes where its schools were located; approximately 63.2% of its students resided in zip codes where a Rochester Prep school was not located. It is the policy of the Rochester City School District Board of Education to provide transportation to any student in grades K-12 who resides with his/her parent or legal guardian within the city limits of Rochester, New York and who lives more than 1.5 miles from the school attended. Transportation for K-6 students is provided by through yellow buses provided by RCSD while the majority of 7-12 students are issued free bus passes for Regional Transit Service, which is the regional bus transit agency for Monroe County.

Approximately 8.4% of Rochester Prep students in the 2019-20 school year reside outside of the Rochester City School District.

Educational Philosophy

Mission. Rochester Prep’s mission is to prepare all students to enter and succeed in college through effort, achievement and the content of their character. Rochester Prep believes that all Rochester Prep students will demonstrate excellence in Reading, Writing, Math, Science, and History, while consistently exemplifying the virtues of diligence, integrity, responsibility, duty and perseverance.

Program & Curriculum: Rochester Prep operates an extended day and extended school year model. Rochester Prep elementary and middle school students have an 8 hour school day beginning at 7:30 a.m. and ending at 3:40 p.m., Monday through Thursday, and a shortened Friday ending at 12:30 p.m. to allow teachers time to meet, plan, and receive professional development training. Rochester Prep high school students attend class from 7:20 a.m. through 3:35 p.m. Monday through Thursday and dismiss early at 1:00 p.m. on Friday. The school year runs at least 185 days instead of the regular 180 days. This model allows extra time for math and reading while also building expertise in science, history, visual art, music, and physical education. Math and reading are taught every day in classes that are double the standard class length. Rochester Prep creates a strong joyful culture built around celebrating hard work and optimizing systems and routines which maximizes

the time teachers have for instruction. Rochester Prep’s curriculum is fully aligned with the Common Core State Standards.

Data Driven Approach / Assessment: Student performance data, measured regularly, drives current and future curriculum, professional development for teachers, and teaching methods. Every aspect of every lesson by every teacher is analyzed to support the singular mission of moving students to the highest academic achievements possible. Uncommon and Rochester Prep use data to drive the behavior of adults, so that adults can support children in their learning in the way that works for those children.

Professional Development and the Teach Like a Champion Training System: Professional development is the cornerstone of Rochester Prep’s and Uncommon’s success. Uncommon has designed a highly effective teacher observation and feedback model that drives instructional development throughout the schools. Now used by schools throughout the U.S. and the world, the system is codified in three best-selling books: *Leverage Leadership*, *Get Better Faster*, and *Teach Like a Champion 2.0*. Teachers are observed daily by a variety of instructional leaders – and receive immediate coaching during class. Classes are also regularly videotaped to allow a deeper dive between coach and teacher during weekly one-on-one coaching sessions with principals and instructional leaders. This allows teachers to see themselves in action, to watch more experienced teachers, and to absorb new approaches more quickly and easily.

Known as the Teach Like a Champion (“TLAC”) system, these professional development techniques and training philosophy were originally developed and further refined by Uncommon. Since 2012, TLAC provides educators with a set of techniques, a shared vocabulary, and a framework for practice that equip teachers to achieve dramatic results with their students. The TLAC Team is part of Uncommon Impact, Uncommon’s initiative to share what the organization has learned about enabling all students, particularly those not born to privilege, to achieve at dramatically higher levels. The Uncommon and TLAC team has trained over 30,000 school leaders, principals and teachers all over the world.

In the 2018-2019 school year:

- The TLAC team trained **2,385 school leaders/principals/teachers**, impacting approximately **375,108 students**
- TLAC Plug and Plays have been purchased by educators in **45 states** and **14 countries** (India, South Korea, Australia, Singapore, Canada, Great Britain, Switzerland, Columbia, Philippines, Netherlands, Paraguay, Greece, Chile, Dominican Republic)
- The state of Texas licensed TLAC Online to provide it for free to all K-12, university, and pre-service teachers and leaders—potentially **362,000 educators reaching over 5.3 million students**.

The Uncommon and TLAC team has published 12 books on teacher training and development which have sold over 3 million copies worldwide and been translated in over 10 languages. The book titles can be found below. Current Uncommon school leaders, Patrick Bambrick-Santoyo (Chief Schools Officer 9-12) and Juliana Worrell (Chief Schools Officer, K-8) have written numerous books including *Great Habits*, *Great Readers*, *Leverage Leadership 2.0* and *Get Better Faster*.



For more information TLAC, please refer to www.teachlikeachampion.com. However, the information presented on such website is not incorporated herein by reference. See “ROCHESTER PREP MANAGEMENT AND LEADERSHIP” herein for more detailed information on Rochester Prep’s and Uncommon’s approach to developing academic leaders.

Student Enrichment Programs: Rochester Prep students participate in a wide variety of enrichment activities that serve to help students become well-rounded individuals and to better prepare them for college life. Rochester Prep offers art, music and physical education for all students and offers intramural programs in elementary, middle and high school, including creative writing, newspaper, music programs, and modified sports (in 7th and 8th grades). In high school, Rochester Prep offers a number of sports, including baseball, softball, volleyball, football, basketball, bowling, indoor and outdoor track, and cheerleading.

High School 2.0. High School 2.0 is a program at Rochester Prep with an objective to develop talent and voice of Rochester Prep’s scholars. Students in 10th through 12th grades participate in elective co-curriculars two days per week that help them to develop their expertise and leadership around an area of interest. The High School 2.0 projects are wide ranging from debate team, mock trial, robotics team, Junior Achievement, to chorus and visual arts. Many of these projects continue after school, and students compete in local, regional, and national competition.

Consistent Operational Performance. Rochester Prep operational leaders tightly manage their six school budgets to consolidate into a single budget for the education corporation. Rochester Prep operates on public revenue and has never operated at a deficit in its 14+ year history. See “ROCHESTER PREP MANAGEMENT AND LEADERSHIP” herein for a more detailed overview of the Uncommon and Rochester Prep operational model.

Family Involvement: Uncommon believes that a clear line of communication with caregivers is critical to student success and families are encouraged to reach out to staff with questions and concerns. To foster a culture of joy that extends to families while also expanding students’ experiences, each school has multiple performances and celebrations each year, which are open to families and community members and are typically well attended.

Growth Plan

Rochester Prep currently operates six Schools, and plans to open a seventh school (Rochester Prep Middle School 3) in the 2021-22 school year, initially serving grade 5 and adding an additional grade each year until serving about 357 students in grades 5-8 by the 2024-25 school year. Rochester Prep expects its student enrollment to continue to grow organically, with Rochester Prep Elementary School 3 expecting to add a 4th grade in the 2020-21 school year to reach full enrollment of about 450 students (K-4), and two of its Schools continuing to add seats for several years until reaching full enrollment.

Rochester Prep High School currently serves 401 students in grades 9-12 and is fed by two middle schools. Rochester Prep High School is expected to continue to grow as Rochester Prep Middle School 3 matriculates students to 9th grade (beginning in the 2025-26 school year). Rochester Prep High School expects to reach full enrollment of about 823 students in the 2028-29 school year.

The following table sets forth the grade configuration and historical and projected enrollment for each School through the 2024-25 school year. Rochester Prep High School will continue to grow beyond 2024-25 and is expected to reach its full enrollment by the 2028-29 school year; for Rochester Prep High School additional projected enrollment is shown for school years 2025-26 to 2028-29.

TABLE 4
PLANNED GRADE EXPANSION AND ENROLLMENT GROWTH BY GRADE⁽¹⁾
Rochester Prep

<i>Rochester Prep Elementary School</i>								
<i>Grade</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
K	91	91	93	90	90	90	90	90
1 st	92	83	95	90	90	90	90	90
2 nd	91	97	89	90	90	90	90	90
3 rd	92	94	93	90	90	90	90	90
4 th	93	96	90	90	90	90	90	90
Total	458	461	460	450	450	450	450	450

<i>Rochester Prep West Campus Elementary School</i>								
<i>Grade</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
K	91	92	90	90	90	90	90	90
1 st	91	92	92	90	90	90	90	90
2 nd	92	92	92	90	90	90	90	90
3 rd	91	92	91	90	90	90	90	90
4 th	91	93	94	90	90	90	90	90
Total	456	461	459	450	450	450	450	450

<i>Rochester Prep Elementary School 3</i>								
<i>Grade</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
K	85	89	89	90	90	90	90	90
1 st	91	88	92	90	90	90	90	90
2 nd		92	90	90	90	90	90	90
3 rd			89	90	90	90	90	90
4 th				90	90	90	90	90
Total	176	269	360	450	450	450	450	450

TABLE 4 (continued)
PLANNED GRADE EXPANSION AND ENROLLMENT GROWTH BY GRADE⁽¹⁾
 Rochester Prep

Rochester Prep Middle School-Brooks Campus

<i>Grade</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
5 th	88	92	92	90	90	90	90	90
6 th	89	91	91	90	90	90	90	90
7 th	84	90	89	90	90	90	90	90
8 th	73	79	88	87	87	87	87	87
Total	333	351	360	357	357	357	357	357

Rochester Prep Middle School-West Campus

<i>Grade</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
5 th	87	93	93	90	90	90	90	90
6 th	89	91	91	90	90	90	90	90
7 th	83	89	89	90	90	90	90	90
8 th	84	83	83	87	87	87	87	87
Total	344	355	356	357	357	357	357	357

Rochester Prep Middle School 3⁽²⁾

<i>Grade</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
5 th					90	90	90	90
6 th						90	90	90
7 th							90	90
8 th								87
Total					90	180	270	357

Rochester Prep High School⁽³⁾

<i>Grade</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
9 th	120	131	134	154	148	148	148	148
10 th	80	106	120	105	146	140	141	141
11 th	64	71	83	98	100	139	133	134
12 th	27	62	64	75	93	95	132	127
Total	291	370	401	432	487	522	554	550

<i>Grade</i>	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>
9 th	222	222	222	222
10 th	141	211	211	211
11 th	134	134	200	200
12 th	127	127	127	190
Total	624	694	760	823

TABLE 4 (continued)
PLANNED GRADE EXPANSION AND ENROLLMENT GROWTH BY GRADE⁽¹⁾
Rochester Prep

<i>Rochester Prep – Total Enrollment</i>								
Grade	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
K	267	273	272	270	270	270	270	270
1 st	274	264	279	270	270	270	270	270
2 nd	183	280	271	270	270	270	270	270
3 rd	183	186	273	270	270	270	270	270
4 th	183	189	184	270	270	270	270	270
5 th	175	184	185	180	270	270	270	270
6 th	178	182	182	180	180	270	270	270
7 th	167	178	178	180	180	180	270	270
8 th	157	162	171	174	174	174	174	261
9 th	120	131	134	154	148	148	148	148
10 th	80	106	120	105	146	140	141	141
11 th	64	71	83	98	100	139	133	134
12 th	27	62	64	75	93	95	132	127
Total	2,058	2,268	2,396	2,496	2,641	2,766	2,888	2,971

Grade	2025-26	2026-27	2027-28	2028-29
K	270	270	270	270
1 st	270	270	270	270
2 nd	270	270	270	270
3 rd	270	270	270	270
4 th	270	270	270	270
5 th	270	270	270	270
6 th	270	270	270	270
7 th	270	270	270	270
8 th	261	261	261	261
9 th	222	222	222	222
10 th	141	211	211	211
11 th	134	134	200	200
12 th	127	127	127	190
Total	3,045	3,115	3,181	3,244

⁽¹⁾ Figures may not sum to totals due to rounding. Shaded cells indicate that a grade level not offered, or a School did not operate, in a given year.

⁽²⁾ Rochester Prep Middle School 3 is expected to reach full enrollment of approximately 357 students in the 2024-25 school year.

⁽³⁾ Rochester Prep High School is expected to continue expanding enrollment until reaching full enrollment of approximately 823 students in the 2028-29 school year.

Source: Rochester Prep.

Student Attendance & Retention

The following table shows Rochester Prep's student attendance and retention rates for the past five years and the current year.

TABLE 5
STUDENT ATTENDANCE AND RETENTION
Rochester Prep
2014-15 through 2019-20

<i>School Year</i>	<i>Attendance</i>	<i>Retention⁽¹⁾</i>
2014-15	95%	84%
2015-16	95	85
2016-17	95	85
2017-18	93	85
2018-19	91	84
2019-20	92 ⁽²⁾	87

⁽¹⁾ Student retention reflects the percent of students who were enrolled at least one day on or after October 1 of the prior year that were enrolled as of October 1 of the year shown.

⁽²⁾ Reflects student attendance rate through February 27, 2020.

Source: Rochester Prep.

Market Share

The following table shows current and historical market share data.

TABLE 6
MARKET SHARE
Rochester Prep
2014-15 through 2019-20

<i>School Year</i>	<i>Rochester Prep Students</i>	<i>Charter Enrollment in Monroe County (including Rochester Prep)</i>	<i>RCSD Enrollment</i>	<i>Rochester Prep Students % of Charter Students</i>	<i>Rochester Prep Students % of District and Monroe Charter Students</i>
2014-15	1,360	4,297	28,316	31.6%	4.2%
2015-16	1,565	4,793	27,552	32.7	4.8
2016-17	1,823	5,563	26,687	32.8	5.7
2017-18	2,058	6,059	26,057	34.0	6.4
2018-19	2,268	6,490	25,669	34.9	7.1
2019-20	2,396	-- ⁽¹⁾	25,083	-- ⁽¹⁾	-- ⁽¹⁾

⁽¹⁾ 2019-20 enrollment data from Monroe County are not yet reported as final by the State.

Source: Rochester Prep.

Competing Schools. The following tables identify local public and charter schools that compete for students with each of the Schools, along with enrollment and academic performance comparative data for the 2018-19 school year.

**TABLE 7
COMPETING SCHOOLS
Rochester Prep
2018-19**

<i>School</i>	<i>Grades</i>	<i>Distance</i>	<i>Enrollment</i>	<i>EL</i>	<i>FRPM</i>	<i>2018-19 Academic Performance</i>	
						<i>ELA Proficient</i>	<i>Math Proficient</i>
Rochester Prep Elementary School	K-4	--	461	2.5%	95.5%	56%	66%
John Williams School No. 5	PreK-8	1.3	658	28.1	94.8	11%	12%
Early Childhood School No. 57	PreK-2	1.5	199	5.0	95.5	n/a ⁽¹⁾	n/a ⁽¹⁾
Adlai E. Stevenson School No. 29	PreK-6	1.5	339	8.8	97.3	6	8
John Walton Spencer School No. 16	K-6	1.7	409	3.7	95.6	7	7
Nathaniel Rochester Community School No. 3	PreK-8	2.2	655	2.0	48.5	11	10
Dr. Martin Luther King Jr. School No. 9	PreK-6	2.4	698	44.7	97.4	12	16
Dr. Charles T. Lunsford School No. 19	PreK-8	2.5	377	5.0	93.1	10	9
Exploration Elem. Charter Sch. for Science & Tech.	K-5	2.5	207	3.9	87.9	n/a ⁽¹⁾	n/a ⁽¹⁾
Urban Choice Charter School	K-8	3.1	396	3.8	90.4	18	14
Eugenio Maria de Hostos Charter School	K-12	3.3	811	19.1	81.6	31	30
Genesee Community Charter School	K-6	3.6	221	0.0	35.7	61	67
Discovery Charter School	K-6	5.0	276	5.1	95.7	19	21
Rochester Academy Charter School	K-12	6.2	533	3.0	100.0	20	13
Renaissance Academy Charter School of the Arts	K-6	9.3	437	1.4	92.2	22	19

<i>School</i>	<i>Grades</i>	<i>Distance</i>	<i>Enrollment</i>	<i>EL</i>	<i>FRPM</i>	<i>2018-19 Academic Performance</i>	
						<i>ELA Proficient</i>	<i>Math Proficient</i>
Rochester Prep West Campus ES	K-4	--	461	1.1%	90.0%	70%	81%
Rochester Prep ES 3	K-2	--	269	0.0	91.8	n/a	n/a
Mary McLeod Bethune School No. 45	PreK-8	0.7	561	4.3	95.7	17	12
Andrew J. Townson School No. 39	PreK-6	1.0	553	3.1	94.4	6	6
Abraham Lincoln School No. 22	PreK-6	1.0	626	28.4	97.3	12	8
Eugenio Maria de Hostos Charter School	K-12	1.2	811	19.1	81.6	31	30
Nathaniel Hawthorne School No. 25	PreK-6	1.3	349	3.7	91.1	16	19
Dr. Martin Luther King Jr. School No. 9	PreK-6	1.7	698	44.7	97.4	12	16
Helen Barrett Montgomery School No. 50	PreK-8	2.0	676	21.9	92.0	13	15
John Williams School No. 5	PreK-8	2.5	658	28.1	94.8	11	12
Exploration Elem. Charter Sch. for Science & Tech.	K-5	2.5	207	3.9	87.9	n/a ⁽¹⁾	n/a ⁽¹⁾
Rochester Academy Charter School	K-12	2.3	533	3.0	100.0	20	13
Genesee Community Charter School	K-6	2.6	221	0.0	35.7	61	67
Urban Choice Charter School	K-8	3.5	396	3.8	90.4	18	14
Discovery Charter School	K-6	5.5	276	5.1	95.7	19	21
Renaissance Academy Charter School of the Arts	K-6	9.9	437	1.4	92.2	22	19

TABLE 7 (continued)
COMPETING SCHOOLS
Rochester Prep
2018-19

School	Grades	Distance	Enrollment	EL	FRPM	2018-19 Academic Performance	
						ELA Proficient	Math Proficient
Rochester Prep Middle School - Brooks Campus	5-8	--	351	1.7%	84.4%	35%	53%
Lincoln Park School No. 44	PreK-6	1.0	263	2.7	92.4	12	10
Rochester Academy Charter School	K-12	1.0	533	3.0	100.0	20	13
Dr. Charles T. Lunsford School No. 19	PreK-8	1.6	377	5.0	93.1	10	9
Joseph C. Wilson Foundation Academy	K-8	1.9	586	9.9	91.6	14	9
Adlai E. Stevenson School No. 29	PreK-6	2.1	339	8.8	97.3	6	8
Nathaniel Rochester Community School No. 3	PreK-8	2.7	655	2.0	48.5	11	10
Anna Murray-Douglass Academy School No. 12	K-8	3.2	804	24.6	85.7	14	14
Genesee Community Charter School	K-6	4.9	221	0.0	35.7	61	67
Eugenio Maria de Hostos Charter School	K-12	5.3	811	19.1	81.6	31	30
Discovery Charter School	K-6	6.8	276	5.1	95.7	19	21
Urban Choice Charter School	K-8	7.5	396	3.8	90.4	18	14
Renaissance Academy Charter School of the Arts	K-6	10.6	437	1.4	92.2	22	19

School	Grades	Distance	Enrollment	EL	FRPM	2018-19 Academic Performance	
						ELA Proficient	Math Proficient
Rochester Prep Middle School - West Campus	5-8	--	355	0.8%	84.6%	36%	50%
Adlai E. Stevenson School No. 29	PreK-6	0.6	339	8.8	97.3	6	8
Lincoln Park School No. 44	PreK-6	0.6	263	2.7	92.4	12	10
Joseph C. Wilson Foundation Academy	K-8	1.0	586	9.9	91.6	14	9
Rochester Academy Charter School	K-12	1.6	533	3.0	100.0	20	13
Dr. Charles T. Lunsford School No. 19	PreK-8	1.7	377	5.0	93.1	10	9
John Williams School No. 5	PreK-8	2.0	658	28.1	94.8	11	12
Nathaniel Rochester Community School No. 3	PreK-8	2.0	655	2.0	48.5	11	10
Eugenio Maria de Hostos Charter School	K-12	3.8	811	19.1	81.6	31	30
Urban Choice Charter School	K-8	3.8	396	3.8	90.4	18	14
Genesee Community Charter School	K-6	3.9	221	0.0	35.7	61	67
Discovery Charter School	K-6	5.4	276	5.1	95.7	19	21
Renaissance Academy Charter School of the Arts	K-6	10.5	437	1.4	92.2	22	19

School	Grades	Distance ⁽²⁾	Enrollment	EL	FRPM	2018-19 Academic Performance	
						ELA Proficient	Math Proficient
Rochester Prep High School	9-12	--	370	1.7%	90.4%	89%	92%
James Monroe High School	7-12	1.2	825	39.6	94.3	50	61
Eugenio Maria de Hostos Charter School	K-12	1.8	221	19.1	81.6	n/a ⁽¹⁾	n/a ⁽¹⁾
Rochester Early College International High School	9-12	2.3	328	14.9	90.5	79	79
Vanguard Collegiate High School	9-12	2.3	620	21.8	94.7	33	37
Joseph C. Wilson Magnet High School	9-12	2.5	774	12.9	84.9	65	69
East Upper and Lower School	9-12	2.6	669	17.0	85.5	70	74
Rochester Academy Charter School	K-12	8.5	533	3.0	100.0	96	91

⁽¹⁾ Data not publicly available.

⁽²⁾ Represents distance to current High School location, at the Andrews Facility.

Source: Rochester Prep.

Demographics

The table below shows certain demographic data for Rochester Prep and Rochester City School District (“RCSD”) for the 2018-19 school year.

TABLE 8
DEMOGRAPHIC DATA
Rochester Prep
2018-19

<i>Demographic</i>	<i>Rochester Prep</i>	<i>RCSD</i>
Socioeconomically Disadvantaged	81.1%	90.1%
Special Education	10.8	21.5
African-American	82.5	55.3
Latino	13.8	30.5
Caucasian/Other	3.7	13.8

Source: Rochester Prep.

Rochester Demographics and RCSD

Rochester and RCSD. Rochester is the third largest city in New York state by population, with a 2010 population of 210,565, and is the county seat of Monroe County. Monroe County is the fourth largest county in New York state outside of New York City, and had a 2020 population of 744,344. Both Rochester and Monroe County have been experiencing declining population, with the county’s population declining an estimated 0.3% between 2010 and 2018, and the city’s population declining approximately 2.1% over the same period. This decline in population is common to other cities in Central and Western New York, with the table below showing losses in population in Buffalo and Syracuse, New York, while the counties in which those cities are located remained relatively stable.

TABLE 9
POPULATION CHANGE
Central and Western New York
2010 to 2018

<i>City/County</i>	<i>2010 Population</i>	<i>2018 Population</i>	<i>% Change</i>
Rochester	210,684	206,284	(2.1)%
Buffalo	261,372	256,304	(1.9)
Syracuse	145,206	142,749	(1.7)
Monroe County (Rochester)	744,399	742,474	(0.3)
Erie County (Buffalo)	919,129	919,719	0.1
Onondaga County (Syracuse)	467,064	461,809	(1.1)

Source: Rochester Prep.

Along with the changing population, the Rochester area has been experiencing a change in its economy, as the economy transitions from high paying technology industry jobs to a more service-based economy. Up through the 1990s, Rochester was home to companies such as Kodak, Xerox and Bausch & Lomb, with those companies employing approximately 42,000, 13,000 and 4,200 employees, respectively, in the Rochester area. In 2017, Xerox employed approximately 6,000 employees, Kodak employed approximately 1,750 and Bausch & Lomb employed approximately 985 employees in the Rochester area. The largest employers in Rochester in 2017 were the University of Rochester (28,923 employees), Rochester Regional Health (15,753 employees) and Wegmans Food Markets Inc. (13,606).

Among the top 75 metropolitan areas in the United States, Rochester had the third highest poverty rate in 2017 according to data from the U.S. Census, behind only Detroit and Cleveland, with 33.1% of the population living below the poverty line. Among all cities in the United States with populations within 200,000 of that of Rochester, Rochester had the highest overall poverty rate, the highest child poverty rate (51.9%) and the highest extreme poverty rate (16.8%).

The Rochester City School District has also been experiencing declining enrollment, averaging a 2.4% annual decrease in enrollment from between the 2014-15 and 2019-20 school years, and a total 11.4% decrease over that time period. In 2018, the New York State Department of Education appointed a Distinguished Educator for RCSD, which is a program under which the State Commissioner of Education may appoint distinguished educators to districts and schools that are experiencing extremely serious academic challenges and ensure the appointment of qualified individuals to assist low performing schools. Under the program, upon receipt of any recommendations from the distinguished educator for modification of a district improvement plan and/or any corrective action, restructuring, or comprehensive plan, the board of education, trustees, or chancellor must either modify the plans accordingly or provide a written explanation to the Commissioner of its reasons for not adopting such recommendations. The Commissioner will direct the district to modify the plans as recommended by the distinguished educator unless the Commissioner finds that the written explanation provided by the district has compelling merit.

RCSD is one of three districts in New York State in which a Distinguished Educator has been appointed. An action plan was finalized between the Commissioner and RCSD in November 2019, and is now being implemented by RCSD.

In January 2020, the Office of the State Comptroller released the initial results of its review of recent RCSD budgets and financial procedures. The Comptroller's initial review found that RCSD was on track to incur a budgetary deficit in 2019-20 of \$31.6 million, and end the fiscal year with a deficit of \$40.5 million. Further, the report found that, absent additional severe budget cuts, short-term borrowing or outside intervention, RCSD will not have sufficient revenues to meet its financial obligations by the end of the 2019-20 fiscal year.

In 2019, the City Council voted to place a referendum on the November 2019 ballot to remove the sitting members of the Board of Education of RCSD, allowing for a potential State takeover of the district. In September 2019, the Supreme Court of the State of New York, Appellate Division upheld a trial court ruling that the ballot measure was invalid, and would not appear on the November 2019 ballot.

Monroe County Charter Schools. As of January 2020, the New York State Education Department shows that there are 14 charters operating in Monroe County (including the three Charters operated by Rochester Prep), enrolling a total of 6,490 students. All the charters in Monroe County operate within the City of Rochester, except one charter which operates in Greece, New York (a town adjacent to Rochester, New York).

For the 2020-21 school year, there are 14 charters operating a total of 21 schools. Rochester Prep is the largest charter school operator in the City of Rochester and the only charter school network that offers students the opportunity to remain within the same charter school across the full grade spectrum (K-12). Rochester Prep is not currently aware of any additional charter schools that have received authorization to open in Monroe County.

The following table shows the charter schools operating in Monroe County as of January 2020, including the authorizer (SUNY or the New York State Board of Regents ("Regents")), the school district in which they operate (RCSD or Greece Central School District ("Greece")), the number of schools and grade levels operated in in the 2019-20 school year, and each charter's average percentage of students scoring proficient or better on the NYSTP (as defined herein) in English language arts and mathematics in the 2018-19

school year. The NYSTP is only administered in grades 3-8, therefore no results are shown for schools that did not operate such grade levels in 2018-19.

TABLE 10
CHARTER SCHOOLS IN MONROE COUNTY⁽¹⁾
Rochester Prep
As of January 2020

Charter School	Grades Served	No. of Schools	Enrollment	Years in Operation	Charter Authorizer	School District	2018-19 Academic Performance	
							ELA Proficient	Math Proficient
1. Academy of Health Sciences Charter School	5 ⁽²⁾	1	102	1	Regents	RCSD	-- ⁽⁶⁾	-- ⁽⁶⁾
2. Discovery Charter School	K-6	1	289	9	Regents	Greece	19.1%	21.3%
3. Eugenio Maria de Hostos Charter School	K-12	3	878	20	SUNY	RCSD	30.8	30.3
4. Exploration Elem. Charter Sch. for Science & Tech.	K-3 ⁽³⁾	1	-- ⁽⁸⁾	3	Regents	RCSD	-- ⁽⁷⁾	-- ⁽⁷⁾
5. Genesee Community Charter School ⁽¹⁾	K-6	1	221	19	Regents	RCSD	61.0	67.3
6. Renaissance Academy Charter School of the Arts	K-6	1	483	6	Regents	Greece	22.3	18.9
7. Rochester Academy Charter School	K-2; 6-12 ⁽⁴⁾	3	644	12	Regents	RCSD	20.2	13.2
8. Rochester Preparatory Charter School 3	K-3⁽⁵⁾	1	360	4	SUNY	RCSD	--⁽⁷⁾	--⁽⁷⁾
9. True North Rochester Preparatory School	K-12	3	1,221	14	SUNY	RCSD	42.5	58.1
10. True North Rochester Preparatory School – West Campus	K-8	2	805	9	SUNY	RCSD	47.5	31.1
11. University Preparatory Charter School for Young Men	8-12	1	291	10	SUNY	RCSD	6.5	8.5
12. Urban Choice Charter School	K-8	1	392	15	Regents	RCSD	17.9	14.3
13. Vertus Charter School	9-12	1	283	6	Regents	RCSD	--	--
14. Young Women's College Prep Charter School of Rochester	7-12	1	377	8	Regents	Greece	14.8	7.0

⁽¹⁾ For 2018-19, Genesee Community Charter School's student population was 58% Caucasian, 26% Black, 8% Hispanic/Latino and 8% Asian/Multi-Racial; in addition 36% of its students were listed as economically disadvantaged.

⁽²⁾ Expected to expand to grades 5-8.

⁽³⁾ Expected to expand to grades K-6.

⁽⁴⁾ Expected to expand to grades K-12.

⁽⁵⁾ Expected to expand to grades K-8.

⁽⁶⁾ First year of operation was the 2019-20 school year.

⁽⁷⁾ No results on NYSTP testing in 2018-19, as only grades K-2 were taught.

⁽⁸⁾ Data not publicly available.

Source: New York State Education Department.

Applications and Admissions

In Rochester, all existing charter schools currently participate in a universal online application called GoodSchoolsRoc. This universal application was created by E3 Rochester, a nonprofit organization founded in 2012. Under the GoodSchoolsRoc application, parents may apply for admission for their child to one or more Rochester charter schools.

Waitlist. Rochester Prep typically receives more applications than it has seats available, and annually holds an enrollment lottery in April. Rochester Prep maintains a waitlist for any applicants who do not receive admission during the lottery, which carries over year over year.

The following table shows the number of applicants on the wait list for admission to a Rochester Prep school, by Charter.

TABLE 11
WAIT LIST⁽¹⁾
 Rochester Prep
 As of October 2019

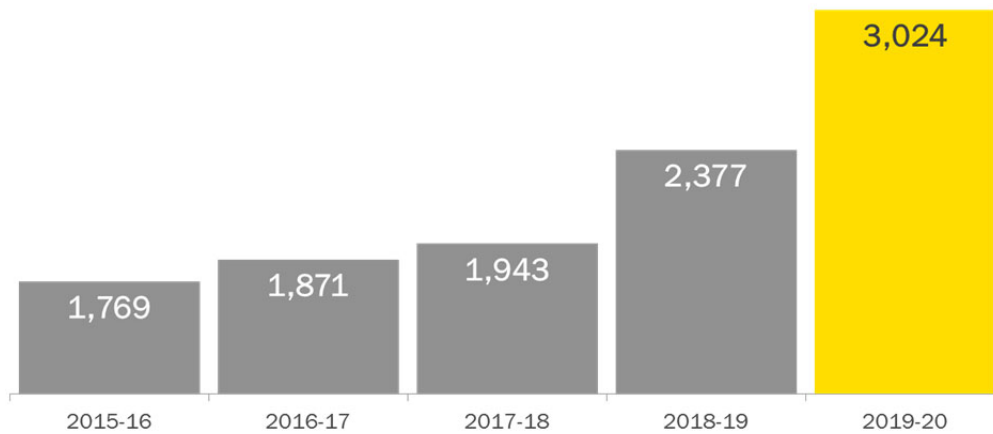
<i>Grade</i>	<i>TNRP Charter</i>	<i>TNRP West Charter</i>	<i>RP3 Charter</i>	<i>Total</i>
K	3	4	0	7
1 st	13	8	19	40
2 nd	0	6	0	6
3 rd	6	53	0	59
4 th	98	260		358
5 th	340	464		804
6 th	351	505		856
7 th	157	180		337
8 th	26	38		64
9 th	109			109
10 th	120			120
11 th	105			105
12 th	159			159
Total	1,487	1,518	19	3,024

⁽¹⁾ Some students applied to more than one school within the Rochester Prep network; each application was counted separately. Shaded cells indicate that a grade level not offered by a School.

Source: Rochester Prep.

The following figure shows the historical waitlist figures for Rochester Prep over the last five years.

FIGURE 5
HISTORICAL WAITLIST
 Rochester Prep
 2015-16 through 2019-20



Source: Rochester Prep.

Relationship with RIT

Rochester Prep has developed a strong relationship with the Rochester Institute of Technology (“RIT”), a large private doctoral university located adjacent to the City of Rochester.

Beginning in 9th grade, Rochester Prep students visit the RIT campus multiple times a year. As they progress through the grades, students’ college experiences become more focused and challenging, culminating in a final “capstone course” that eligible Rochester Prep seniors take at RIT during the fall semester of their senior year. In these courses, Rochester Prep students are subject to the same expectations as college students; they get to practice being college students. The Rochester Prep capstone students work closely with RIT professors on a research topic of interest to them; at the end of the semester, they produce an oral and visual presentation of the semester’s work at the annual Capstone Showcase. Typically, approximately one-third of seniors at Rochester Prep are involved in the Capstone program.

Recent presentations have focused on experimental computer game development; interdisciplinary investigation into Rochester’s brownfields (chemistry and sociology); and investigations in antibiotic resistance. For the 2019-20 school year, Rochester Prep and RIT are running five capstone courses: Civic and Community Engagement (Sociology); Microbiology; Introduction to Photojournalism; Computer Game Development; and Introduction to the Health Care Field.

During the 2018-19 school year, while participating in a capstone course in genomics, three Rochester Prep seniors isolated, extracted and sequenced the whole genome of a bacterium. The results of that project were published in an April 2019 article of the American Society for Microbiology’s *Microbiology Resource Announcements*, and the three Rochester Prep students received credit alongside their professor as co-authors on the paper.

The Capstone program is funded through a trust initially funded by a single philanthropist.

COVID-19 Response; Remote Learning; State Assessments; and State Aid

Due to the evolving coronavirus COVID-19 situation, Rochester Prep has closed its school facilities and transitioned to remote learning and instruction for the remainder of the 2019-20 school year. While academic focus will continue, Rochester Prep is committed to the safety and care of its students, families, staff, and community.

The Governor of New York has directed all schools to create re-opening plans that re-imagine school facilities in light of the COVID-19 pandemic, which should consider how schools can monitor the spread of COVID-19; how to reinforce student safety; when and how to resume extracurricular activities; protocols for special student populations; steps to ensure student mental health; alternative academic calendars; among other considerations. Rochester Prep is currently developing a plan for reopening its schools, and expects to have it fully in place prior to the beginning of the 2020-21 school year. Rochester Prep expects that its plan will be reviewed by its charter authorizer, SUNY.

See “CERTAIN RISK FACTORS – Infectious Disease Outbreak; COVID-19” in the forepart of this Limited Offering Memorandum.

Remote Learning. Uncommon launched its digitally-driven remote instructional model on March 17, 2020 for grades 9-12 and on March 30 for kindergarten through grade 8, allowing all of its students to access lessons and instructions online, including access to Epic! Online Reading Library. During the first two weeks of distance learning, Rochester Prep launched a K-8 learning plan, trained teachers and leaders on its distance learning program, launched a family-facing website, surveyed families on technology needs, and distributed laptops and learning packets to students. Households in the Rochester area with K-12 students that do not already have broadband Internet service are currently being permitted to enroll and receive free Wi-Fi access

from Spectrum for 60 days, with installation fees waived. Rochester Prep supplemented this by distributing WiFi hotspots to students in need.

Uncommon’s K-8 remote learning website, as well as its K-8 online videos lessons streaming on the Vimeo website, are publicly available online. From March 30, 2020 through June 12, 2020, Uncommon’s K-8 remote learning website had approximately 136,000 users from 48 states and 70 countries, with approximately 721,000 unique page views. Additionally, during such time Uncommon’s 777 online video lessons available on Vimeo were played over 598,000 times (including over 155,000 finishes) by approximately 344,000 unique viewers.

Uncommon Schools **Grade 4** REMOTE LEARNING VIDEOS

vimeo

WEB OVERVIEW

- 136,000 users
- 721,000 unique page views
- Visitors hail from 48 states and 70 countries
- epic! Access to Epic! Online Reading Library
- Online work assignments

VIMEO OVERVIEW

- 9 remote learning channels on Vimeo (grades K-8), 777 video lessons
- 598,000 plays, 344,000 unique viewers
- 155,000 finishes

Elementary/Middle School Distance Learning Curriculum. For elementary and middle school, lessons and instruction, by grade and by week, are available on the Uncommon website, and assignments are submitted electronically to teachers by students. Uncommon provided six full weeks of distance learning curriculum to start with and is posting additional content to the Uncommon distance learning website as distance learning continues. This content includes weekly student work packets (approximately 40 pages) and teaching videos.

The following are suggested distance learning schedules for Uncommon students in grades 2-8:

<u>Grades 2-4</u>		<u>Grades 5-8</u>	
Time	Subject	Time	Subject
9:00 am	Independent Reading	9:00 am	Independent Reading
9:30 am	Break	10:00 am	Break
10:00 am	Math	10:15 am	Math
10:45 am	Break	11:15 am	Break
11:00 am	Read Aloud or Passage Practice	11:30 am	ELA
11:45 am	Lunch Break	12:30 pm	Lunch Break
12:45 pm	Writing (3 days) or Science/Social Studies (2 days)	1:30 pm	History
1:30 pm	Break	2:30 pm	Break
2:00 pm	Independent Reading	2:45 pm	Science
2:30 pm	End of Day	3:45 pm	End of Day

High School Distance Learning Curriculum. For high school, during one-hour class periods for each core academic class, students access a 20-minute instructional video via Google Classroom and, for the remaining 40 minutes, access handouts and other resources through Google Classroom and access teachers through “office hours” via Zoom video conferences. High school students submit their completed work at the end of each one-hour class period, which counts as their attendance and is graded for completion and accuracy. Electives and targeted tutoring are also still available to students on Monday through Thursday. Ninety minutes of targeted tutoring is available four days per week.

The following is a suggested distance learning schedule for Uncommon students in grades 9-12:

<u>Grades 9-12</u>	
Time	Subject
8:00 am	Math (20 minutes for videos, 40 minutes for office hours via Zoom)
9:00 am	English (20 minutes for videos, 40 minutes for office hours via Zoom)
10:00 am	Science (20 minutes for videos, 40 minutes for office hours via Zoom)
11:00 am	History (20 minutes for videos, 40 minutes for office hours via Zoom)
12:00 pm	Break
12:30 pm	Electives (Monday to Thursday only)
2:00 pm	All classwork due if not submitted in class
2:30 pm	Targeted Tutoring (Monday to Thursday only)
4:00 pm	End of Day

State Assessments. On March 20, 2020, the New York State Education Department (“NYSED”) announced it was suspending all New York State Elementary- and Intermediate-Level State Assessments for the remainder of the 2019-20 school year due to the COVID-19 outbreak. This includes the NYSTP (as defined below) testing in English language arts, mathematics and science in grades 3-8.

On April 7, 2020, NYSED announced it was cancelling the June 2020 administration of the New York State High School Regents Examinations due to the COVID-19 outbreak. NYSED also announced it is exempting students from the requirements to pass Regents Examinations in order to be issued a high school diploma if they are currently enrolled in a course of study culminating in a Regents Examination and will have earned credit in such course of study by the end of the 2019-20 school year, or have already achieved course credit but have not yet passed the associated Regents Examination and were intending to take the test in June 2020.

The federal government has provided New York State a one-year waiver from the provisions of the Every Student Succeeds Act pertaining to State assessments, and therefore NYSED will not conduct a review of school and district performance using 2019-20 school year data. In any instance where 2019-20 school year results would have been used as part of the process of making 2021-22 school year accountability determinations, 2018-19 school year results will be used instead.

State Aid. The NYSED Board of Regents has adopted emergency regulations to permit charter schools to operate for less than 180 days without a reduction in State Aid if the school is closed pursuant to the terms of an Executive Order of the Governor. Additionally, missed instructional hours for any day that a school is closed pursuant to the terms of an Executive Order of the Governor may be counted toward the minimum annual instructional hour requirements.

Due to the outbreak of COVID-19, per-pupil funding rates for the 2020-21 school year are projected to decrease by approximately 1.5% for Rochester Prep from the 2019-20 levels. The funding levels may be adjusted throughout the year by the State legislature on a quarterly basis, and there can be no assurance that per-pupil funding rates will not decrease in 2020-21, or in future years, as a result of extended school closures or other effects of the COVID-19 outbreak. Accordingly, Rochester Prep has developed its budget for the 2020-21 school year assuming a decrease in per-pupil funding of 5% from the 2019-20 levels.

Due to the outbreak of COVID-19, some payments due to Rochester Prep from student resident districts during the 2019-20 school year have been delayed. However, all such payments are expected to be received by the end of the 2019-20 fiscal year, and have been in amounts that are not material to the cash flows or operations of Rochester Prep or the Schools. No payments from RCSD, with is the student resident district of approximately 91.6% of Rochester Prep students during the 2019-20 school year, have been delayed.

See “ROCHESTER PREP FINANCIAL SUMMARY – Primary Source of Revenues” herein.

Uncommon applied for and received a Paycheck Protection Program loan in the amount of approximately \$4,000,000 (the “PPP Loan”), provided by a lender pursuant to the U.S. Small Business Administration’s Paycheck Protection Program (the “PPP”), a loan program instituted pursuant to the federal Coronavirus Aid, Relief, and Economic Security Act. Pursuant to the PPP, all or a portion of the PPP Loan will be forgiven if the funds are used for payroll costs, interest on mortgages, rent and utilities. Uncommon expects that the full amount of the PPP Loan will be forgiven.

Rochester Prep did not apply for a loan through the PPP.

2019-20 Fiscal Year Financial Impact. The following table shows a comparison of Rochester Prep’s projected financial results as of January 2020 and June 2020, reflecting the projected impact that the outbreak of COVID-19 will have on Rochester Prep’s revenues and expenditures during the 2019-20 fiscal year. Total revenue decreased by 2.1% (\$834,934) primarily represented by lower federal revenues related to school meals while expenses decreased by 7.1% (\$2,493,333) which represented lower Personnel and Programmatic Expenses related to diminished school operations during the COVID-19 epidemic. The net impact was an approximately \$1.66 million increase to Net Income between the January 2020 end of year projection and the June 2020 budget update.

TABLE 12
CHANGES IN PROJECTED FINANCIAL RESULTS – JANUARY 2020 VS. MAY 2020
Rochester Prep
2019-20

	January 2020 ⁽¹⁾ Budget Forecast 2019-20	June 2020 ⁽²⁾ Budget Forecast 2019-20	Difference	%	Explanation
Enrollment					
Grades Served	K-12	K-12			
Enrollment	2,398	2,396	(2)	-0.1%	
Revenue					
Core Pupil Aid	\$34,588,690	\$34,529,769	(\$58,922)	-0.2%	
Federal Aid	\$4,674,764	\$3,942,175	(\$732,589)	-15.7%	Decrease in child nutritional revenues which correlates to lower Programmatic Expenses (below).
Philanthropic Contributions	\$830,428	\$765,114	(\$65,314)	-7.9%	
Miscellaneous Income	\$123,449	\$145,340	\$21,891	17.7%	
Total Income	\$40,217,331	\$39,382,397	(\$834,934)	-2.1%	
Expenses					
Administrative & Leadership Salaries	\$3,872,095	\$3,888,552	\$16,457	0.4%	Reflects a decrease of 0.5 FTE.
Instructional Salaries	\$10,566,000	\$10,188,606	(\$377,394)	-3.6%	Reflects a decrease of 9 FTE.
Other Salaries	\$832,364	\$858,964	\$26,599	3.2%	
Other Personnel Expenses	\$3,803,440	\$3,290,842	(\$512,598)	-13.5%	Reflects a reduction in bonuses & benefits.
Personnel Expenses	\$19,073,900	\$18,226,963	(\$846,937)	-4.4%	
Programmatic Expenses	\$6,643,596	\$5,265,038	(\$1,378,559)	-20.8%	Primarily reflects reduction in supplies, student enrichment & food service.
Administrative Expenses	\$6,255,925	\$6,544,995	\$289,069	4.6%	
Facilities Costs	\$2,882,026	\$2,421,380	(\$460,646)	-16.0%	Primarily reflects reduction in Maintenance & Utilities.
2020 Bonds Net Basic Rent	\$96,261	\$0	(\$96,261)	-100.0%	Reflects the delay in issuing the 2020 Bonds.
Total Expenses	\$34,951,708	\$32,458,375	(\$2,493,333)	-7.1%	
Net Income	\$ 5,265,623	\$ 6,924,022	\$ 1,658,399	31.5%	

⁽¹⁾ Represents Rochester Prep’s fiscal year 2019-20 budget forecast based on forecasted financial results as of January 2020.

⁽²⁾ Represents Rochester Prep’s fiscal year 2019-20 budget forecast based on forecasted financial results as of June 2020.

Source: Rochester Prep.

ROCHESTER PREP STUDENT OUTCOMES

Academic Results

At every grade level, and by every measure, Rochester Prep students are far surpassing RCSD and often are meeting or surpassing their internal standard of matching or exceeding the results of their non-economically disadvantaged peers.

The figures on the following pages show snapshots of academic results at every grade level of Rochester Prep for the 2018-19 school year, the most recent year for which such results are available.

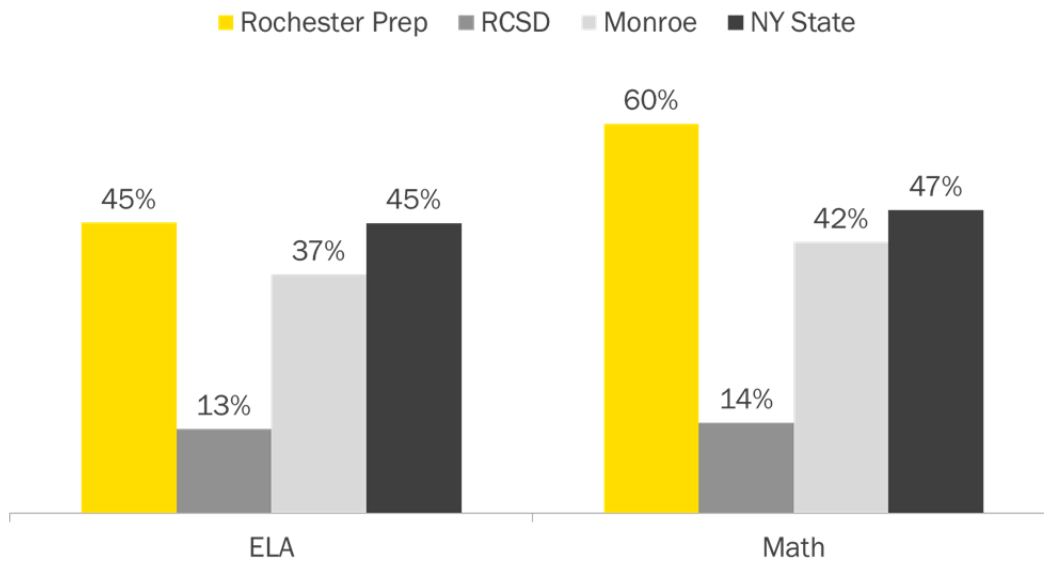
As discussed under the heading “TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL – COVID-19 Response; Remote Learning; State Assessments; and State Aid” above, the State has suspended the administration of end-of-year State assessments in grades 3-8 and Regents Examinations for the 2019-20 school year, due to the outbreak of COVID-19.

Academic Performance

Rochester Prep (and all other New York public schools) have utilized a student assessment for grades 3-8 called the New York State Testing Program (“NYSTP”). Every public school in New York administers NYSTP exams in English language arts and mathematics in grades 3-8, and in science in grades 4 and 8. All Rochester Prep students take Regents courses in Earth Science and Algebra I during 8th grade, and therefore do not take the NYSTP science or mathematics exams in 8th grade.

The following figure shows the percentage of Rochester Prep students meeting or exceeding expectations on the NYSTP ELA exams in grades 3-8, and math exams in grades 3-7, for the 2018-19 school year, compared to the comparative scores for RCSD, Monroe County, and State-wide.

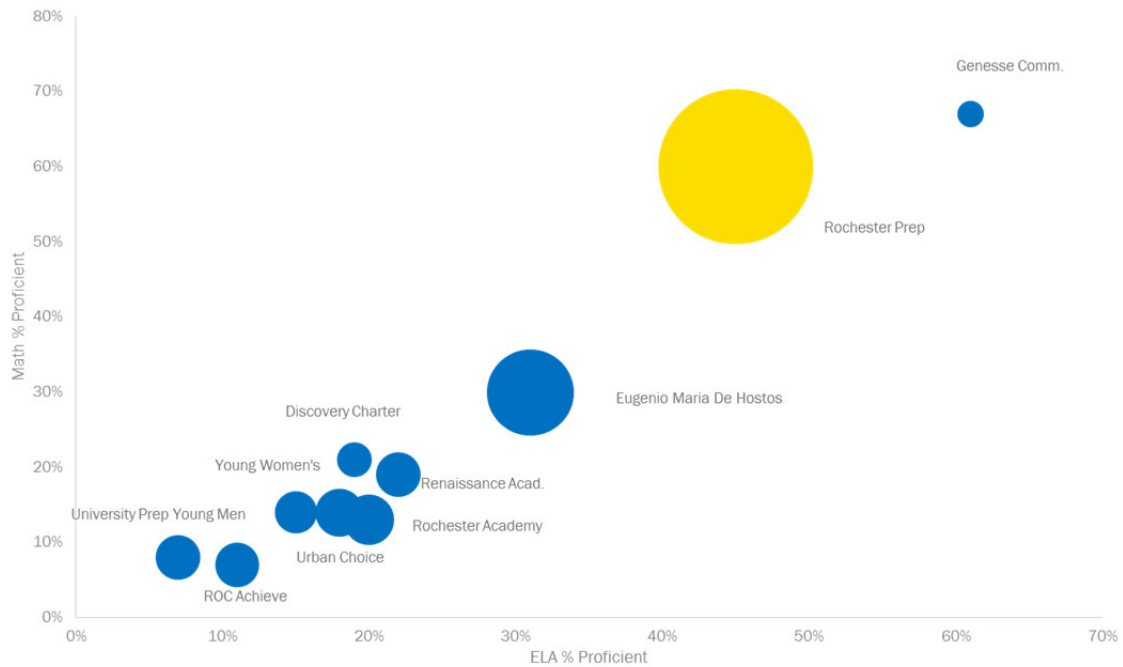
FIGURE 6
NYSTP ELA AND MATH EXAMS GRADES 3-8
Rochester Prep, RCSD, Monroe County and NY State
2018-19



Source: Rochester Prep.

The following figure shows the percentage of Rochester Prep students in grades 3-8 for ELA, and 3-7 for mathematics, scoring at the advanced or proficient level for the NYSTP Exams for the 2018-19 school year compared to other Rochester Prep charter schools. The size of each circle represents the overall number of students tested at that charter school.

FIGURE 7
NYSTP ELA AND MATH EXAMS GRADES 3-8⁽¹⁾
 Rochester Charter Schools
 2018-19



⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”
 Source: Rochester Prep.

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The following tables compare Rochester Prep 3-8 students results on NYSTP compared to other Rochester charter school averages, RCSD averages, the New York state averages, the New York white student averages, and the New York non-economically disadvantaged student averages.

TABLE 13
NYSTP MATH EXAM RESULTS GRADES 3-7⁽¹⁾
 Rochester Prep, Rochester Charter Schools, RCSD and New York
 2016-17 through 2018-19

<i>SCHOOL YEAR 2018 – 19</i>						
<i>Grade</i>	<i>Rochester Prep</i>	<i>Rochester Charter Schools</i>	<i>RCSD</i>	<i>NY State - All</i>	<i>NY State - White</i>	<i>NY State Non-Economically Disadvantaged</i>
3 rd	77%	57%	22%	55%	62%	70%
4 th	70	43	14	50	59	67
5 th	50	33	12	46	54	62
6 th	54	33	12	47	57	64
7 th	51	24	8	43	54	60
Total	60%	37%	14%	48%	58%	65%

<i>SCHOOL YEAR 2017 – 18</i>						
<i>Grade</i>	<i>Rochester Prep</i>	<i>Rochester Charter Schools</i>	<i>RCSD</i>	<i>NY State - All</i>	<i>NY State - White</i>	<i>NY State Non-Economically Disadvantaged</i>
3 rd	81%	57%	18%	54	62%	71%
4 th	84	55	13	48	57	66
5 th	39	30	11	44	54	61
6 th	53	36	9	44	56	63
7 th	55	24	6	41	52	59
Total	63%	37%	12%	46%	57%	64%

<i>SCHOOL YEAR 2016 – 17</i>						
<i>Grade</i>	<i>Rochester Prep</i>	<i>Rochester Charter Schools</i>	<i>RCSD</i>	<i>NY State - All</i>	<i>NY State - White</i>	<i>NY State Non-Economically Disadvantaged</i>
3 rd	87%	63%	14%	48%	58%	65%
4 th	55	36	8	43	54	60
5 th	36	29	9	43	54	60
6 th	48	39	6	40	52	57
7 th	54	24	5	38	49	53
Total	57%	36%	9%	43%	53%	59%

⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.” For Rochester Prep, only includes students in grades 3-7, as Rochester Prep students in 8th grade take Regents examinations in Algebra I.
 Source: Rochester Prep.

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TABLE 14
NYSTP ELA EXAM RESULTS GRADES 3-8⁽¹⁾
Rochester Prep, Rochester Charter Schools, RCSD and New York
2016-17 through 2018-19

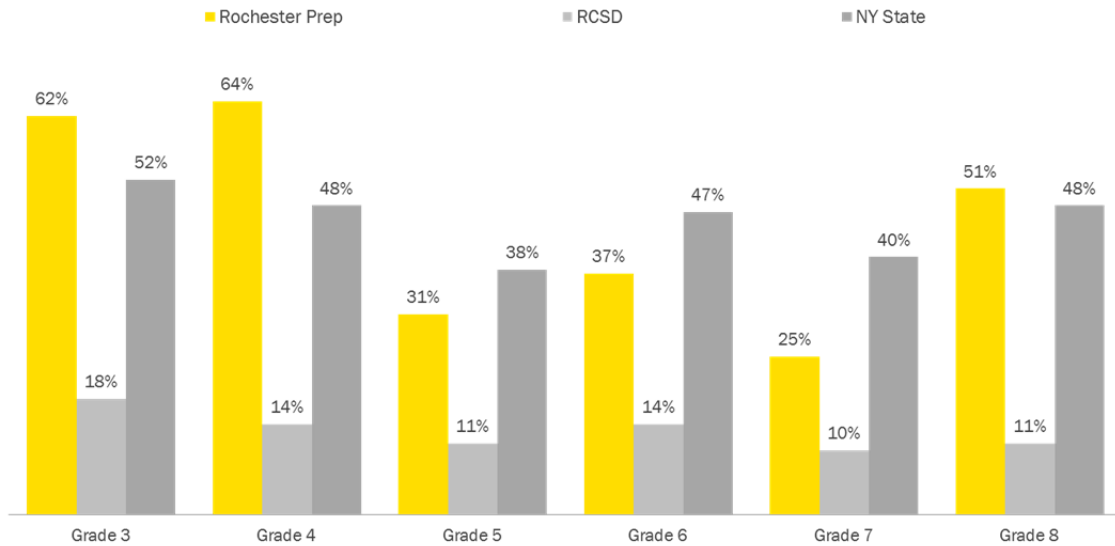
<i>SCHOOL YEAR 2018 – 19</i>						
<i>Grade</i>	<i>Rochester Prep</i>	<i>Rochester Charter Schools</i>	<i>RCSD</i>	<i>NY State - All</i>	<i>NY State - White</i>	<i>NY State Non- Economically Disadvantaged</i>
3rd	62%	50%	18%	52%	58%	68%
4th	64	43	14	48	53	63
5th	31	24	11	38	43	52
6th	37	26	14	47	55	63
7th	25	17	10	40	45	54
8th	51	30	10	48	53	61
Total	45%	31%	13%	45%	51%	60%
<i>SCHOOL YEAR 2017 – 18</i>						
<i>Grade</i>	<i>Rochester Prep</i>	<i>Rochester Charter Schools</i>	<i>RCSD</i>	<i>NY State - All</i>	<i>NY State - White</i>	<i>NY State Non- Economically Disadvantaged</i>
3rd	69%	50%	17%	51%	57%	67%
4th	72	52	13	47	53	64
5th	27	22	7	37	43	52
6th	42	37	13	49	57	66
7th	31	18	6	40	47	55
8th	45	36	11	48	53	60
Total	48%	35%	11%	45%	52%	61%
<i>SCHOOL YEAR 2016 – 17</i>						
<i>Grade</i>	<i>Rochester Prep</i>	<i>Rochester Charter Schools</i>	<i>RCSD</i>	<i>NY State - All</i>	<i>NY State - White</i>	<i>NY State Non- Economically Disadvantaged</i>
3rd	59%	50%	10%	43%	50%	59%
4th	51	37	8	41	48	56
5th	21	19	6	35	43	50
6th	27	20	5	32	40	46
7th	39	24	7	42	50	56
8th	55	31	9	45	52	58
Total	41%	30%	8%	40%	47%	54%

⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”
Source: Rochester Prep.

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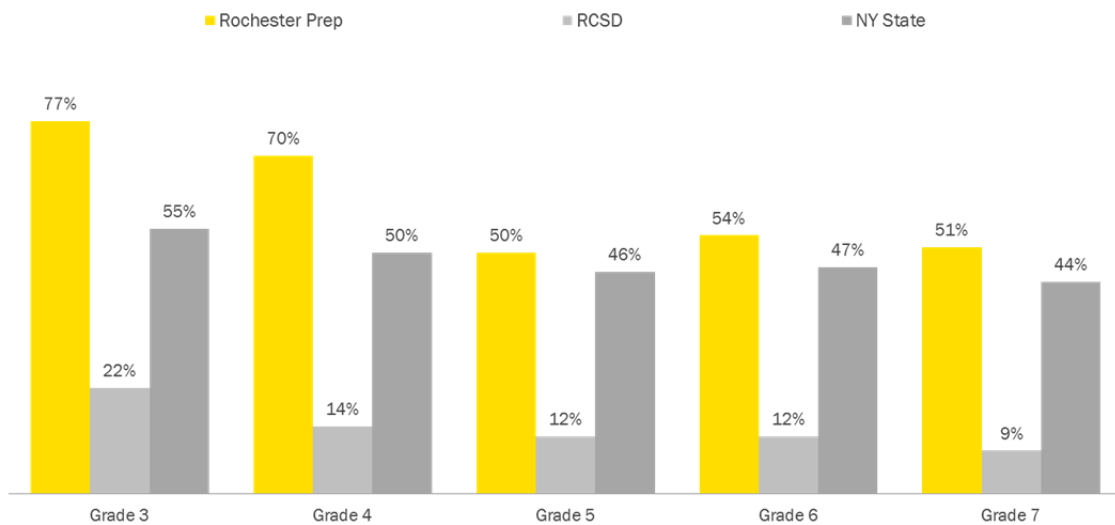
The following figures compare Rochester 3-8 students meeting or exceeding expectations on the ELA and Math NYSTP exams compared to New York state averages and RCSD results.

FIGURE 8
NYSTP ELA EXAM RESULTS GRADES 3-8⁽¹⁾
 Rochester Prep, RCSD and New York
 2018-19



⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”
 Source: Rochester Prep.

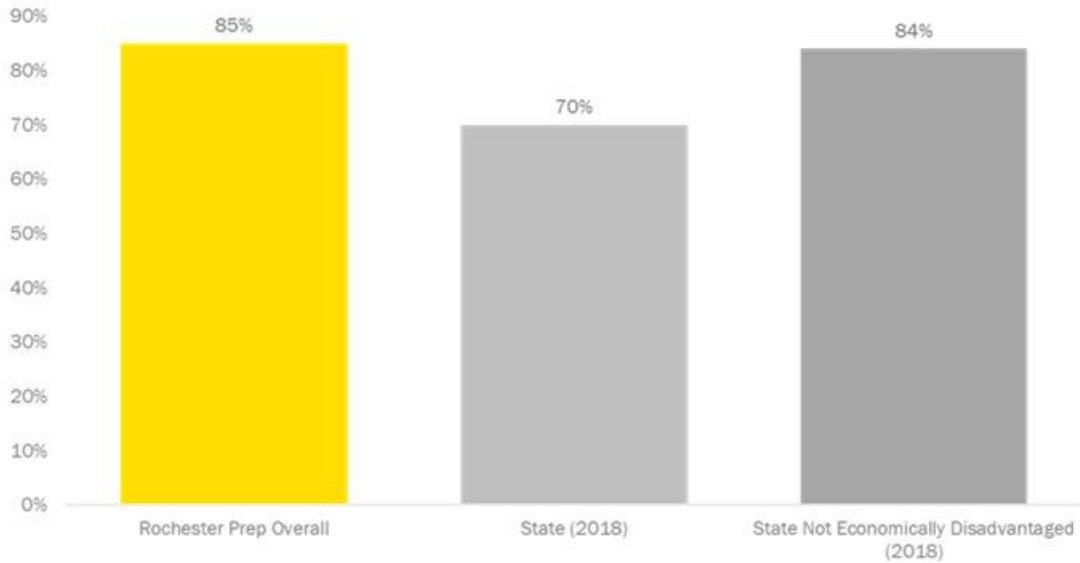
FIGURE 9
NYSTP MATH EXAM RESULTS GRADES 3-7⁽¹⁾
 Rochester Prep, RCSD and New York
 2018-19



⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.” For Rochester Prep, only includes students in grades 3-7, as Rochester Prep students in 8th grade take Regents exams in Algebra I.
 Source: Rochester Prep.

Rochester Prep’s 8th grade students take the Regents examination in Algebra I in lieu of taking the Math NYSTP exam. The Regents examination in Algebra I is typically taken by high school students. The figure below shows that Rochester Prep’s 8th grade student results on that exam in 2019 exceeded high school student performance within the State for non-economically disadvantaged students and the State as a whole.

FIGURE 10
REGENTS ALGEBRA I EXAM RESULTS, GRADE 8⁽¹⁾
Rochester Prep, RCSD and New York
2018-19

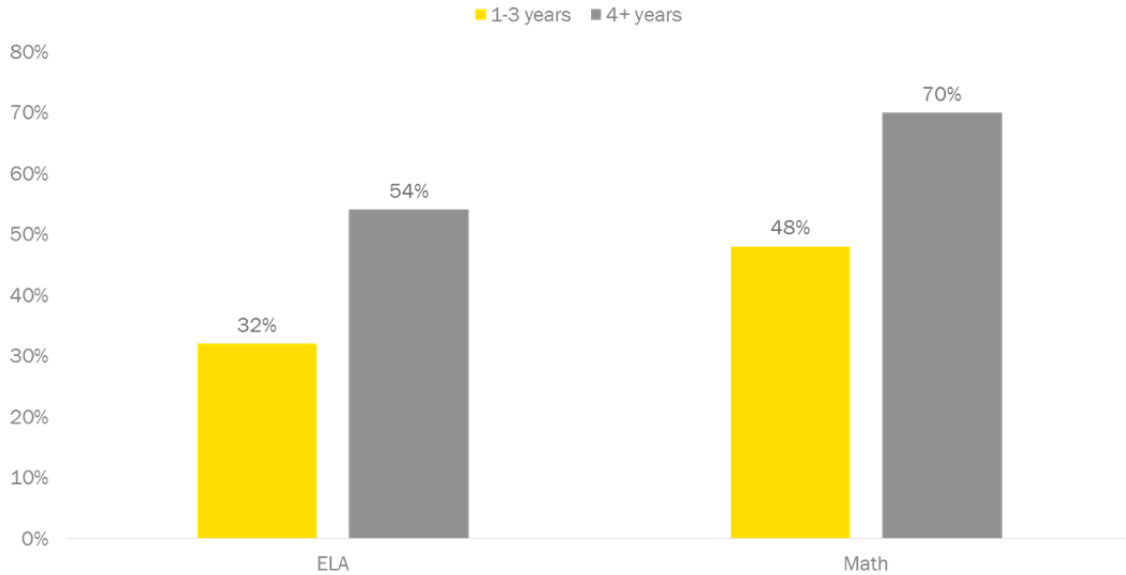


⁽¹⁾ Rochester Prep students in 8th grade take Regents exams in Algebra I in lieu of taking the Math NYSTP exam.
Source: Rochester Prep.

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Rochester Prep’s academic results have shown that its students’ achievement increases the longer its students are enrolled with Rochester Prep. The following figures shows the percentage of Rochester Prep students in grades 3-8, and 3-7, scoring at a proficient or advance level in ELA and mathematics, respectively, when enrolled at Rochester Prep for fewer than four years vs. four or more years. Generally, students who have been with Rochester Prep longer are able make significantly greater academic gains.

FIGURE 11
NYSTP EXAM RESULTS⁽¹⁾
Rochester Prep Students by Tenure with Rochester Prep
2018-19



⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”
Source: Rochester Prep.

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High School Performance

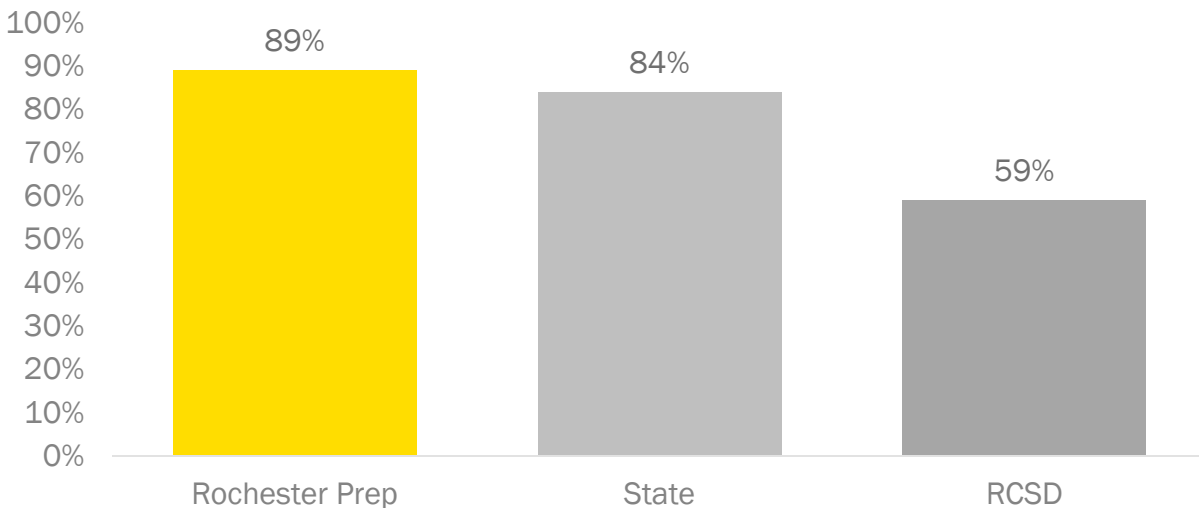
In order to graduate high school with a Regents Diploma, New York state public school students must pass certain Regents exams. To receive a Regents Diploma, students must receive passing scores (65 or higher) on Regents exams in English Language Arts, any one mathematics course (Algebra I, Geometry or Algebra II), any one social studies course (Global History or U.S. History and Government), any one science course (Living Environment, Earth Science, Chemistry, or Physics) and one additional exam in a subject of the student's choice. Students have the opportunity to take Regents exams as many times during their school career as desired.

High school students with disabilities in New York State may graduate high school with a Local Diploma, which allows for passage of Regents examinations with a lower passing score on Regents examinations. Additionally, any student may receive a Regents examination by appeal to the School if they score within a certain number of points of proficient on a Regents examination and satisfy certain other requirements.

Of the Rochester Prep 9th grade cohort that graduated in August 2019, 92.5% received a Regents Diploma and 7.5% received a Local Diploma. For the Rochester Prep seniors who graduated in June 2020, all but one student received a Regents Diploma.

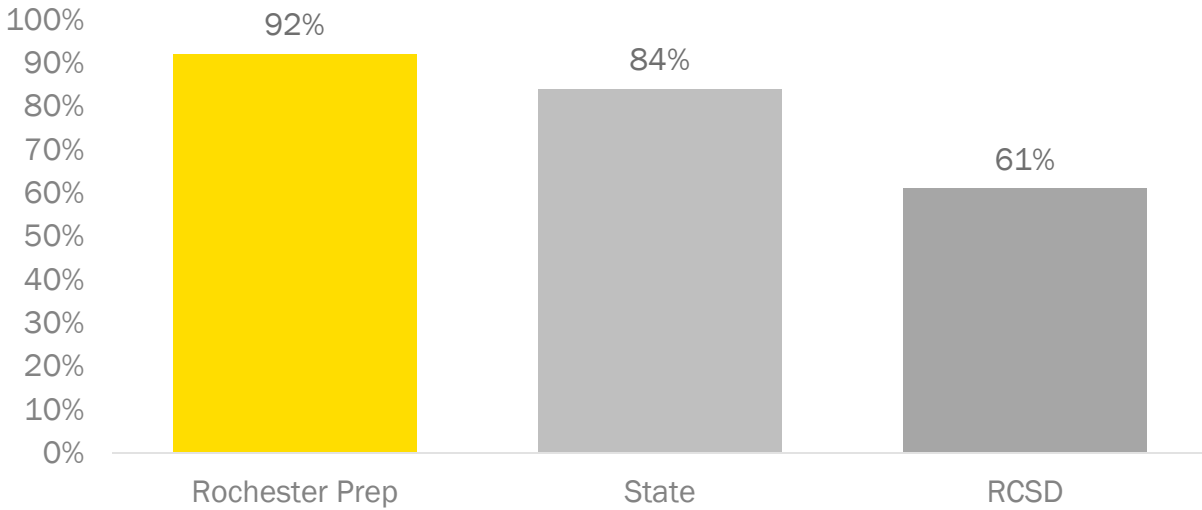
The following figures show the percentage of Rochester Prep high school students in the 2015 cohort (i.e. who entered the 9th grade during 2015) who passed Regents examinations in ELA, mathematics, science, Global History and U.S. History at any point during their high school career. All Rochester Prep students take Regents courses in Earth Science and Algebra I during 8th grade.

FIGURE 12
REGENTS ELA EXAM RESULTS⁽¹⁾
Rochester Prep, RCSD and New York
2015 Cohort



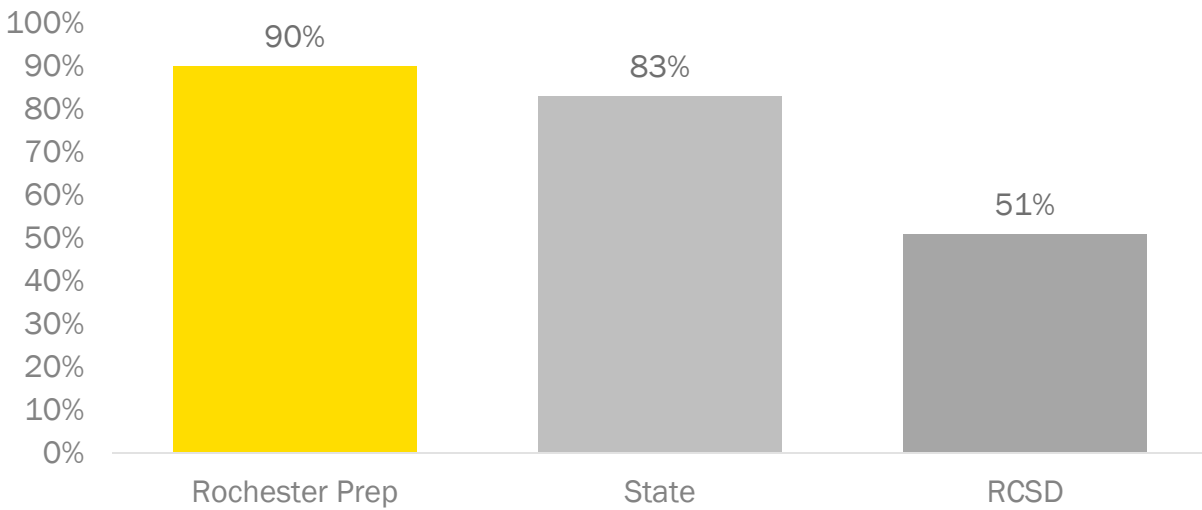
⁽¹⁾ Reflects the percentage of students scoring at a proficient level.
Source: Rochester Prep.

FIGURE 13
REGENTS MATH EXAM RESULTS⁽¹⁾
Rochester Prep, RCSD and New York
2015 Cohort



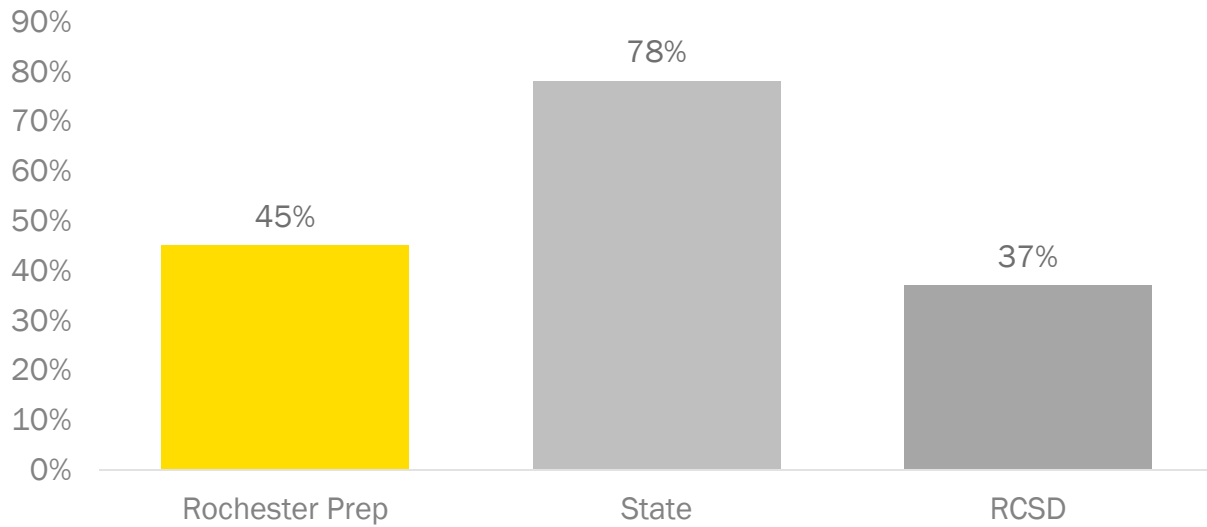
⁽¹⁾ Reflects the percentage of students scoring at a proficient level on all Regents examinations in mathematics.
Source: Rochester Prep.

FIGURE 14
REGENTS SCIENCE EXAM RESULTS⁽¹⁾
Rochester Prep, RCSD and New York
2015 Cohort



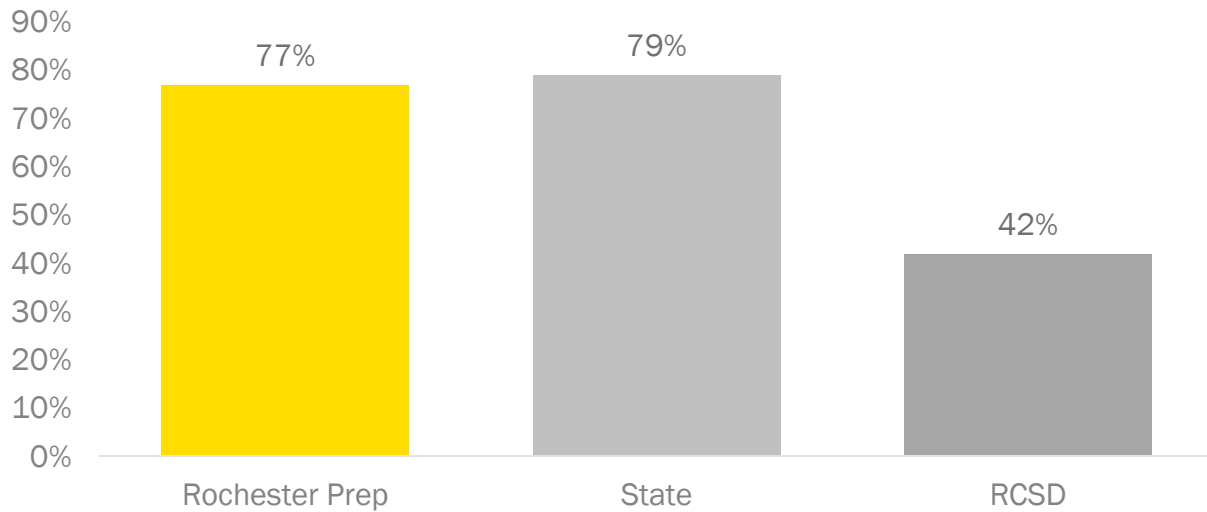
⁽¹⁾ Reflects the percentage of students scoring at a proficient level on all Regents examinations in science.
Source: Rochester Prep.

FIGURE 15
REGENTS GLOBAL HISTORY EXAM RESULTS ⁽¹⁾
 Rochester Prep, RCSD and New York
 2015 Cohort



⁽¹⁾ Reflects the percentage of students scoring at a proficient level. The World History course offered to Rochester Prep high school students aligns better for taking the AP World History exam than the Regents Global History exam.
 Source: Rochester Prep.

FIGURE 16
REGENTS U.S. HISTORY EXAM RESULTS ⁽¹⁾
 Rochester Prep, RCSD and New York
 2015 Cohort



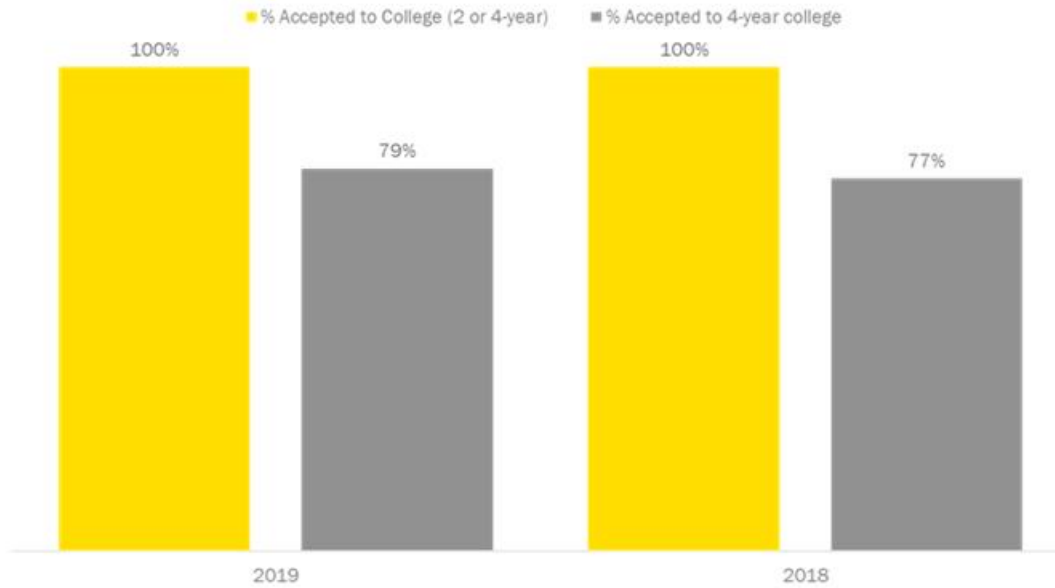
⁽¹⁾ Reflects the percentage of students scoring at a proficient level.
 Source: Rochester Prep.

High School and College Graduation

Rochester Prep has a robust college counseling office at the high school level and begins to foster a college-bound culture with students starting in Kindergarten. For 2018-19 and 2019-20, the high school graduation rate for Rochester Prep was 100%.

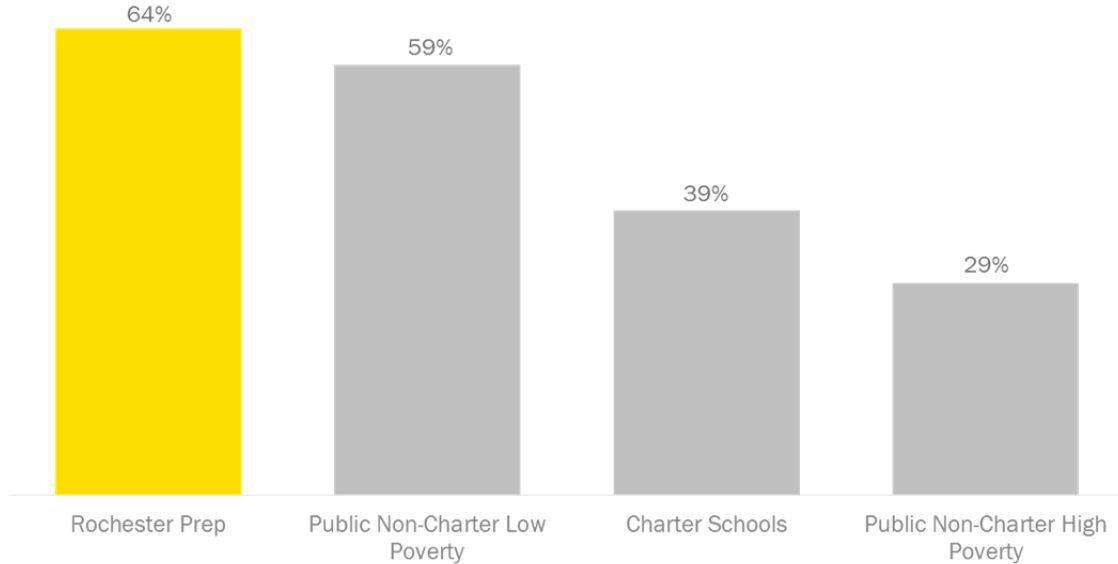
In both 2018 and 2019 – Rochester Prep’s first two graduating classes – 100% of Rochester’s high school graduates were accepted into at least one college. In 2020, 100% of Rochester Prep high school graduates were accepted into at least one two-year or four-year college. Approximately 79% of 2019 graduates and 77% of 2018 graduates were accepted to four-year colleges, with 64% attending four-year colleges or universities within six months after graduation.

FIGURE 17
COLLEGE ACCEPTANCE RATES
Rochester Prep
Class of 2019



Source: Rochester Prep.

FIGURE 18
COLLEGE ATTENDANCE RATES
 Rochester Prep and New York State Public and Charter Schools
 Class of 2019



Source: Rochester Prep.

Additional Notable Academic Highlights

- In 2019, Rochester Prep West Campus Elementary School was named a “Recognition School” by the New York State Department of Education—one of only four K-8 schools outside of New York City to achieve the distinction.
- Within Monroe County schools that primarily serve young people from low-income backgrounds, Rochester Prep’s students were the top-ranked performers in Math and English, and ranked third and fourth in these subjects, respectively, across all Monroe County schools.
- Locally Lauded: Both of Rochester Prep’s middle schools were ranked among Buffalo Business First’s 2019 list of the Rochester area’s top public middle schools.
- A 2017 study by Stanford University’s CREDO found that Uncommon students made the greatest academic gains among large CMOs.
- Rochester Prep High School’s first graduating class graduated in 2018, with 100% graduating, 100% being accepted into a 2- or 4-year college, and 77% being accepted into a 4-year college.
- Rochester Prep High School’s first graduating class was offered over \$3 million in scholarships and one student earned a prestigious Questbridge Scholarship to Carleton College.

ROCHESTER PREP MANAGEMENT AND LEADERSHIP

Management Agreement

As briefly described above, Uncommon provides various services to Rochester Prep under a Master Services Agreement, dated as of July 1, 2019 (the “Management Agreement”). Under the Management Agreement, Uncommon provides an extensive list of services, some of which are often described as back-office (budgeting/finance, bookkeeping, payroll, compliance, reporting, human resources, recruiting, etc.), and some of which are more front-line (curriculum development, student assessments, student data and analytics, teacher training and development, staff training and development, marketing, fundraising, advocacy and management services).

Rochester Prep pays a fee to Uncommon equal to 13.5% of its annual State and federal public entitlement aid, less its facilities expenses (including leases, taxes, utilities and maintenance). Management fees are paid quarterly. The Management Agreement is negotiated as an arms-length transaction between the Uncommon Board and Rochester Prep Board, which are independent nonprofit corporations and do not share any common control or have any board members in common. The Management Agreement has an initial term of five years, and renews automatically thereafter each fiscal year, unless terminated by either party prior to December 31st of each year. See a copy of the current management agreement, attached hereto as Exhibit A.

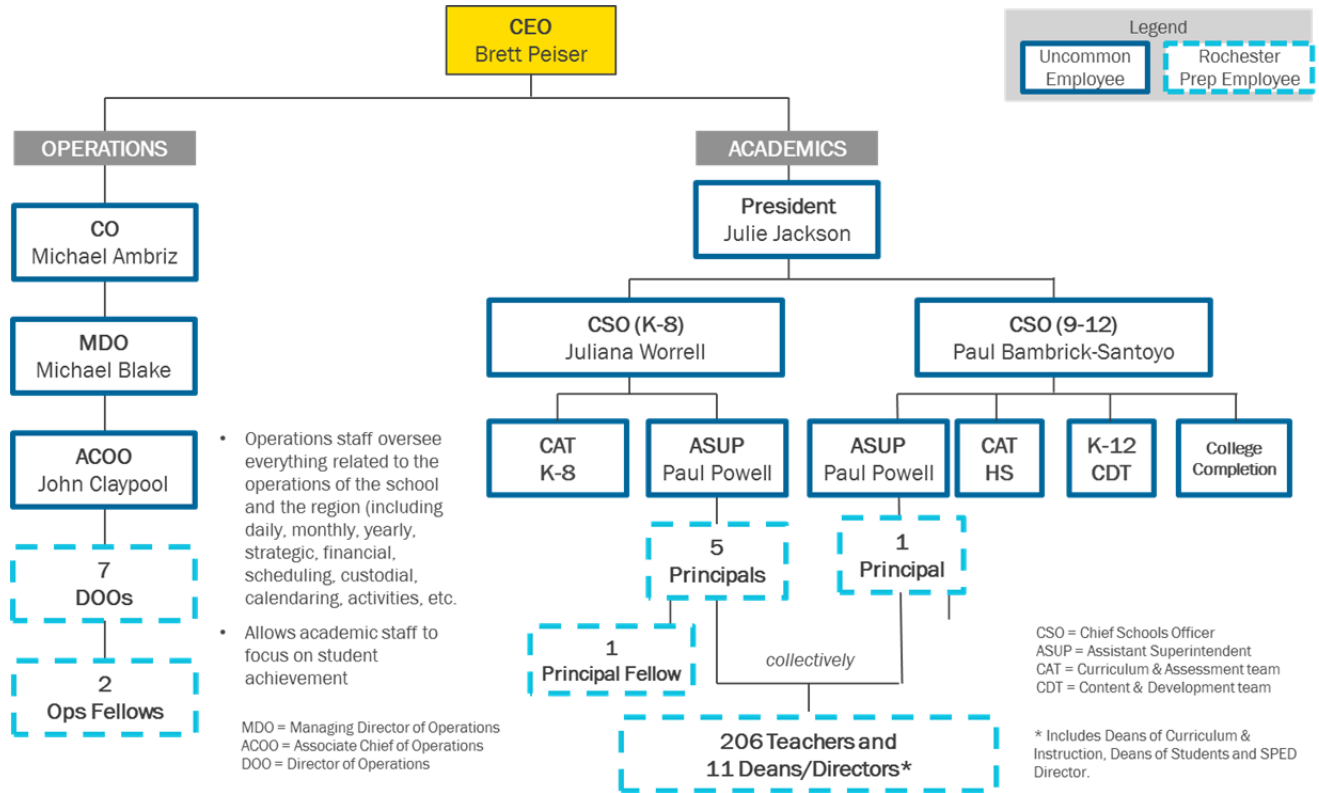
Management and Leadership Development Model

All Uncommon schools employ a unique dual-leader management model. Each school is co-led by a principal and a director of operations. Principals are the academic leaders within the schools and responsible for day-to-day management of teachers, curriculum development and implementation, student assessment, teacher training and development and academic performance. Directors of operations are responsible for all non-academic related operations at the school which include day-to-day management on non-academic staff, budget development and tracking, facilities management, school policies, attendance, student data and many other duties. The advantage of this model is that principals don’t have to be “super heroes” and try to be academic leaders in the classroom while also overseeing the myriad of operational issues that occur every day in the school. Principals are given the freedom to spend 100% of their time helping teachers and students succeed in the classroom. Principals are ultimately accountable for the overall management and performance of each school, but principals and directors of operations work very closely together as a team.

The success of this dual school leader model permeates the rest of the Rochester Prep and Uncommon organizations and drives the overall management structure of each. Management of academic and operational functions are further subdivided between Uncommon and Rochester Prep as shown below. As part of its services to Rochester Prep, Uncommon employees function as the senior most leaders of Rochester Prep – on both the academic and operations sides. The following figure below shows the management structure of Rochester Prep (and all Uncommon schools).

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**FIGURE 19
LEADERSHIP STRUCTURE
Rochester Prep**



Source: Rochester Prep.

Academic Management. Rochester Prep employs layers of academic oversight to ensure the strongest curriculum and the best supports for teachers. Teachers receive one-on-one coaching from Instructional Leaders and Principals. Instructional Leaders are strong teachers who drive high student achievement and are being trained to become principals. Principals coach Teachers and Instructional Leaders through weekly real-time observation and one-on-one meetings to review video and strategy. Principals are coached by Assistant Superintendents, with some receiving additional coaching from Senior Principals. Assistant Superintendents are coached and managed by the Chief Schools Officer of their grade-span’s shown in the figure above, Assistant Superintendents and Chief Schools Officers are Uncommon employees. Principals, Instructional Leaders and Deans of Curriculum Instruction (“DCIs”) (described below) are Rochester Prep employees.

Curriculum Development. Curriculum is developed by Lead Lesson Planners, DCIs, and the Curriculum and Assessment team of Uncommon. The Uncommon Curriculum and Assessment team is an 11-person team of content experts who develop and analyze interim assessments to drive curriculum adjustments and development. The DCI is the school level leader of all curriculum and content knowledge. DCIs lead weekly data meetings for school leadership, to help direct what content should be taught and re-taught. As shown in the figure above, all academic and curriculum topics and leaders roll-up to the Chief Schools Officers of Uncommon.

Academic Leadership Development. In general, the model used at Rochester Prep and all Uncommon schools is the same: coach teachers with real-time feedback and continuous and targeted professional development so that they have the best classroom management skills and the best ability to deliver the

strongest instructional content. Find the teachers delivering the best content at the highest levels and train them to train others. Assess and identify the content that is achieving the best results, codify it, disseminate it and train everyone on it. It is very common for an Assistant Superintendent or Chief Schools Officer to visit a school, walking in and out of classrooms, to give real-time actionable feedback to teachers, DCIs, and Principals at the same time. Real-time feedback delivered in the correct way, treats teachers and all leaders like elite athletes – give one correction in real-time and then watch for ownership, understanding and implementation, not unlike a coach shifting the height of a tennis racket to address a particular type of serve. Professional development for all school leaders (Teachers, Instructional Leaders, DCIs, and Principals) happens consistently. There are daily corrective actions, specific school level weekly trainings, weekly one-on-one coaching sessions for each role with their coach and manager, monthly working group sessions across regions to collaborate and create professional development, and formal large group sessions that happen annually for each segment (i.e., teachers start each year with three full days of formal targeted training, principals meet annually at a three-day leadership development retreat, and DCIs and Instructional Leaders meet annually at a separate two-day professional development targeted to their needs). This focus on training leaders of all levels, and giving feedback in real-time in a manner that is immediately implementable is what separates Uncommon’s schools, including Rochester Prep, from other schools.

Operational Management. As with academics, Rochester Prep employs layers of operational management. The figure above shows the management structure of Rochester Prep’s operations. Directors of Operations (“DOOs”) are the front-line operations managers of each school. Each school DOO manages day-to-day operations, parent or guardian communication, the school budget, supplies, custodians, logistics, scheduling, day-to-day minor facilities issues, among a litany of other things. Associate Chief Operating Officers (“ACOOs”) manage the region, including training and managing DOOs. ACOOs are managed by Uncommon’s Managing Directors of Operations, each of whom oversees three regions (New York State and New Jersey/Massachusetts). MDOs are overseen by Uncommon’s Chief of Operations, who is a member of the Executive Team. As shown in the figure above, DOOs are employees of Rochester Prep, and the ACOOs, MDOs, and the CO are Uncommon employees.

Operational Leadership Development: Rochester Prep’s operations team starts with the training of Operational Fellows. Each fellowship runs from one to two years. In their fellowship years, fellows rotate among schools, learning the differences in operations of elementary, middle and high schools. Only after demonstrating mastery of school operations in their fellowship period is an operations fellow given a position as a DOO. This fellowship training model ensures that Rochester Prep has a pipeline of candidates for both the DOO role and the ACOO role. The current ACOO was a DOO for several years before being promoted to the role of ACOO.

Leadership Selection

The vast majority of Rochester Prep’s school leaders and Uncommon’s management team come up through a formal leadership pipeline. The current President of Uncommon, Julie Jackson, began her teaching career twenty-two years ago as an early founding mathematics teacher at North Star. On the academic side, both Chief Schools Officers worked in various roles at North Star. Juliana Worrell, Chief Schools Officer, K-8 started as a teacher and moved up various layers to leading all of Uncommon’s K-8 academics. Paul Bambrick-Santoyo, the Chief Schools Officer, High School was a leader at North Star for many years before becoming the head of high school academics across the entire Uncommon network. Additionally, all Assistant Superintendents were previously teachers and principals within the Uncommon network. Teachers who show leadership skills and have a proven record of outstanding student achievement are groomed for leadership on several pathways, including a principal pathway. High performing principals are then supported to become Senior Principals and ultimately Assistant Superintendents.

The operational side of the leadership pair operates in a similar fashion. Operational fellows are trained for between one and two years before becoming Directors of Operations at a school. A Director of Operations spends several years with targeted training and professional development to move to an Associate

Chief Operating Officer role. At all levels, academic and operational, staff receive intensive coaching, professional development, and on-the-job training. When considering where to place a school leader, Uncommon matches the leader's ability with the school's needs. The success of a school depends on strong school leadership. For that reason, new schools are only opened if there are leaders who meet the rigorous bar for school leadership.

Current Leadership

The following individuals constitute senior management of Rochester Prep. John Claypool, Paul Powell and Shanai Lee are the senior leadership team of Rochester Prep.

Julie Jackson, President, Uncommon. Julie Jackson became the President of Uncommon in 2019. Previously, Ms. Jackson served as the Chief School Officer for Elementary and Middle Schools, of Uncommon and head of Curriculum and Assessment team. Ms. Jackson began her career as a Teach for America corps member, teaching mathematics to urban New Jersey students for 10 years, including several years at North Star. Ms. Jackson served in various leadership roles at North Star, including Dean of Students, High School Principal, and founding Elementary School Principal. She earned her B.A. in Communications from Shippensburg University in 1992, a M.Ed. in Educational Administration from William Paterson University in 2002 and did graduate work in African-American Studies at the University of Wisconsin. Her strong leadership and commitment to improving public education has earned her several honors. These honors include a Teacher of the Year award in 1998, the Dodge Leadership Award in 2002, Teach For America's Peter Jennings Award for Civic Leadership in 2013, Board of Trustee member for the Oprah Winfrey Leadership Academy for Girls. Ms. Jackson also conducted numerous national and international presentations on student culture, staff culture and leadership in China, South Africa, Chicago, Detroit, Texas, New York, and New Jersey.

Paul Bambrick-Santoyo, Chief Schools Officer, HS and K-12 Content Development. Paul Bambrick-Santoyo is the Chief Schools Officer for High Schools of Uncommon and head of the K-12 Content Development team. Prior to taking this role in 2015, Mr. Bambrick-Santoyo spent 11 years leading North Star. During his tenure at North Star, North Star grew from serving less than 300 students to more than 3,000, while making dramatic gains in student achievement. Mr. Bambrick-Santoyo is the author of *Driven by Data*, *Leverage Leadership*, and *Great Habits, Great Readers*, which have collectively sold more than 400,000 copies worldwide. He has trained over 15,000 school leaders worldwide in instructional leadership, including multiple schools that have gone on to become the highest-gaining or highest achieving schools in their districts, states and/or countries. Mr. Bambrick-Santoyo is a co-founder of the Relay National Principals Academy Fellowship and is the founder and Dean of the Leverage Leadership Institute. He has a B.A. in Social Justice from Duke University and a M.Ed. in School Administration via New Leaders from the City University of New York - Baruch College.

Juliana Worrell, Chief Schools Officer, K-8. Juliana Worrell became the Chief Schools Officer for Elementary and Middle Schools of Uncommon in 2019. Prior to that, Ms. Worrell was the Assistant Superintendent of the North Star elementary schools. Ms. Worrell joined North Star in 2007 as a founding lead teacher at Vailsburg Elementary School. She later went on to found North Star's third elementary school, Fairmount Elementary, and served as principal of both West Side Park Elementary and Alexander Street Elementary Schools. Ms. Worrell is co-author, with Paul Bambrick-Santoyo, of the book *Great Habits, Great Readers*. She serves as an adjunct professor for the Relay Graduate School of Education and the Summer Principals Academy program at Teachers College, Columbia University. Ms. Worrell holds a B.A. in Political Science from Rutgers University, and a M.A. in Education Leadership from Teachers College, Columbia University.

Michael Ambriz, Chief Operating Officer, Uncommon. Michael Ambriz serves as the Chief of Operations for Uncommon. Prior to joining Uncommon in 2008, Mr. Ambriz served as the Managing Director, National Institute Operations for Teach for America, where he was responsible for overseeing all marketing,

admissions, technology, human resources and finance projects related to corps member training. Prior to joining Teach for America, he worked at the LAUSD Academic Mentor Program, where he helped to recruit community volunteers to tutor students in 16 schools across the Los Angeles area, and to create systems to reduce the transition time between recruitment and placement. Mr. Ambriz also managed the Cesar Chavez Service and Learning Grant for the California Governor's Office of Service and Volunteerism. He holds a B.S. in Electrical Engineering from the University of California, Los Angeles.

John Claypool, Associate Chief Operating Officer. John Claypool joined the Rochester Prep family in 2011 as the founding History teacher at Rochester Prep West Campus Middle School. While at West Campus, Mr. Claypool started Rochester Prep's first Summer Academy, and inaugural Summer Teaching Fellows program. After two and a half years of teaching and secondary leadership at West Campus, Mr. Claypool took over as Director of Operations at Rochester Prep Brooks Campus Middle School. After two years of leading Operations at Brooks Campus, Mr. Claypool then transitioned to become the Director of Operations at Rochester Prep High School for one year, before becoming Associate Chief Operating Officer. In this role, Mr. Claypool is charged with supporting all school-based and regional operations for all Rochester Prep schools. Mr. Claypool is originally from the Philadelphia area. His passion for Urban Education traces back to working with Urban Promise in Camden, New Jersey. Mr. Claypool also taught History and Civics in Franklin Massachusetts for seven years. Mr. Claypool holds a B.A. in Secondary Education from Syracuse University and an M.A. in Educational Leadership and Organizational Management from Endicott College.

Paul Powell, Assistant Superintendent. During Mr. Powell's tenure as Assistant Superintendent, Rochester Prep has grown from 1,200 to over 2,400 students and increased achievement on the grades 3-8 New York State exams by over 20% points. Prior to his current role, Mr. Powell was the Founding Principal of Troy Prep Middle School, now in its tenth year of operation. Before becoming starting Troy Prep, Mr. Powell served as Principal Resident at Rochester Prep Brooks Campus where he taught 6th grade Math Procedures and served as a member of the leadership team. Prior to working with Uncommon, Mr. Powell spent two years as a Program Director with Teach For America New York City, managing and training secondary math and science teachers throughout several boroughs of the city. Mr. Powell also worked at the 2005 Philadelphia Institute as a Teach For America Corps Member Advisor. Mr. Powell started his teaching career as a Teach For America Los Angeles corps member where he taught high school math at Locke Senior High and was named a Sue Lehmann Regional Finalist. Mr. Powell received his M.A. in Secondary Education from Loyola Marymount University in Los Angeles and his B.A. in Mathematics from Goucher College where he has also served as a trustee. Mr. Powell is adjunct faculty at Relay Graduate School of Education, Leverage Leadership Institute, where he teaches in the National Principal and Principal Supervisors Academy.

Shanai Lee, Regional Senior Director. Dr. Shanai Lee is the Regional Senior Director in Rochester where she manages the external affairs and stakeholder engagement initiatives for True North Rochester Preparatory Charter Schools. Dr. Lee was raised in Rochester, educated in the Rochester City School District and has had a successful career in urban education and local government. Prior to joining Uncommon, Dr. Lee served the children and families of Rochester for more than a decade as the District Clerk and senior staff member to the Rochester Board of Education. Dr. Lee has also worked as a Marketing Specialist for the City of Rochester assisting neighborhood commercial businesses by determining need and securing resources for technical and financial assistance and implementing business and neighborhood outreach programs. Dr. Lee earned her doctorate degree in Educational Administration, a master's degree in Educational Policy and a Master of Business Administration degree from the University of Rochester. Dr. Lee also holds a Bachelor of Arts degree in Economics from Cornell University.

Current Principals

Each Rochester Prep school is managed by a Principal. Of the six Principals at Rochester Prep, all of them have been with either Rochester Prep or Uncommon for 5 years or more, with most starting at Rochester Prep as teachers and/or instructional leaders.

ROCHESTER PREP BOARD

Rochester Prep is governed by a Board of Trustees (the “Board”) of between seven and eleven members, in accordance with its charter. The Board currently has nine members. Board members are elected by the trustees then in office on the Board. Board members serve for three-year terms, except Board members who are the parent of a Rochester Prep student serve for one-year terms. Pursuant to its bylaws, trustees, officers or employees of any single organization may hold no more than 25% of total seats on the Board. The current composition of the board and brief biographical information is set forth below.

TABLE 15
BOARD OF TRUSTEES
Rochester Prep

<u>Name</u>	<u>Committee Membership</u>	<u>Company</u>	<u>Years on Board</u>	<u>Current Term Expires</u>
Geoffrey Rosenberger, Chair*	Finance; Development; Academic	Managing Member, Lily Pond Ventures, LLC	10+	6/30/2022
Rebecca Sumner, Vice Chair	Academic (Chair); Finance	Asst. Dean for Research, College of Engineering Technology, RIT	10+	6/30/2021
Ebony Miller-Wesley, Secretary	Academic; Finance	Director, Center for Urban Entrepreneurship, RIT	2	6/30/2021
Ron Zarrella, Treasurer	Finance (Chair); Development; Facilities (Chair)	Chairman Emeritus, Bosch & Lomb	8	6/30/2021
G. Jean Howard-Cherubim*	Academic	President, G.J. Howard Consulting	10+	6/30/2022
Jim Ryan*	Development (Chair); Finance; Facilities	President, Ryco Management LLC	10+	6/30/2022
Josh Phillips		CEO, Change Summer	8	6/30/2021
Jim Costanza	Academic; Facilities	President & Managing Partner, Costanza Enterprises, Inc.	2	6/30/2021
William Clark	Finance; Academic	Former President & CEO, Urban League of Rochester, NY, Inc.	--	6/30/2023

* Founding Board Member.

Source: Rochester Prep.

Geoffrey Rosenberger, Managing Member, Lily Pond Ventures, LLC. Geoffrey Rosenberger is a Chartered Financial Analyst who currently manages his personal holding company, Lily Pond Ventures, LLC. Mr. Rosenberger started his career with Manning & Napier Advisors, Inc. as a Security Analyst & Portfolio Manager. In 1984, Mr. Rosenberger co-founded Clover Capital Management, Inc. and was the managing director of this investment management firm. Mr. Rosenberger is a member of numerous boards, including Broadstone Net Lease (REIT), SiMPore, Inc., Vnomics Corp. and the Greater Rochester Health Foundation. Mr. Rosenberger was also a congressional candidate in New York’s 28th Congressional District in 1996. Mr. Rosenberger chairs the Gatton College of Business Dean’s Advisory Council of the University of Kentucky.

Rebecca Sumner, Assistant Dean for Research, College of Engineering Technology, Rochester Institute of Technology. Rebecca Sumner serves as Assistant Dean for Research at RIT’s College of Engineering Technology, where she has overseen a 400% increase in externally funded research over three years. Dr. Sumner has written numerous successful grants to agencies as varied as the federal Departments of Commerce and Education and the state department of Labor. Dr. Sumner currently serves as a co-principal investigator on RIT’s Veterans Upward Bound, a TriO program that supports veterans in their pursuit of post-secondary education. Prior to joining RIT, Dr. Sumner worked for at the Center for Governmental Research, where her expertise lay in strategic planning and school effectiveness and school improvement. Dr. Sumner earned her A.B. from Franklin and Marshall College, where she graduated with honors in English with a minor in Economics. Dr. Sumner was awarded her Ph.D. in English from the University of Rochester.

Ebony Miller-Wesley, Director, Center for Urban Entrepreneurship, Rochester Institute of Technology. Ebony Miller-Wesley is the director of Rochester Institute of Technology’s Center for Urban

Entrepreneurship (“CUE”). CUE provides business and consulting services to urban entrepreneurs or anyone who has an existing business or is hoping to launch a new business within the urban area. Ms. Ebony Miller-Wesley earned a Bachelor of Arts in communications and a Masters of Arts in Informatics from the State University of New York at Buffalo. Ms. Miller-Wesley, a 2016 Rochester Business Journal Forty-Under-40 honoree, has numerous community connections, including serving as a member of the Salvation Army Board of Advisors, member of the PathStone Enterprise Center Loan Committee, member of the Class of 2015 Leadership Rochester, and a member of the 2013 class of the African American Leadership Development Program.

Ron Zarrella, Chairman Emeritus, Bosch & Lomb. Ronald L Zarrella is Chairman Emeritus of Bausch and Lomb where he served for 10 years as Chairman and CEO. Prior to that, Mr. Zarrella was President of General Motors North America. Mr. Zarrella started his career as a development engineer at the Bristol Myers Company. Mr. Zarrella is currently Chairman of Vnomics Corp, a technology company which he helped found, based in Rochester, NY, focused on the transportation industry. Mr. Zarrella is on the board of Hydrogen Systems, a Berkeley, California based startup focused on hydrogen fuel cell technology. Mr. Zarrella has served on the boards of a number of public companies including Avaya, XM Satellite Radio, and GMAC. Mr. Zarrella is currently a Trustee of Rochester Institute of Technology. Mr. Zarrella has served on the board of Johns Hopkins Medicine and is past Board Chair of University of Rochester Medicine. Mr. Zarrella is currently a board member of the Classic Yacht Owners Association and the immediate Past Commodore of the Great Harbor Yacht Club on Nantucket. Mr. Zarrella holds a B.S. degree in Electrical Engineering and an Honorary Doctor of Engineering from Worcester Polytechnic Institute where he is Chairman Emeritus of the Board of Trustees.

G. Jean Howard-Cherubim, President, G.J. Howard Consulting. G. Jean Howard-Cherubim is President of G. J. Howard Consulting. Ms. Howard-Cherubim has served as CEO of the Rochester Literacy Commission and Rochester Literacy Movement; Chief of Staff of the Office of the Mayor – City of Rochester; founding CEO of Wilson Commencement Park; and Director of Program Operations for Cerebral Palsy Rochester. Ms. Howard-Cherubim’s accomplishments have been widely recognized. In 2007, she was inducted into the National Women’s Hall of Fame as the “Keeping the Flame Alive” recipient. She was also an Athena Award Recipient (2006) and is a graduate of Leadership America (1999). Ms. Howard-Cherubim has served on several boards including Bennett College for Women, Bergmann Architectural & Engineering Associates, McQuaid Jesuit High School, Housing Council of Rochester, GEVA Theatre, Monroe Community College, WXXI Broadcasting Council, Center for Governmental Research, Rochester School for the Deaf, Baden Street Settlement House, Mary Cariola Children’s Center, Governor’s Advisory Council for Mental Retardation and Developmental Disabilities, Center for Excellence in Math and Science Advisory Council, Monroe County Mental Health Council (Chair), Energy East Corporation, Rochester Gas & Electric Company, Women In Energy; Iberdrola USA Energy Corp, Iberdrola Foundation – Madrid, Spain, Greater Rochester Health Foundation, Keuka College, Rochester Chapter of Links, Inc., PathStone, Inc. and Pluta Cancer Center.

Jim Ryan, President, Ryco Management LLC. Jim Ryan is the president of RYCO Management, a real estate development and management company located in Rochester, NY. Prior to joining RYCO Management, Mr. Ryan was a co-founder of GLC Services, a national support services outsourcing company. Mr. Ryan graduated Cum Laude from Middlebury College in 1980 and then from Harvard Business School in 1986. Mr. Ryan has served on a number of charitable and for-profit boards, and has served as the chair of the Wilmot Cancer Center and co-chair of the Center’s initial capital campaign. Mr. Ryan is currently the chair of the Kilian and Caroline Schmitt Foundation Board, a member of the Canandaigua National Bank Advisory Board and a member of the HBS Club of Rochester (a past President). Mr. Ryan also served as a board member of the Oak Hill Country Club.

Josh Phillips, Chief Executive Officer, Change Summer. Josh Phillips is the CEO of Change Summer, a nonprofit organization that provides students from low-income communities with a summer experience that increases independence, curiosity, confidence, and responsibility. Mr. Phillips founded Camp Uncommon in 2016 and Change Summer in 2018. Formerly, Mr. Phillips served as Uncommon’s Chief

Operating Officer, Managing Director of Rochester and Troy schools, and Chief of Innovation and School Operations. Mr. Phillips was previously the Co-Director of Roxbury Preparatory Charter School in Boston. In 2007, Roxbury Prep's 8th graders had the highest math MCAS scores in the entire state of Massachusetts. Prior to leadership at Roxbury Prep, Mr. Phillips served as the Enrichment Coordinator and sixth grade World History teacher. Mr. Phillips was also a history teacher-intern at the John D. O'Bryant School of Math and Science while earning an Ed.M. in Teaching and Curriculum from Harvard University. Mr. Phillips received his B.A. in political science from Colgate University and his M.A. in political science from the University of California, Santa Barbara. Mr. Phillips is a Pahara Aspen Fellow and currently serves on the Board of Trustees of the American Camp Association of NY/NJ.

James Costanza, President & Managing Partner, Costanza Enterprises, Inc. James Costanza is currently President and Managing Partner of Costanza Enterprises Inc., a Rochester-based real estate development and management firm. Mr. Costanza serves as manager for Costanza Farm Fund which invests in national and international assets including over 20 local startups since 1995. In 2006, Mr. Costanza co-founded OnCell Systems. Mr. Costanza is a 1985 graduate of St. Lawrence University where he received his Bachelor of Arts degree in English Literature. Mr. Costanza has served on the board of Trustees of Nazareth College since 2004, and he served as the Chairman of the Board of Trustees for five years and was co-Chair of Nazareth College's largest capital campaign. Mr. Costanza also served on the Executive Committee and as Treasurer of the Rochester Downtown Development Corporation and is a former member of the Rochester Economic Development Corporation and a current board member of Rochester Management Inc., a nonprofit organization that manages over 3,500 affordable homes in Rochester.

William Clark, Former President & CEO, Urban League of Rochester, NY, Inc. Mr. Clark served as the President and CEO of Urban League of Rochester, NY, Inc. ("ULR") from June 1994 through June 2019. Mr. Clark started his career with the ULR in 1981. Mr. Clark is credited with boosting ULR's operating budget and playing a pivotal role in purchasing the organization's North Clinton Avenue headquarters. Under Mr. Clark's watch, the ULR served thousands of Rochester residents, helping them achieve economic self-reliance, parity and power, and civil rights.

ROCHESTER PREP FINANCIAL SUMMARY

Primary Source of Revenues

In accordance with the Charter School Act, operating funds for New York charter schools are determined using a per-pupil funding formula. Schools receive a base amount of funding for each student based on each student's resident district per-pupil allocation. See "APPENDIX C – CHARTER SCHOOLS IN NEW YORK" attached to this Limited Offering Memorandum.

Due to the outbreak of COVID-19, per-pupil funding rates for the 2020-21 school year have decreased by approximately 1.5% for Rochester Prep from the 2019-20 levels. The funding levels may be adjusted throughout the year by the State legislature on a quarterly basis, and there can be no assurance that per-pupil funding rates will not decrease in 2020-21, or in future years, as a result of extended school closures or other effects of the COVID-19 outbreak. Accordingly, Rochester Prep has developed its budget for the 2020-21 school year assuming a decrease in per-pupil funding of 5% from the 2019-20 levels.

Due to the outbreak of COVID-19, some payments due to Rochester Prep from student resident districts during the 2019-20 school year have been delayed. However, all such payments are expected to be received by the end of the 2019-20 fiscal year, and have been in amounts that are not material to the cash flows or operations of Rochester Prep or the Schools. No payments from RCSD, with is the student resident district of approximately 91.6% of Rochester Prep students during the 2019-20 school year, have been delayed.

Set forth in the table below are the per-pupil allocations for the largest student resident districts of Rochester Prep’s students for the current and recent school years, along with the percentage of 2019-20 Rochester Prep enrollment from each resident district.

TABLE 16
PER-PUPIL FUNDING RATE
 Rochester Prep Resident Districts
 2014-15 through 2019-20

<i>Year</i>	<i>RCS</i> <i>92.3%⁽¹⁾</i>	<i>Greece CSD</i> <i>3.5%⁽¹⁾</i>	<i>Gates-Chili</i> <i>CSD</i> <i>1.0%⁽¹⁾</i>
2014-15	\$12,340	\$11,229	\$12,609
2015-16	12,440	11,329	12,709
2016-17	12,590	11,479	12,859
2017-18	13,090	11,979	13,359
2018-19	13,684	12,252	13,837
2019-20	13,995	12,432	14,068

⁽¹⁾ Represents the percentage of 2019-20 Rochester Prep enrollment from each resident district.
 Source: Rochester Prep.

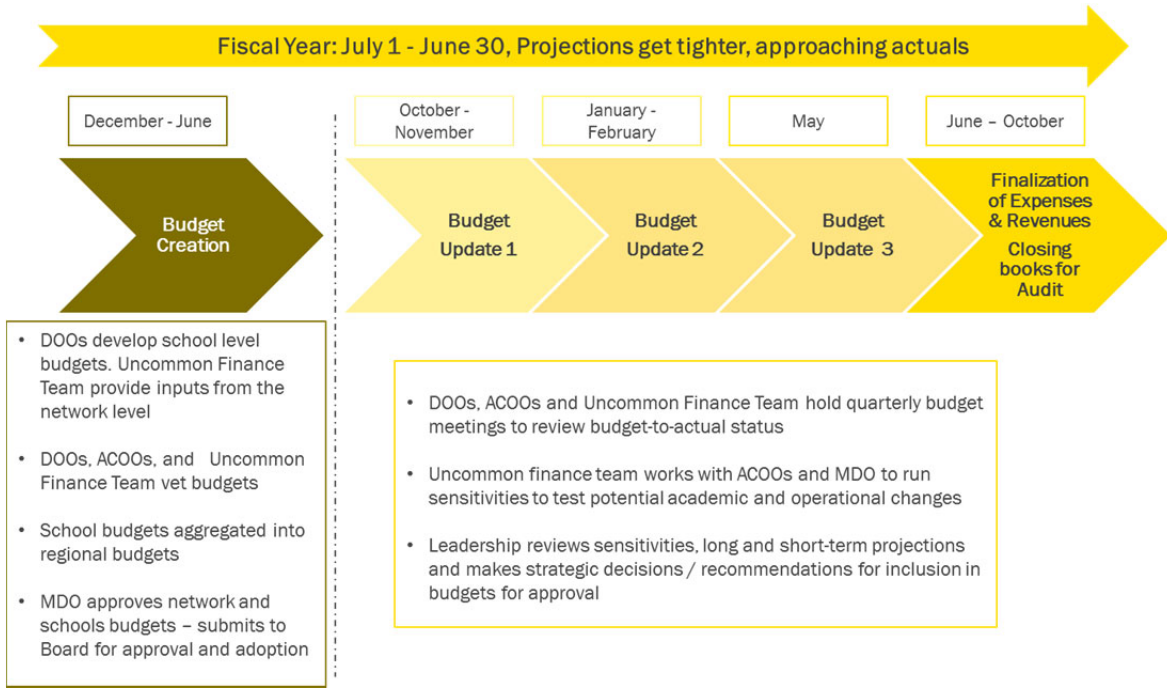
Financial Oversight

Rochester Prep has been operating for over 14 years and has never operated at a deficit. In addition, for the past six years, Rochester Prep has maintained at least a 1.2x lease service coverage ratio while managing its operations.

With the guidance and support of the Uncommon finance team, Rochester Prep conducts a thorough budget process each fiscal year. The process begins in December with discussions with school leaders regarding specific academic and operational needs for upcoming years (i.e. enrollment and staffing). Uncommon Finance is responsible for modeling and stress testing the Rochester Prep core budget based on these inputs. The DOO then develops the detailed school budget, which is vetted by the ACOO and Uncommon Finance. The school budgets are aggregated into the regional budget and analyzed by Uncommon Finance and presented to the MDO for review and approval prior to adoption by the Rochester Prep Board of Trustees. DOOs, ACOOs and Uncommon Finance review monthly budget reports and prepare budget updates and on a quarterly basis that are reviewed by the MDO and represented to the Rochester Prep Board. Budget-to-actuals and budget updates are reviewed quarterly with the Board and the final budget is approved by the Rochester Prep board in June of each year.

The following figure presents a graphical depiction of the budget process.

**FIGURE 20
BUDGETING PROCESS
Rochester Prep**



Source: Rochester Prep.

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Summary of Audited Financial Data

Financial information for Rochester Prep is provided below for the fiscal years indicated. The most recently prepared audited financial reports for Rochester Prep and Uncommon for the fiscal year ended June 30, 2019 are attached to this Limited Offering Memorandum as Appendices B-1 and B-2, respectively.

TABLE 17
STATEMENTS OF FINANCIAL POSITION
Rochester Prep
2014-15 through 2018-19

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
ASSETS					
CURRENT ASSETS					
Cash	\$3,148,588	\$3,626,125	\$3,408,303	\$4,698,428	\$3,711,363
Investments	--	--	--	--	5,100,020
Grants and contracts receivable	613,935	1,584,077	2,390,012	1,961,262	1,309,610
Accounts receivable	496,683	527,413	1,498,658	3,470,654	1,207,514
Note receivable – related party	--	--	--	--	3,024,375
Prepaid expenses and other current assets	208,635	257,410	138,809	449,719	649,610
TOTAL CURRENT ASSETS	<u>4,467,841</u>	<u>5,995,025</u>	<u>7,435,782</u>	<u>10,580,063</u>	<u>15,002,492</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	1,442,499	1,909,979	3,629,228	3,693,453	3,893,468
ESCROW ACCOUNT	<u>239,285</u>	<u>239,334</u>	<u>238,206</u>	<u>238,257</u>	<u>238,257</u>
TOTAL ASSETS	<u>\$6,149,625</u>	<u>\$8,144,338</u>	<u>\$11,303,216</u>	<u>\$14,511,773</u>	<u>\$19,134,217</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$845,513	\$1,019,487	\$1,704,315	\$1,699,834	\$1,780,835
Deferred revenue	35,000	--	57,710	--	--
TOTAL CURRENT LIABILITIES	<u>880,513</u>	<u>1,019,487</u>	<u>1,762,025</u>	<u>1,699,834</u>	<u>1,780,835</u>
NET ASSETS, without donor restrictions	<u>5,269,112</u>	<u>7,124,851</u>	<u>9,541,191</u>	<u>12,811,939</u>	<u>17,353,382</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,149,625</u>	<u>\$8,144,338</u>	<u>\$11,303,216</u>	<u>\$14,511,773</u>	<u>\$19,134,217</u>

Source: Audited Financial Statements of Rochester Prep for the fiscal years ending June 30, 2015 through June 30, 2019.

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TABLE 18
STATEMENTS OF ACTIVITIES
Rochester Prep
2014-15 through 2018-19

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Revenue, gains and other support:					
Public school district					
Resident student enrollment	\$16,697,442	\$19,862,624	\$23,685,625	\$26,698,740	\$30,927,001
Students with disabilities	442,441	619,761	757,969	845,891	1,039,657
Grants and contracts:					
State and local	--	--	396,012	391,895	--
Federal – Title and IDEA	769,513	723,434	1,032,044	1,541,577	1,320,385
Federal – Other	441,842	604,209	836,669	1,002,270	405,358
Food service/child nutrition program	1,313,580	1,547,209	1,760,616	2,031,872	2,239,970
TOTAL REVENUES, GAINS AND OTHER SUPPORT	19,664,818	23,357,237	28,468,935	32,512,245	35,932,371
EXPENSES					
Program services:					
Regular education	15,915,661	18,740,552	22,608,331	25,341,696	27,613,363
Special education	492,237	579,605	699,227	783,762	934,207
TOTAL PROGRAM SERVICES	16,407,898	19,320,157	23,307,558	26,125,458	28,547,570
General and administrative	2,299,533	2,553,693	3,148,977	3,430,144	3,345,513
TOTAL OPERATING EXPENSES	18,707,431	21,873,850	26,456,535	29,555,602	31,893,083
SURPLUS FROM SCHOOL OPERATIONS	957,387	1,483,387	2,012,400	2,956,643	4,039,288
Support and other revenue:					
Contributions:					
Foundations	--	335,000	303,790	206,853	310,196
Individuals	--	500	55,000	65,156	115,000
Miscellaneous income	88,827	36,852	45,150	42,096	76,959
TOTAL SUPPORT AND OTHER REVENUE	88,827	373,352	403,940	314,105	502,155
CHANGE IN NET ASSETS	1,046,214	1,855,739	2,416,340	3,270,748	4,541,443
Net assets without donor restrictions at beginning of year	4,222,898	5,269,112	7,124,851	9,541,191	12,811,939
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	\$5,269,112	\$7,124,851	\$9,541,191	\$12,811,939	\$17,353,382

Source: Audited Financial Statements of Rochester Prep for the fiscal years ending June 30, 2015 through June 30, 2019.

Financial Projections

Notwithstanding Rochester Prep’s history of performance with respect to its existing schools, future financial performance of Rochester Prep may not equal or exceed the projections set forth in this Limited Offering Memorandum. No assurance is given that such projections will be met, or that the number of students attending Rochester Prep may not diminish in the future. The projections of revenue and expenses for Rochester Prep contained in this Appendix A are based upon the number of students projected to be enrolled at Rochester Prep’s schools and were prepared by Rochester Prep for the Borrowers and have not been independently verified by any party other than Rochester Prep.

No feasibility studies have been conducted with respect to operations of the Facilities pertinent to the Bonds. The projections are “forward-looking statements” and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified Rochester Prep’s projections set forth in Appendix A or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Bonds will be outstanding.

UNCOMMON ON BEHALF OF ROCHESTER PREP PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "INTRODUCTION" IN THE FOREPART OF THIS LIMITED OFFERING MEMORANDUM FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

The table on the following page sets forth the actual and projected financial results, including lease service coverage ratio, debt service coverage and days cash on hand, for fiscal years 2018-19 through 2024-25.

In preparing these projected financial results, Uncommon and Rochester Prep assumed that per-pupil funding levels for the 2020-21 school year will decrease 5% from the 2019-20 levels as a result of the COVID-19 outbreak. Currently, the State has indicated a potential 1.5% decrease to per pupil funding levels for the 2021-22 school year. Uncommon and Rochester Prep do not know when any final adjustments to the 2020-21 funding levels will be determined. Additionally, there can be no assurance that revenues will not decrease further in the future, as a result of decreased enrollment or per-pupil funding due to the outbreak of COVID-19 or other reasons, or that expenses will not increase, in the future. See "TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL – COVID-19 Response; Remote Learning; State Assessments; and State Aid" herein and "CERTAIN RISK FACTORS – Infectious Disease Outbreak; COVID-19" in the forepart of this Limited Offering Memorandum.

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TABLE 19
PROJECTED LEASE SERVICE COVERAGE RATIO & DEBT SERVICE COVERAGE RATIO
Rochester Prep
2018-19 through 2024-25

	Audited 2018-19	Forecast ⁽¹⁾ 2019-20	Budgeted ⁽¹⁾ 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Enrollment	2,268	2,396	2,496	2,641	2,766	2,888	2,971
Personnel							
Administrative and Leadership ⁽²⁾	43	45	47	52	53	54	54
Instructional ⁽³⁾	192	196	217	230	239	249	255
Other ⁽⁴⁾	19	24	28	30	31	31	31
Total	254	265	292	312	323	334	340
Revenues							
Core Aid⁽⁵⁾	\$31,966,658	\$34,529,769	\$34,419,404	\$36,814,377	\$38,938,774	\$41,051,891	\$42,613,996
Per Pupil	\$14,095	\$14,411	\$13,790	\$13,940	\$14,078	\$14,215	\$14,343
Growth	N/A	2.2%	-4.3%	1.1%	1.0%	1.0%	0.9%
Federal Aid⁽⁶⁾	\$3,965,714	\$3,942,175	\$4,881,123	\$4,847,030	\$4,908,623	\$5,108,789	\$5,227,375
Philanthropic Contributions	\$425,196	\$765,114	\$459,000	\$500,000	\$500,000	\$500,000	\$500,000
Miscellaneous Income⁽⁷⁾	\$76,958	\$145,340	\$89,550	\$90,118	\$77,704	\$78,669	\$81,419
A Total Revenues	\$36,434,526	\$39,382,397	\$39,849,077	\$42,251,525	\$44,425,101	\$46,739,350	\$48,422,790
Expenses							
Administrative and Leadership Salaries ⁽⁸⁾	\$3,198,660	\$3,888,552	\$4,235,022	\$4,545,562	\$4,678,746	\$4,805,589	\$4,877,673
Instructional Salaries ⁽⁸⁾	\$9,802,480	\$10,188,606	\$11,508,550	\$12,485,275	\$13,159,241	\$13,901,742	\$14,435,745
Other Salaries ⁽⁸⁾	\$872,418	\$858,964	\$948,594	\$1,110,488	\$1,186,145	\$1,203,937	\$1,221,996
Other Personnel Expenses ⁽⁹⁾	\$3,605,603	\$3,290,842	\$3,908,647	\$4,303,045	\$4,565,333	\$4,840,157	\$5,061,214
Personnel Expenses	\$17,479,160	\$18,226,963	\$20,600,812	\$22,444,370	\$23,589,465	\$24,751,425	\$25,596,629
Per FTE	\$68,763	\$68,743	\$70,528	\$71,940	\$73,035	\$74,109	\$75,287
Growth	N/A	0.0%	2.6%	2.0%	1.5%	1.5%	1.6%
Facilities Expenses⁽¹⁰⁾	\$4,252,270	\$2,421,380	\$2,469,889	\$3,914,926	\$4,311,372	\$4,345,582	\$4,393,245
Programmatic Expenses⁽¹¹⁾	\$5,568,797	\$5,265,038	\$6,691,952	\$7,106,780	\$7,437,498	\$7,735,581	\$7,961,279
Administrative Expenses⁽¹²⁾	\$4,592,856	\$6,544,995	\$6,537,074	\$6,639,015	\$7,003,007	\$7,379,823	\$7,656,958
COVID Expense Contingency⁽¹³⁾	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0
B Total Expenses	\$31,893,083	\$32,458,375	\$36,799,727	\$40,105,091	\$42,341,341	\$44,212,410	\$45,608,111
A - B C Net Income	\$4,541,443	\$6,924,022	\$3,049,351	\$2,146,434	\$2,083,760	\$2,526,940	\$2,814,679

- (1) 2019-20 numbers represent year-to-date forecast as of June 16, 2020, as reviewed and approved by the Board. 2020-21 numbers also approved by the Board on June 16, 2020.
- (2) Administrative and Leadership Personnel represent Principals, Directors of Operations, Instructional and Operational Fellows, Deans, Special Education Coordinators, and Shared Regional Staff.
- (3) Instructional Personnel represent all Teachers, After-School, Enrichment, and Summer School personnel.
- (4) Other Personnel represents Office Managers, Social Workers, Special Projects Coordinators, Interns, and Custodians.
- (5) Core Pupil Aid in 2020-21 reflects a 5% decline in average per pupil general education core aid compared to 2019-20, and then a 1% annual increase thereafter. The adopted New York State budget currently does not cut state education aid, but does include numerous cuts not yet identified, which could ultimately impact state education aid. Assumes that 95% of funding comes from RCSD, with an average core aid of \$13,295 per pupil in 2020-21. Special education funding assumed to remain flat at 2019-20 per pupil levels, resulting in a net decline of 4.3% in Core Pupil Aid per pupil funding in 2020-21.
- (6) Federal Aid assumes flat per pupil funding in each category.
- (7) Miscellaneous Income includes school activity fees, uniforms, and investment income.
- (8) Salaries are projected to increase 1.5% per year.
- (9) Other Personnel Expenses includes Benefits, Taxes, and Bonus Compensation.
- (10) Facilities Expenses include includes rent, utilities, maintenance, custodial, security, building supplies, furniture, and equipment. Rent is primarily Basic Rent, which is level starting in 2022-23, plus rent for the Brooks Ave. facility, which increases 1% per year. Utilities costs assumed to increase 3% per year. All other Facilities Expenses assumed to increase 2% per year.
- (11) Programmatic Expenses include food service, transportation, technology, enrichment, professional development, instructional supplies, and other costs. Costs assumed to increase 1% to 3% per year.
- (12) Administrative Expenses include primarily management fees paid to Uncommon, as well as telecommunications, office equipment and supplies, insurance, and contracted services.
- (13) Rochester Prep has budgeted \$500,000 of expenses in 2020-21 for costs associated with the COVID-19 pandemic, primarily for personal protective equipment. Rochester Prep has also budgeted another \$500,000 of capital expenditures for 2020-21 for additional technology to provide Chromebooks to elementary and middle school students who have not yet been supplied with one. The Rochester Prep Board authorized the use of up to \$1,260,000 of additional funds to cover any unanticipated COVID-19 related costs, if needed, in their 2020-21 adopted budget. The projections in Table 19 do not include the \$1.26 million of unanticipated COVID-19 related costs since these are currently unknown. The \$500,000 budgeted for costs associated with the COVID-19 pandemic is reflected above in the line item "COVID Expense Contingency," while the \$500,000 budgeted for other capital expenditures is reflected in the continuation of Table 19, on page A-59, within the entry of (\$1,831,961) in the line item "Capital Expenditures."

TABLE 19 (continued)
PROJECTED LEASE SERVICE COVERAGE RATIO & DEBT SERVICE COVERAGE RATIO
Rochester Prep
2018-19 through 2024-25

	Audited 2018-19	Forecast* 2019-20	Budgeted* 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
A	Enrollment	2,268	2,396	2,496	2,641	2,766	2,888
B	Total Revenues	\$36,434,526	\$39,382,397	\$39,849,077	\$42,251,525	\$44,425,101	\$46,739,350
C	Total Expenses	\$31,893,083	\$32,458,375	\$36,799,727	\$40,105,091	\$42,341,341	\$44,212,410
B-C	Net Income	\$4,541,443	\$6,924,022	\$3,049,351	\$2,146,434	\$2,083,760	\$2,526,940
E	Add Back: Depreciation ⁽¹⁴⁾	\$1,592,084	\$0	\$0	\$0	\$0	\$0
F	Add Back: Basic Rent ⁽¹⁵⁾	\$0	\$0	\$566,725	\$1,630,107	\$2,063,100	\$2,063,100
G	Add Back: Other Rent ⁽¹⁶⁾	\$1,138,813	\$811,691	\$100,801	\$75,000	\$75,750	\$76,508
H	Add Back: Subordinated Mgt. Fees ⁽¹⁷⁾	\$2,827,571	\$4,559,825	\$4,548,276	\$4,485,918	\$4,764,495	\$5,055,046
D+E+F+G+H	Net Operating Income	\$10,099,911	\$12,295,538	\$8,265,152	\$8,337,460	\$8,987,105	\$9,721,593
I/(F+G)	Lease Service Coverage Ratio⁽¹⁸⁾	8.87	15.15	12.38	4.89	4.20	4.54
K	Debt Service	\$0	\$0	\$369,932	\$1,297,623	\$1,785,950	\$1,788,350
I/K	Debt Service Coverage Ratio⁽¹⁹⁾	N/A	N/A	22.34	6.43	5.03	5.44
(I-H)/K	All-in Debt Service Coverage Ratio⁽²⁰⁾	N/A	N/A	10.05	2.97	2.36	2.61
N	Outstanding Debt ⁽²¹⁾	\$0	\$29,955,000	\$29,955,000	\$29,955,000	\$29,640,000	\$29,310,000
N/A	Debt per Student⁽²²⁾	N/A	\$12,502	\$12,001	\$11,342	\$10,716	\$10,149
(F+G)/A	Rent per Student⁽²³⁾	\$502	\$339	\$267	\$646	\$773	\$741
(F+G)/B	Rent as a % of Revenues⁽²⁴⁾	3.1%	2.1%	1.7%	4.0%	4.8%	4.6%

* 2019-20 year-to-date forecasted numbers and 2020-21 adopted budget approved by the Rochester Prep Board on June 16, 2020.

⁽¹⁴⁾ Depreciation only shown for 2018-19. Budgeted and Projected years do not include depreciation.

⁽¹⁵⁾ Basic Rent is equal to 1.15x of bond debt service. Excess 0.15x of Base Rent not used to pay debt service may be kept by Borrowers to create a capital maintenance fund.

⁽¹⁶⁾ Other Rent represents all rent not related to the 2020 Bonds. In years 2020-21 and after, represents only rent for the Brooks Ave. facility.

⁽¹⁷⁾ Management Fees are included in Administrative Expenses and are calculated as 13.5% of Core Pupil Aid plus certain Federal Aid less Facilities Expenses. Increased in 2019-20 from 8% in previous years.

⁽¹⁸⁾ Lease Service Coverage Ratio is calculated as Net Operating Income divided by Rent, including Basic Rent and Other Rent.

⁽¹⁹⁾ Debt Service Coverage Ratio is calculated as Net Operating Income divided by debt service.

⁽²⁰⁾ All-in Debt Service Coverage Ratio is calculated as (Net Operating Income less Management Fees) divided by debt service.

⁽²¹⁾ Outstanding Debt is the outstanding par amount of the 2020 Bonds.

⁽²²⁾ Debt per Student is calculated as Outstanding Debt divided by Enrollment.

⁽²³⁾ Rent per Student is calculated as (Basic Rent plus Other Rent) divided by Enrollment.

⁽²⁴⁾ Rent as a % of Revenues is calculated as Total Revenues divided by Enrollment.

[TABLE AND FOOTNOTES CONTINUED ON NEXT PAGE]

TABLE 19 (continued)
PROJECTED LEASE SERVICE COVERAGE RATIO & DEBT SERVICE COVERAGE RATIO
Rochester Prep
2018-19 through 2024-25

	Audited 2018-19	Forecast* 2019-20	Budgeted* 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
A	Beginning Cash Balance⁽²⁵⁾	\$4,698,428	\$8,811,383	\$14,406,117	\$15,925,000	\$17,316,387	\$18,659,005
B	Net Income	\$4,541,443	\$6,924,022	\$3,049,351	\$2,146,434	\$2,083,760	\$2,526,940
C	Depreciation ⁽²⁶⁾	\$1,592,084	\$0	\$0	\$0	\$0	\$0
D	Capital Expenditures ⁽²⁷⁾	(\$2,183,995)	(\$945,680)	(\$1,831,961)	(\$803,069)	(\$765,582)	(\$765,816)
E	Change in Working Capital ⁽²⁸⁾	\$163,423	(\$383,608)	\$104,700	(\$284,462)	(\$252,711)	(\$284,768)
F	Delta B/n Basic Rent & Debt Service ⁽²⁹⁾	\$0	\$0	\$196,793	\$332,484	\$277,150	\$274,750
A+B+C+D+E+F	G Ending Cash Balance	\$8,811,383	\$14,406,117	\$15,925,000	\$17,316,387	\$18,659,005	\$20,410,110
H	Total Expenses	\$31,893,083	\$32,458,375	\$36,799,727	\$40,105,091	\$42,341,341	\$44,212,410
I	Less: Depreciation ⁽²⁶⁾	(\$1,592,084)	\$0	\$0	\$0	\$0	\$0
H-I	J Operating Expenses	\$30,300,999	\$32,458,375	\$36,799,727	\$40,105,091	\$42,341,341	\$44,212,410
G/J*365	K Days Cash on Hand⁽³⁰⁾	106	162	158	158	161	168

* 2019-20 year-to-date forecasted numbers and 2020-21 adopted budget approved by the Rochester Prep Board on June 16, 2020.

⁽²⁵⁾ Includes the projected cash balance for Rochester Prep and the Foundation. The Foundation's cash balance is expected to grow based on difference between Basic Rent and debt service. See Footnote (29) below.

⁽²⁶⁾ Depreciation only shown for 2018-19. Budgeted years do not include depreciation.

⁽²⁷⁾ Capital Expenditures include improvements to facilities, furniture, equipment and technology purchases that have useful lives longer than one year and are capitalized on the School's balance sheet.

⁽²⁸⁾ Change in Working Capital represents changes in Accounts Receivable, Prepaid Expenses, Accounts Payable, and Accrued Expenses.

⁽²⁹⁾ Basic Rent is equal to 115% of debt service on the 2020 Bonds. This amount represents the extra 15% that remains with the Borrower (i.e. Foundation).

⁽³⁰⁾ Rochester Prep has not covenanted to maintain reserves in these amounts (in excess of that required by financial covenants). The management of Rochester Prep may elect to spend down reserves in the future.

⁽³¹⁾ Days Cash on Hand calculated as Ending Cash Balance multiplied by 365 divided by Operating Expenses.

Source: *The Foundation; Rochester Prep.*

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ROCHESTER PREP FACILITIES AND RELATED FINANCING

Overview

In 2019-20, Rochester Prep operates six schools across five campuses (currently two elementary schools are co-located on the same campus). Rochester Prep’s seventh school (Rochester Prep Middle School 3) is expected to open in the 2021-22 school year and co-locate with Rochester Prep Elementary School 3. Following the completion of the Mark Street Project for the fall of the 2021-22 school year, Rochester Prep will operate the seven schools at six campuses.

The table below shows the relationships among the various campuses, schools and facilities in the Rochester Prep network.

All of Rochester Prep’s schools are currently in facilities that were either newly constructed or significantly improved to meet the needs of the full Rochester Prep system. Each of the facilities leased by Rochester Prep and identified below are owned by the associated special purpose entities (“SPEs”) identified below. Other than the Mark Street Project, as discussed in the forepart of this Limited Offering Memorandum, and smaller, currently planned or already in progress larger projects, Rochester Prep does not anticipate significant capital needs for any facility beyond normal routine maintenance.

All of the facilities are compliant with all local zoning, building and land use regulations, and all facilities are exempt from property taxes, except for (1) the Mark Street Facility, for which property tax exemption has been applied for and (2) the St. Jacobs Facility, which is in the process of updating its approved occupancy with the City of Rochester. See “THE PROJECT – St. Jacobs Street Project” and “CERTAIN RISK FACTORS – Limitation on Occupancy at St. Jacob Street Facility” in the forepart of this Limited Offering Memorandum.

TABLE 20
CAMPUSES AND FACILITY ENROLLMENT
Rochester Prep

<i>Facility</i>	<i>Schools at Campus</i>	<i>Location</i>	<i>Associated SPE</i>	<i>Rochester Prep Lease Term</i>	<i>Enrollment (2019-20)</i>	<i>Full Capacity</i>
Ames	ES	899 Jay Street	True North Rochester Real Estate Ames Street, LLC	6/30/2060 ⁽¹⁾	460	500
Andrews	HS ⁽²⁾	305 Andrews Street	True North Andrews Street, LLC	6/30/2060 ⁽¹⁾	401	500
Chili	MS West	432 Chili Avenue	Rochester Chili Avenue, LLC	6/30/2060 ⁽¹⁾	356	400
Mark Street	HS ⁽²⁾	14 Mark Street	True North Rochester Mark Street, LLC	6/30/2060 ⁽¹⁾	--	850
St. Jacob	ES West and ES3 ⁽²⁾	85 St. Jacob Street	True North St. Jacob Street, LLC	6/30/2060 ⁽¹⁾	819	900 ⁽³⁾
Brooks ⁽⁴⁾	MS	630 Brooks Avenue	True North Rochester Real Estate, LLC	6/30/2031 ⁽⁴⁾	<u>360</u>	<u>400</u>
Totals					2,396	3,550

⁽¹⁾ Each Lease (as defined in the forepart of this Limited Offering Memorandum) has an initial term ending on June 30, 2060, and two five-year extension options thereafter. See “THE LEASES” in the forepart of this Limited Offering Memorandum.

⁽²⁾ Upon the completion of the Mark Street Project, the High School is expected to relocate from the Andrews Facility to the Mark Street Facility. Elementary School West is expected to relocate to the Andrews Facility upon completion of the Mark Street Project and relocation of the High School, and Rochester Prep Middle School 3 is expected to begin operating in the St. Jacob Facility in the 2021-22 school year.

⁽³⁾ Currently, the St. Jacob Street Facility is occupied pursuant to a Certificate of Occupancy limiting the facility to occupancy of 495 students. St. Jacob Street LLC is currently seeking an amendment to such certificate to increase its allocable occupancy. See “THE PROJECT – St. Jacob Street Project” and “CERTAIN RISK FACTORS – Limitation on Occupancy at St. Jacob Street Facility” in the forepart of this Limited Offering Memorandum.

⁽⁴⁾ The Brooks Facility is not part of the Schools that are part of the 2020 Bonds.

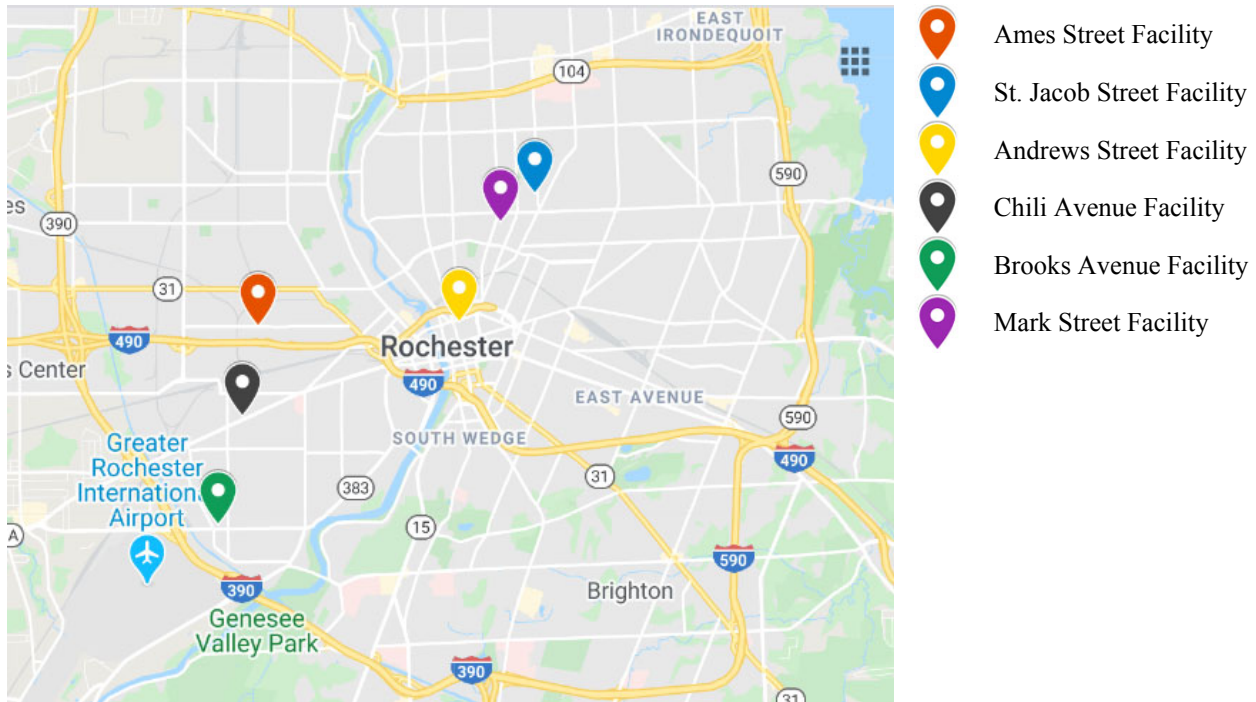
⁽⁵⁾ Under the Lease Agreement for the Brooks Facility, Rochester Prep has four 5-year renewal options following the expiration of the initial term on June 30, 2011, extending the possible term to June 30, 2031.

Source: *The Foundation*.

The Brooks Avenue campus comprises a 1.6 acre site improved with a 2.5-story, 32,053 square foot building. For descriptions of the Facilities, see “THE PROJECT” in the forepart of this Limited Offering Memorandum.

The following map shows the location of each Facility within the greater Rochester area.

FIGURE 21
FACILITY LOCATIONS
Rochester Prep
2019-20



Source: The Foundation.

Projected Lease Obligations

Rochester Prep has no direct debt obligations related to any of its facilities and does not own any of its facilities, but all of its facilities are secured with long-term leases. The table on the following page sets forth the lease payments for each entity.

Rochester Prep assesses rent and other facilities costs to the budget of each individual school according to the number of students enrolled at the school rather than allocating to any single school the actual cost of its facility. This ensures that facility costs are distributed equitably among all schools.

Rochester Prep’s rent on its facilities (those owned or controlled by special purpose entities owned by the Foundation) is in an amount that is approximately 15% more than the direct debt service associated with that facility. Consistent with the Foundation’s mission, the additional funds collected will support facility maintenance and may also be granted to support Rochester Prep programming.

TABLE 21
PROJECTED LEASE PAYMENTS
Rochester Prep

<i>Fiscal Year</i>	<i>Basic Rent⁽¹⁾ (The Facilities)</i>	<i>Brooks</i>	<i>Temporary Home Office Lease</i>	<i>Total Rochester Prep Base Rent</i>
2020-21	\$566,725	\$75,000	\$25,801	\$667,526
2021-22	1,630,107	75,000	--	1,705,107
2022-23	2,063,100	75,750	--	2,138,850
2023-24	2,063,100	76,508	--	2,139,608
2024-25	2,063,100	77,273	--	2,140,373
2025-26	2,063,100	78,045	--	2,141,145
2026-27	2,063,100	78,826	--	2,141,926
2027-28	2,063,100	79,614	--	2,142,714
2028-29	2,063,100	80,410	--	2,143,510
2029-30	2,063,100	81,214	--	2,144,314
2030-31	2,063,100	82,026	--	2,145,126
2031-32	2,063,100	82,847	--	2,145,947
2032-33	2,063,100	83,675	--	2,146,775
2033-34	2,063,100	84,512	--	2,147,612
2034-35	2,063,100	85,357	--	2,148,457
2035-36	2,063,100	86,211	--	2,149,311
2036-37	2,063,100	87,073	--	2,150,173
2037-38	2,063,100	87,943	--	2,151,043
2038-39	2,063,100	88,823	--	2,151,923
2039-40	2,063,100	89,711	--	2,152,811
2040-41	2,063,100	90,608	--	2,153,708
2041-42	2,063,100	91,514	--	2,154,614
2042-43	2,063,100	92,429	--	2,155,529
2043-44	2,063,100	93,354	--	2,156,454
2044-45	2,063,100	94,287	--	2,157,387
2045-46	2,063,100	95,230	--	2,158,330
2046-47	2,063,100	96,182	--	2,159,282
2047-48	2,063,100	97,144	--	2,160,244
2048-49	2,063,100	98,116	--	2,161,216
2049-50	2,063,100	99,097	--	2,162,197
2050-51	2,063,100	100,088	--	2,163,188
2051-52	2,063,100	101,089	--	2,164,189
2052-53	2,063,100	102,100	--	2,165,200
2053-54	2,063,100	103,121	--	2,166,221
2054-55	2,063,100	104,152	--	2,167,252
2055-56	2,063,100	105,193	--	2,168,293
2056-57	2,063,100	106,245	--	2,169,345
2057-58	2,063,100	107,308	--	2,170,408
2058-59	2,063,100	108,381	--	2,171,481
Total	\$78,531,532	\$3,521,456	\$25,801	\$82,078,789

⁽¹⁾ Aggregate Basic Rent under the Leases for each of the Facilities financed with proceeds of the Series 2020 Bonds, representing 115% of debt service on the Series 2020 Bonds.

Source: *The Foundation*.

Rochester Prep Facilities Plans

Capital projects for Rochester Prep are planned annually by the Uncommon real estate team in consultation, review and approval by the Rochester Prep operations team and board. Each current facility is reviewed annually, which informs a rolling five-year building management, maintenance and repair plan. Additionally, school growth and location plans are reviewed to inform new facility needs over a longer-term. All planning work is done in conjunction with the Uncommon finance team and incorporated into budget sensitivities and stress tests. This process has been in operation for the past nine years and informed all of the facility projects undertaken at Rochester Prep for summer maintenance and repair work, and by Uncommon affiliates for all acquisition, new construction or renovation work, save the first two earliest acquisitions.

In addition to planning and financial modeling work, as part of the management agreement between Uncommon and Rochester Prep, Uncommon provides more extensive finance and real estate services. Uncommon's real estate team includes a licensed architect and several experienced real estate project managers. Uncommon has a proven record of managing both complex financings and complex construction projects. Financings have included nine tax-advantaged bond products, short-term, mid-term, and long-term

commercial bank loans, tax-credit financings and construction loans. Construction management and development has ranged from minor repairs over the summer to multi-year new construction or major renovations. Every Uncommon managed project was managed on-or-under-budget. All in, the Uncommon real estate team has managed more than five major renovations and two new construction projects over the last 5-years.

ADDITIONAL ROCHESTER PREP INFORMATION

Insurance

Rochester Prep maintains insurance coverage related to property, casualty and liability claims that is comparable to insurance coverage maintained by other New York public schools. During construction on facilities not presently occupied by Rochester Prep, builders risk and liability are held by the landlord.

Employee Data

The following table provides information regarding Rochester Prep’s faculty for the years indicated. Rochester Prep employees are not unionized.

TABLE 22
TEACHER STAFFING LEVELS AND RETENTION
Rochester Prep

<u>Year</u>	<u># of Teachers</u>	<u>% Teacher Retention ⁽¹⁾</u>
2017-18	182	77%
2018-19	197	79
2019-20	199	75

⁽¹⁾ Teacher retention reflects the percent of teachers who were active at the start of the prior year and still employed at Rochester Prep in the school year shown.

Source: Rochester Prep.

Pension and Benefits

Rochester Prep sponsors a defined contribution 403(b) plan covering most employees. For employees who have less than 2 years of service, Rochester Prep matches employees’ contributions up to the lesser of 3% of gross payroll or \$3,500. For employees who have 2 to 3 years of service, Rochester Prep will match up to the lesser of 4% of gross payroll or \$4,000. For employees who have 4 years of service or more, Rochester Prep will match up to the lesser of 5% of gross payroll or \$5,000. Rochester Prep’s total contribution to the 403(b) plan for the years ended June 30, 2019 and 2018 approximated \$320,000 and \$290,000, respectively.

Accounting Matters

The accounting records for Uncommon and Rochester Prep reflect generally accepted accounting principles, as promulgated by the Generally Accepted Accounting Principles (GAAP) and the Government Accounting Standards Board (GASB) respectively.

In the opinion of Uncommon and Rochester Prep, there has been no material adverse change in the financial condition of either Uncommon or Rochester Prep since June 30, 2019, the most recent date for which audited financial statements are available for each entity.

Potential purchasers of the Bonds should carefully examine the audited financial statements for both Uncommon and Rochester Prep that are included as Appendix B to this Limited Offering Memorandum, in their entirety for more information regarding the financial position of both entities.

No Material Litigation

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 Uncommon, the Foundation or Rochester Prep, threatened, affecting the validity of the Leases or the Bonds or contesting the corporate existence of the Borrowers, Rochester Prep or Foundation, or Rochester Prep's authority to operate pursuant to its Charters.

Rochester Prep and the Foundation are subject to lawsuits and claims in the ordinary course of their operations. In the opinion of the management of the Foundation, Rochester Prep and Uncommon, who manages all litigation related issues for the Foundation, Rochester Prep and the Borrowers, the aggregate amount of the uninsured liabilities for such lawsuits and claims will not materially affect the finances of the Foundation, the Borrowers or Rochester Prep, or Rochester Prep's operation of its charter schools.

Prior Facility Litigation. RCSD currently leases property at 690 St. Paul Street in Rochester, New York (the "St. Paul Site") pursuant to a Lease Agreement, dated May 9, 2008 (the "St. Paul Master Lease") between Genesee Valley Real Estate Company, LLC ("Genesee Valley"), as landlord, and RCSD, as lessee. On May 30, 2014, RCSD and Rochester Prep entered into a Sublease Agreement (the "St. Paul Sublease"), pursuant to which Rochester Prep subleased a portion of the St. Paul Site from RCSD. Rochester Prep no longer operates at the St. Paul Site due to environmental and structural issues with the St. Paul Site.

On January 21, 2020, RCSD filed a Verified Amended Complaint and Request for Declaratory Judgment against Genesee Valley, Uncommon and Rochester Prep (the "Complaint"). The Complaint seeks to (a) declare the St. Paul Master Lease terminated due to certain environmental and structural issues relating to the St. Paul Site or, (b) in the event the St. Paul Master Lease not be declared terminated, to recover damages from Rochester Prep and Uncommon in the amount of \$1,000,000. Uncommon has since been released from the Complaint.

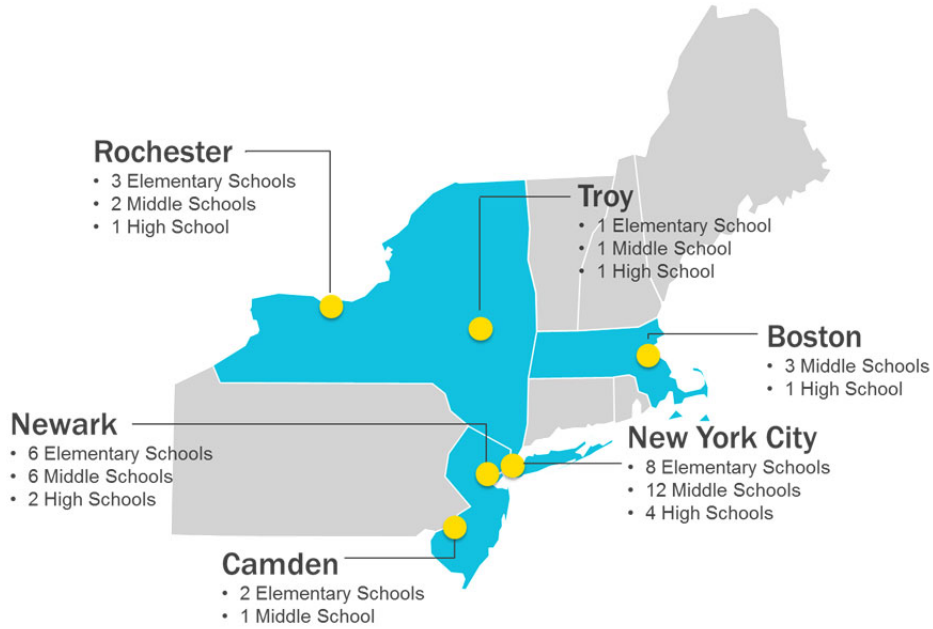
Rochester Prep is currently in negotiations with RCSD to settle the complaint as it applies to Rochester Prep, and expects a settlement to be reached. Rochester Prep does not believe that any liability of Rochester Prep pursuant to the Complaint would materially and adversely affect Rochester Prep's finances.

UNCOMMON SCHOOLS, INC.

Uncommon provides various services to Rochester Prep pursuant to the Management Agreement. See "ROCHESTER PREP MANAGEMENT AND LEADERSHIP – Management Agreement" herein. Pursuant to the Foundation's bylaws, Uncommon appoints two-thirds of the board of directors of the Foundation, which is the sole member of each Borrower. However, Rochester Prep is not affiliated with Uncommon, and Uncommon is not a source of payment of Rochester Prep's obligations under the Leases, the Borrowers' obligations under the Loan Agreement or the debt service on the Series 2020 Bonds.

As of the 2019-20 school year, Uncommon operates 54 schools in six cities and three states, serving more than 20,000 students. For the 2018-19 school year, which is representative of prior years, 82% of Uncommon students were economically disadvantaged, and 93% were students of color (Black or Latino). The following figure is a graphical depiction of the Uncommon network of schools.

FIGURE 22
NETWORK OF SCHOOLS
 Uncommon
 2019-20

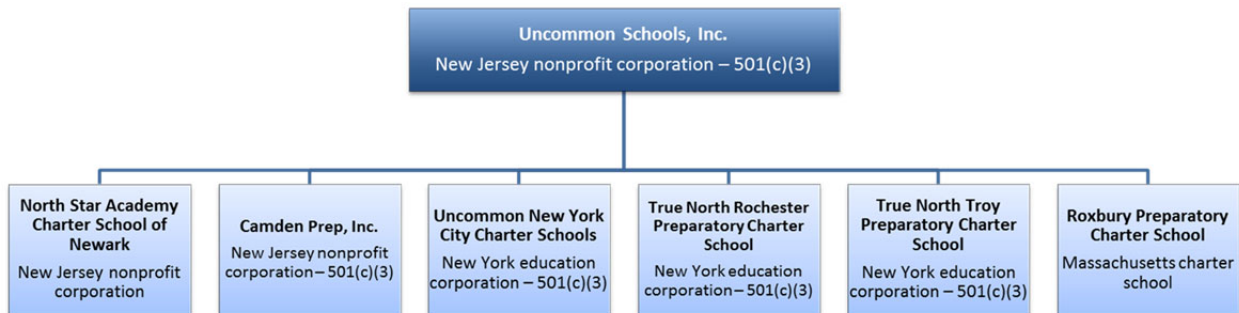


Source: Uncommon.

Ninety-nine percent of Uncommon seniors have been accepted into 4-year colleges and 97% have gone on to matriculate to 2- or 4-year colleges. Overall, five times as many Uncommon alumni graduate from college compared to their low-income peers.

The following figure shows an overview of each charter school network managed by Uncommon.

FIGURE 23
CHARTER SCHOOL NETWORK
 Uncommon
 2019-20



Source: Uncommon.

Mission

College is crucial. Uncommon believes a Bachelor’s degree should be within reach for every young person in this nation. Uncommon’s mission is to start and manage outstanding urban charter public schools that close the achievement gap and prepare low-income students to graduate from college.

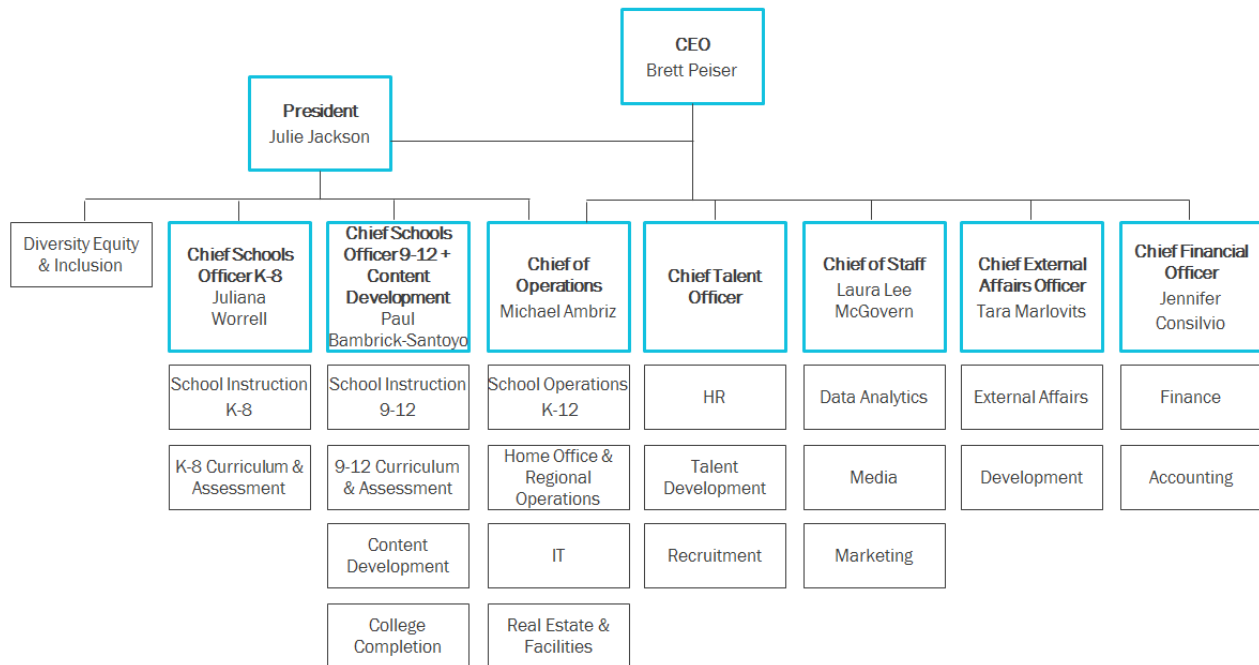
Horace Mann, one of the founders of American public education, believed that building “*common schools*” for the nation’s young people was the single most powerful way to bring about a society of equals. Still today, too many students in low-income school districts struggle to get to and through college because they do not have the same opportunities as students in wealthier neighborhoods. Uncommon recognizes that today, it takes “*uncommon schools*” to truly achieve equality.

Every morning, the doors of the Uncommon schools open to defy this injustice and to celebrate the achievement that is possible. Since the opening of North Star in 1997, Uncommon has been demonstrating that the most revolutionary teaching practices are not happening in the suburbs or elite private schools. Instead, they are happening in urban districts like those in which Uncommon operates. Every day, Uncommon challenges the ingenuity and mettle of its scholars. Along the way, Uncommon celebrates the tenacious effort that leads to true achievement – and ultimately, to a college diploma.

Uncommon Management & Board

Uncommon board members are selected based on a clear dedication to education and the Uncommon mission. The school boards also include 1-2 parent representatives and where possible board members who are also engaged members of the local community. Board members serve for an indefinite term and may be removed for cause upon a vote of the full membership of the Board.

FIGURE 24
LEADERSHIP ORGANIZATIONAL CHART
Uncommon



Source: Uncommon.

Listed below are the members of the Board of Trustees of Uncommon, followed by biographical information on key members of the Uncommon administrative team. Uncommon and each of the regional entities has a formal conflicts of interest policy and board members sign annual disclosure statements.

TABLE 23
BOARD OF TRUSTEES
Uncommon

<u>Name</u>	<u>Company</u>	<u>Title</u>	<u>Years of Membership</u>
Norman Atkins, <i>Chair</i>	Together Education	Co-Founder; President	14
Laura Blankfein, <i>Development Committee Chair</i>	Association to Benefit Children	Development Specialist	3
Allison Blitzer	Blitzer Family Foundation	Founder	2
Cecily Carson	The Carson Family Charitable Trust	President	5
David Cooper, <i>Governance and Nominating Committee Chair</i>	Bain & Company Consulting	Vice President; Director of Bain's Consumer Products Practice	11
C.C. Melvin Ike	Blackstone	Principal, Tactical Opportunities Group	0
Gaurav Kapadia	Xn	Founder	7
Robert Karr	Joho Capital, LLC	Principal	13
Donald R. Katz	Audible, Inc.	Chief Executive Officer; Chairman	14
William M. Lewis, Jr.	Lazard Ltd.	Managing Director and Co-Chairman of Investment Banking	2
Robert Marcus, <i>Finance Committee Chair</i>	Time Warner Cable	Former Chief Executive Officer; Former Chairman	3
Rondo Moses	Stratex Management Consulting	Managing Partner, Strategy Execution and Performance Management	10
Brett Peiser	Uncommon Schools	Chief Executive Officer	7
Brooke Reid, <i>Audit Committee Chair</i>	Macy's	Treasurer	6

Source: Uncommon.

Brett Peiser; Chief Executive Officer, Uncommon Schools. See a brief biography for Brett Peiser under the heading “ROCHESTER PREP FOUNDATION, INC.” herein.

Julie Jackson, President, Uncommon Schools. See a brief biography for Julie Jackson under the heading “ROCHESTER PREP MANAGEMENT AND LEADERSHIP – Current Leadership” herein.

Michael Ambriz, Chief of Operations, Uncommon Schools. See a brief biography for Michael Ambriz under the heading “ROCHESTER PREP MANAGEMENT AND LEADERSHIP – Current Leadership” herein.

Jennifer Consilvio, Chief Financial Officer, Uncommon Schools. Jennifer Consilvio joined Uncommon as Chief Financial Officer in January 2019. Prior to Uncommon, Ms. Consilvio spent 18 years at the American Civil Liberties Union (“ACLU”), most recently as their Chief Financial Officer. As the ACLU’s CFO, Ms. Consilvio oversaw an operating budget of \$275 million and an investment portfolio of \$500 million. Ms. Consilvio also led the organization’s financial planning during its rapid expansion after the 2016 presidential election, where the organization saw its membership quadruple in size and its operating budget double. During her tenure, Ms. Consilvio also implemented new accounting and budgeting systems to ensure more timely and accurate reporting of financial information to both senior management and the Board of Directors; managed the financial relationships between the national office of the ACLU and its 50 affiliates; ensuring that the organization had a strong Nationwide presence; and developed a multi-year budgeting process, allowing the organization to plan for both the near and long term. Ms. Consilvio served in the Peace Corps in Niger, West Africa after graduating from college, where she worked on resource conservation and micro-loan projects. Ms. Consilvio received her Master of Science degree in Financial Statement Analysis

from the City University of New York, Baruch College, and her Bachelor of Arts degree in International Studies from Johns Hopkins University.

Laura Lee McGovern, Chief of Staff, Uncommon Schools. Ms. McGovern serves as a member of the Executive Team at Uncommon, where she oversees data analytics, marketing and media, and focuses on strategy, and organizational effectiveness and leadership. Prior to becoming Chief of Staff, Ms. McGovern served as founding Chief Operating Officer of Uncommon’s middle and high schools in New York City and founding Co-Director of Operations at Kings Collegiate Charter School. Before joining Uncommon, Ms. McGovern was the founding Director of Analytics in student enrollment at the New York City Department of Education and was an Engagement Manager at Katzenbach Partners LLC, a management consulting firm. Ms. McGovern is a Pahara-Aspen Fellow and a former Education Pioneer. She received her MBA from Harvard Business School, where she was a Baker Scholar and co-leader of the Education Leadership Group. Ms. McGovern earned her B.A. in Social Studies at Harvard College and was elected to Phi Beta Kappa.

Tara Marlovits, Chief External Affairs Officer, Uncommon Schools. Ms. Marlovits joined Uncommon in 2006 when she co-founded Leadership Prep Bedford-Stuyvesant as Director of Operations and then served as the Chief Operating Officer of the New York City region for nine years. Prior to joining Uncommon, Ms. Marlovits worked in fundraising and development, and helped to start a high school for low income students. Ms. Marlovits has a B.A. from the College of Holy Cross and an M.A. from Harvard Divinity School.

Teacher Recruitment and Retention

Uncommon employs a 23-person recruiting team. Like all Uncommon divisions, the recruitment team drives its work with data. For example, when the team found that some of the best candidates came from staff referrals, it started a program to incentivize staff referrals. Teacher retention rates for the three most recent school years are shown in the table below.

TABLE 24
TEACHER RETENTION
Uncommon

<i>Years</i>	<i>Boston</i>	<i>Camden</i>	<i>Newark</i>	<i>NYC</i>	<i>Rochester</i>	<i>Troy</i>	<i>Uncommon</i>
2016-17 to 2017-18	75%	62%	78%	69%	77%	70%	73%
2017-18 to 2018-19	62%	79%	76%	71%	79%	77%	73%
2018-19 to 2019-20	72%	64%	73%	68%	75%	78%	71%

Source: Uncommon.

Education Innovations

Uncommon’s influence on teaching and the charter sector extends well beyond its schools. Uncommon has a track-record of both innovating and disseminating best practices. Uncommon staff authored 12 widely-circulated books that have sold over three million copies worldwide on teaching pedagogy and classroom management best practices. Uncommon provides leadership and teacher training across the country in stand-alone partnerships with districts, and as part of Teach Like a Champion™ and the Relay Graduate School of Education, as described in detail below. In addition, Uncommon has made its extensive online learning platform, which includes videotaped lessons from master teachers across all subjects and grades, open to all during the school closures due to COVID-19.

Relay Graduate School of Education. In 2007, Uncommon founded, along with Achievement First and KIPP NYC, Relay Graduate School of Education (“Relay”), which revolutionized how teachers are trained nationwide. In its start-up years, Relay was associated with Hunter College, for purposes of degree granting authority. In 2011, Relay became an independent graduate school and was granted a charter by the New York

State Board of Regents, making it the first new stand-alone graduate school of education in over 80 years in New York State. Relay is the first graduate school of education in the country to require students to achieve clear student progress benchmarks in order to graduate. Relay, now led by Uncommon founder and board chair, Norman Atkins, is currently training 2,000 teachers and 400 school leaders across the US. Relay's current locations (cities / state) are Baton Rouge and New Orleans, Louisiana; Chicago, Illinois; Connecticut; Dallas/Ft. Worth, Houston and San Antonio, Texas; Delaware; Denver, Colorado; Memphis and Nashville, Tennessee; New York City, New York; Camden and Newark, New Jersey; Philadelphia, Pennsylvania.

Teach Like a Champion™. Teach Like a Champion™, an Uncommon program for disseminating teaching methods, shares teaching methods through workshops, video training modules, and 6 publications. Combined, these efforts have reached over 30,000 school leaders, principals and teachers across 45 states and 14 countries.

District Partnerships. Uncommon works hard to develop partnerships with its local districts. In the partnership with Newark Public Schools, Uncommon and North Star leaders provided observation and feedback professional development workshops and additional ongoing support to principals and vice principals. Uncommon is also in its fifth year of a partnership with the New York City Department of Education. Uncommon believes the growth of the New York City program is attributable to its success and positive feedback received from teachers and school leaders. In the 2017-18 school year, Uncommon and the Camden City School District launched a partnership utilizing the Great Habits Great Readers™ model.

Camp Uncommon. Uncommon started Camp Uncommon, which is now a separate organization called Change Summer, as a way to increase students' social, emotional, and non-cognitive skills (e.g., self-confidence, responsibility, independence, and curiosity) and create an additional pipeline for strong, diverse teacher candidates for the schools by providing exposure to Uncommon for counselors new to the organization. In Summer 2019, 1,017 Uncommon middle school students from Boston, Camden, Newark, New York City, Troy, and Rochester attended along with staff members.

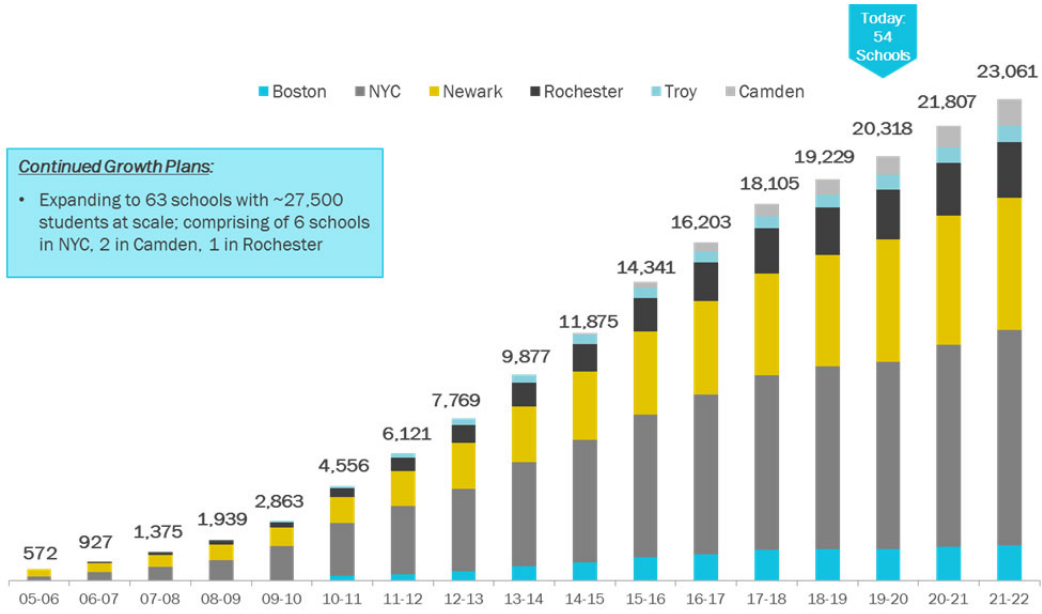
Awards and Recognition. Uncommon was the 2013 Winner, and a 2018 Finalist, for the Broad Prize, which honors the public charter management organization that has demonstrated the best academic outcomes, particularly for students from low-income backgrounds and students of color.

Student Demand Data

In each region, enrollment efforts look slightly different. In Newark, and in Camden, city-wide enrollment programs operate. Other regions operate more typical charter school enrollment lotteries, as described above. All regions have met their enrollment goals in the past, and Uncommon expects them to continue doing so in the future.

The following figure shows the growth in Uncommon enrollment over time, in each region.

FIGURE 25
HISTORICAL AND PROJECTED ENROLLMENT GROWTH
 2005-06 through 2021-22
 Uncommon



Source: Uncommon.

The following table shows the total applications and students enrolled for the past three school years at Uncommon’s schools.

TABLE 25
APPLICATIONS AND ENROLLMENT
Uncommon
2017-18 through 2019-20

<i>2019-20 School Year</i>		
<i>School Region</i>	<i>Total Applications</i>	<i>Total Enrolled as of 10/15/2019</i>
NYC ⁽¹⁾	31,586	8,440
Newark ⁽²⁾	3,876	5,946
Camden ⁽²⁾	987	871
Rochester	5,921	2,408
Troy	1,145	691
Boston	2,658	1,536

<i>2018-19 School Year</i>		
<i>School Region</i>	<i>Total Applications</i>	<i>Total Enrolled at Year-End</i>
NYC ⁽¹⁾	39,042	8,398
Newark ⁽²⁾	4,086	5,375
Camden ⁽²⁾	908	733
Rochester	5,665	2,239
Troy	986	642
Boston	2,607	1,482

<i>2017-18 School Year</i>		
<i>School Region</i>	<i>Total Applications</i>	<i>Total Enrolled at Year-End</i>
NYC ⁽¹⁾	46,421	8,152
Newark ⁽²⁾	3,820	4,955
Camden ⁽²⁾	924	573
Rochester	4,903	2,051
Troy	903	581
Boston	2,279	1,380

⁽¹⁾ The application number for NYC excludes high schools, which do not accept students by lottery or maintain a waitlist.

⁽²⁾ Newark schools enroll students using the “Newark Enrolls” process. Camden schools also participate in a similar Camden enrollment process.

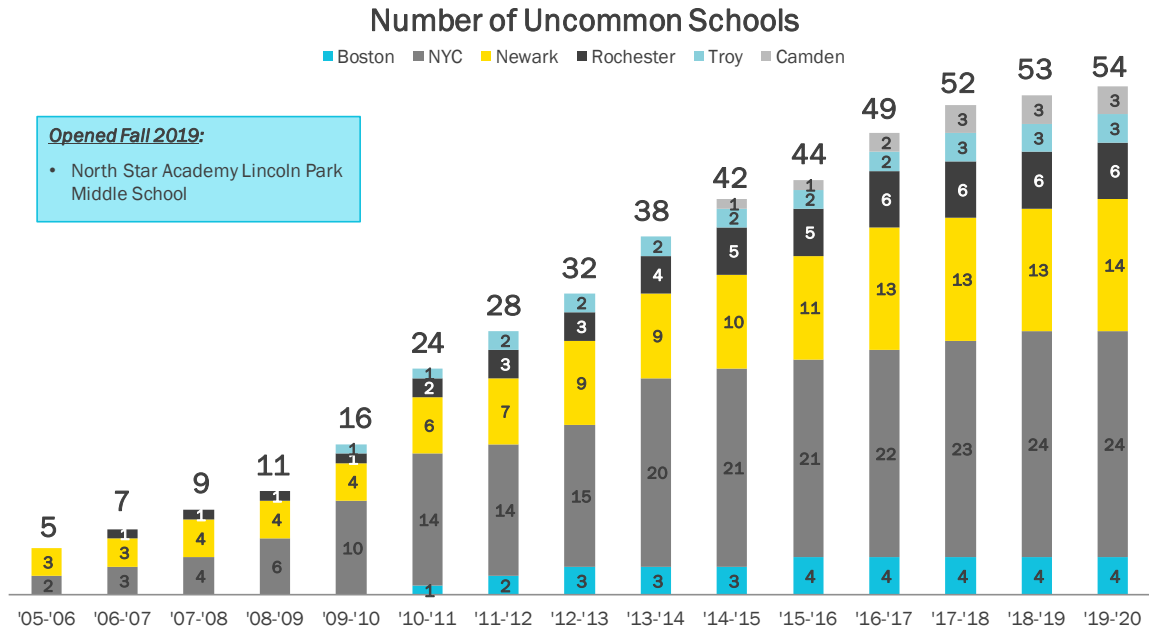
Source: Uncommon.

Uncommon Network Growth

The following figures show the total number of schools and students in the Uncommon network, and the students by grade level. Listed below are the types of schools, by year and by region, that Uncommon plans to open in Fall 2021. Uncommon’s philosophy on opening schools is to open them “as fast as we can, but as slow as we must”. This philosophy honors two principles: one, Uncommon’s mission to serve as many students as possible in its current regions, and two, that identifying leaders dictates the timing of a school opening.

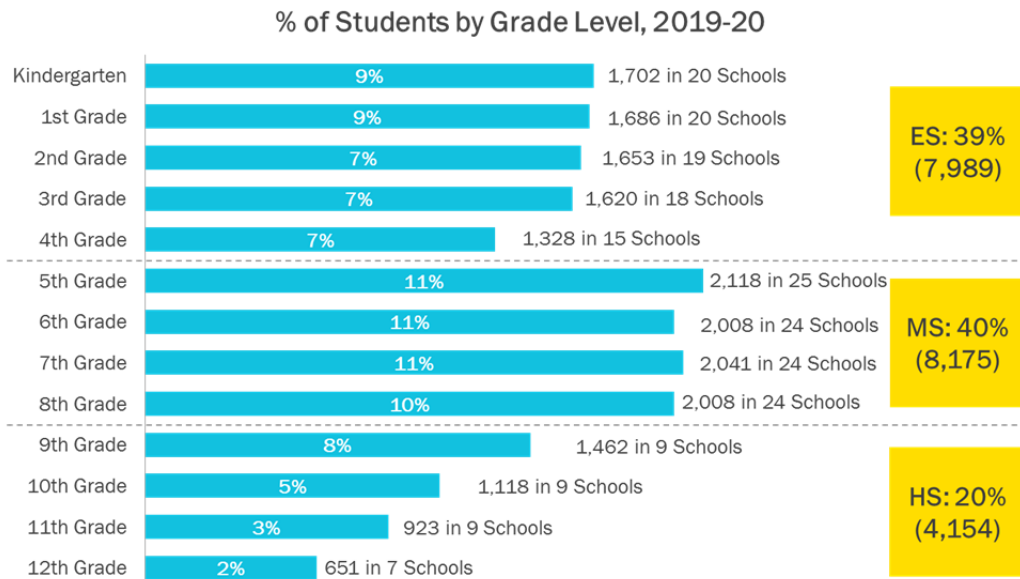
- Fall 2021: Rochester Prep Middle School #3 and Camden Prep Middle School #2.

FIGURE 26
SCHOOLS IN UNCOMMON NETWORK
 Uncommon
 2005-06 through 2019-20



Source: Uncommon.

FIGURE 27
STUDENT ENROLLMENT BY GRADE LEVEL
 Uncommon
 2019-20



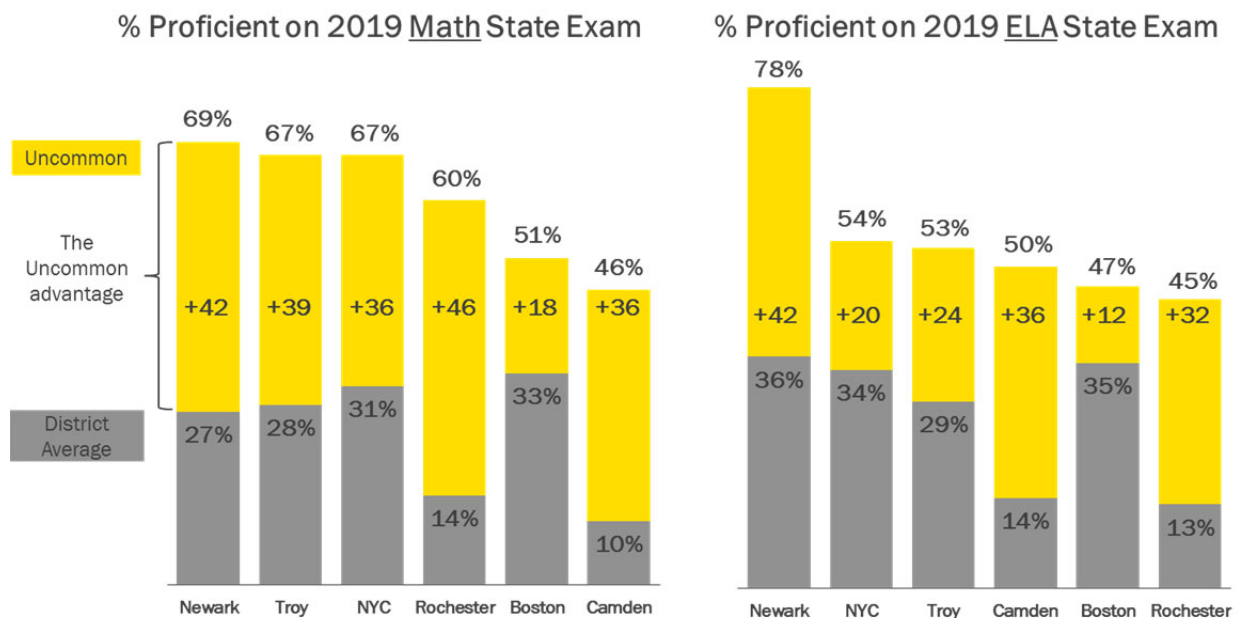
Source: Uncommon.

Consistent Academic and Operational Performance

As described above in reference to Rochester Prep’s management and operations, Uncommon supports all of its schools to result in the highest levels of student achievement. The operating model described for Rochester Prep is the model followed in all Uncommon regions. Cohorts of leaders from each region meet regularly (depending on the topic and need, the frequency ranges from monthly to quarterly) to share best practices, identify areas of collaboration, jointly assess operational or academic pain points and create solutions, and create systems for interacting to support each other. Network-wide, approximately 20,000 Uncommon students attend schools that outperform their local districts, 99% of Uncommon seniors have been accepted to 4-year colleges and 97% have gone on to matriculate to 2- or 4-year colleges. Approximately five times as many Uncommon alumni graduate from college, compared to their low-income peers.

The following graphic shows the performance of Uncommon students in each region on state assessments, compared against the local district performance, in mathematics and ELA in 2019.

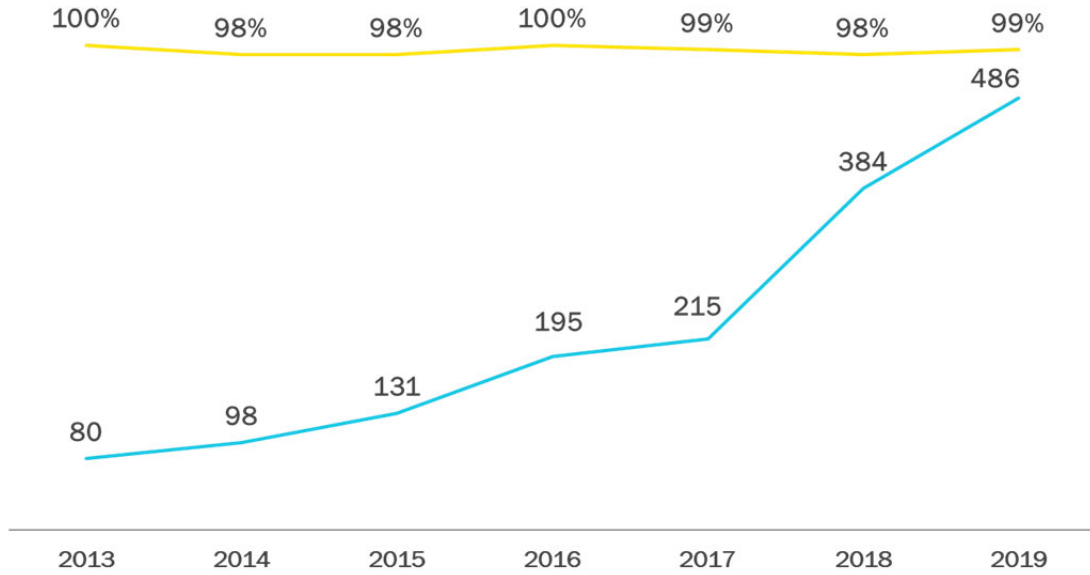
FIGURE 28
PERCENT OF STUDENTS PROFICIENT ON MATH AND ELA STATE EXAMS
 Uncommon and Local Districts
 2019



Source: Uncommon.

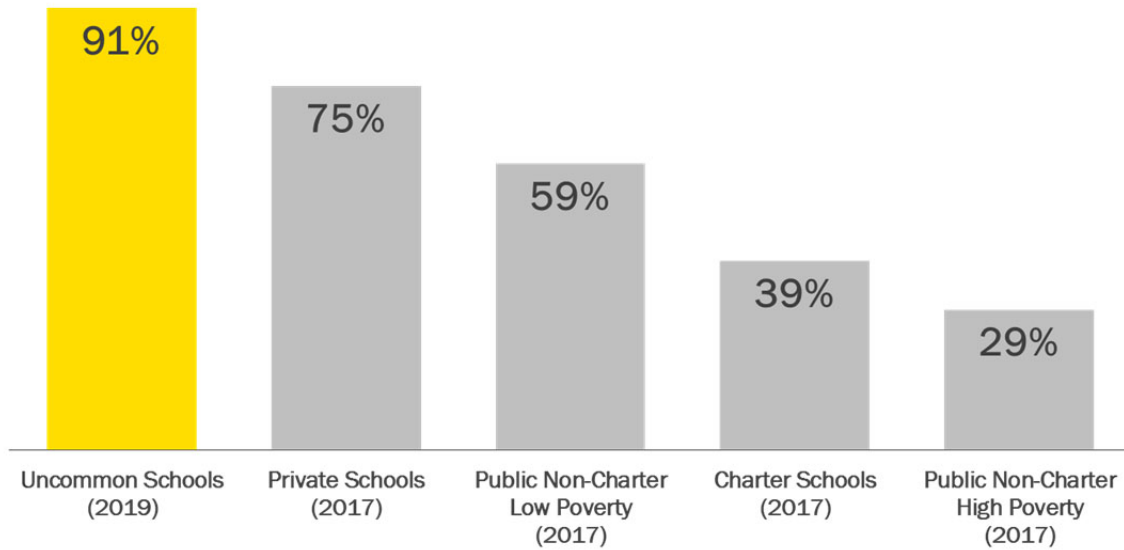
The following graphics highlight the growth of Uncommon graduates being accepted to 2- and 4-year colleges, the comparison in percentage of students attending college against other public, charter and private schools, and the comparative percentage of students graduating from college.

FIGURE 29
NUMBER AND % OF STUDENTS ADMITTED TO 2- and 4-YEAR COLLEGES
 All Uncommon Schools
 2012-13 through 2018-19



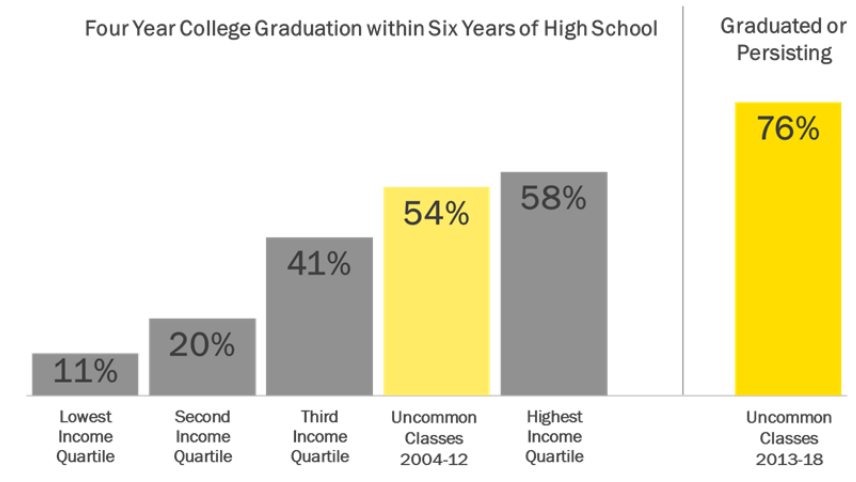
Source: Uncommon.

FIGURE 30
PERCENTAGE OF STUDENTS ADMITTED TO 4-YEAR COLLEGES
WITHIN 6 MONTHS OF GRADUATION
 Uncommon and National



Source: Uncommon.

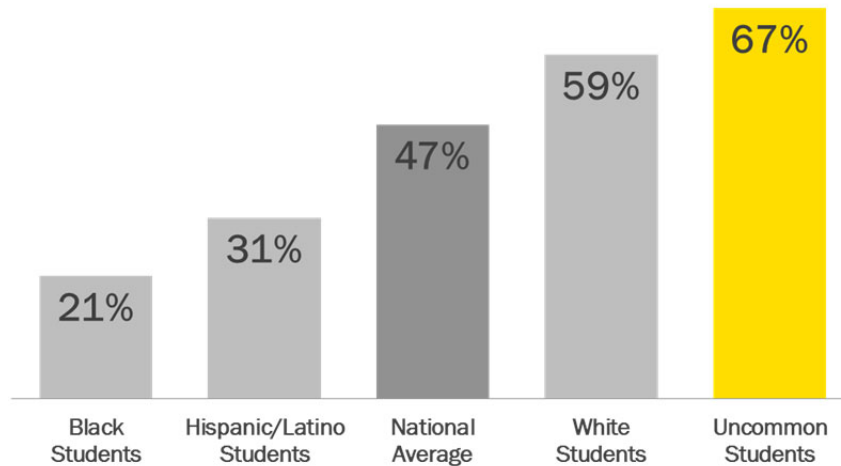
FIGURE 31
PERCENT OF STUDENTS GRADUATING FROM FOUR-YEAR COLLEGE
 Uncommon and National



Source: Uncommon.

The following graphic highlights the performance by Uncommon students on the SAT, compared to students nationally.

FIGURE 32
STUDENTS SCORING 1010 OR HIGHER ON THE SAT
 Uncommon and National
 Class of 2019



Source: Uncommon.

Summary of Financial Results

Financial information for Uncommon is provided in the figure below for the years indicated. The Foundation’s financial results are consolidated with those of Uncommon, and therefore included in the figures below. The most recently prepared audited financial reports for Uncommon for the fiscal year ended June 30,

2019 are attached to this Limited Offering Memorandum as Appendix B-2. The financial statements attached hereto as Appendix B-2, including related notes, should be reviewed in their entirety.

Uncommon is not a source of payment of the Borrower's obligations under the Loan Agreement, or of the debt service on the Series 2020 Bonds. Further, although Uncommon provides certain services to Rochester Prep pursuant to the Management Agreement, Rochester Prep is not affiliated with Uncommon or included in the figures below, and Uncommon is not a source of payment of Rochester Prep's obligations under the Leases.

TABLE 26
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Uncommon
2014-15 through 2018-19

	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
ASSETS					
Current Assets					
Cash and cash equivalents	\$27,391,019	\$25,856,776	\$34,773,027	\$37,098,704	\$36,203,717
Current portion of grants and pledges receivable	2,171,896	4,665,494	2,103,531	3,903,531	4,181,351
Accounts and other receivables	4,088,193	6,233,194	7,579,381	7,210,549	12,621,179
Interest receivable	1,922,969	1,026,822	1,389,590	1,575,390	1,591,158
Current portion of restricted deposits	--	--	3,212,682	6,985,447	14,233,149
Prepaid expenses and other	226,994	651,240	947,413	1,094,309	1,010,051
Total Current Assets	<u>35,801,071</u>	<u>38,433,526</u>	<u>50,005,624</u>	<u>57,867,930</u>	<u>69,840,605</u>
Other Assets					
Restricted deposits, net	18,711,042	50,025,736	43,976,953	55,579,509	13,114,089
Escrow reserve accounts	--	--	--	--	--
Grants and pledges receivable, net	881,057	739,426	983,333	350,000	2,234,000
Bonds receivable, net	36,706,817	64,732,384	94,146,508	124,873,215	125,797,077
Loans receivable	8,453,113	20,259,717	20,929,250	14,929,250	14,929,250
Investment in debt instrument	--	--	--	--	--
Property and equipment, net	107,361,641	108,759,777	113,810,732	135,785,537	242,828,458
Construction in progress	745,160	25,352,324	79,206,414	109,401,368	40,195,512
Assets held for sale	--	--	--	--	--
Pledge receivable - property	25,122,496	23,944,310	22,766,127	21,587,943	20,409,760
Other	--	--	--	--	--
Financing fees, net	1,766,476	3,803,657	--	--	--
TOTAL ASSETS	<u>\$235,548,873</u>	<u>\$336,050,857</u>	<u>\$425,824,941</u>	<u>\$520,374,752</u>	<u>\$529,348,751</u>
LIABILITIES					
Current Liabilities					
Current portion of notes and bonds payable	\$6,767,195	\$7,969,316	\$38,834,119	\$90,248,411	\$98,280,530
Current portion of capital lease obligation	--	67,883	71,435	75,172	79,105
Accounts payable and accrued expenses	2,762,615	2,286,922	2,832,635	3,494,898	3,697,764
Current portion of accounts payable - construction	233,066	6,091,593	1,312,755	565,975	14,062,125
Grant payable	--	--	--	1,128,045	3,640,251
Accrued interest	1,112,477	1,940,573	2,533,670	3,728,209	3,682,041
Other payables	--	--	--	--	--
Deferred revenue	250,000	19,804	--	464,068	397,051
Total Current Liabilities	<u>11,125,353</u>	<u>18,376,091</u>	<u>45,584,614</u>	<u>99,704,778</u>	<u>123,838,867</u>
Other Liabilities					
Construction advances	--	--	1,505,029	5,393,293	946,471
Notes and Bonds Payable, net	119,305,543	199,755,740	241,044,607	287,151,718	283,034,963
Accounts payable - construction, net	--	--	15,534,603	13,042,283	--
Capital Lease Obligation, net	--	2,972,218	2,900,783	2,825,611	2,746,507
Financing Obligation	25,122,496	23,944,310	22,766,127	21,587,943	20,409,760
TOTAL LIABILITIES	<u>\$155,553,392</u>	<u>\$245,048,359</u>	<u>\$329,335,763</u>	<u>\$429,705,626</u>	<u>\$430,976,568</u>
NET ASSETS					
Without donor restrictions ⁽¹⁾	\$70,643,365	\$78,968,582	\$82,972,417	\$77,118,327	85,369,652
With donor restrictions ⁽²⁾	9,352,116	12,033,916	13,516,761	13,550,799	13,002,531
TOTAL NET ASSETS	<u>\$79,995,481</u>	<u>\$91,002,498</u>	<u>\$96,489,178</u>	<u>\$90,669,126</u>	<u>\$98,372,183</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$235,548,873</u>	<u>\$336,050,857</u>	<u>\$425,824,941</u>	<u>\$520,374,752</u>	<u>\$529,348,751</u>

⁽¹⁾ Prior to 2017-18, identified as "Unrestricted."

⁽²⁾ Prior to 2017-18, broken out as "Temporarily restricted" or "Permanently restricted."

Source: Audited Financial Statements of Uncommon for the fiscal years ending June 30, 2015 through June 30, 2019.

TABLE 27
CONSOLIDATED STATEMENTS OF ACTIVITIES
 Uncommon
 2014-15 through 2018-19

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Management fees	\$16,313,915	\$19,472,549	\$22,290,823	\$24,877,667	\$27,825,621
Contributions	6,333,085	11,305,507	5,746,526	7,111,164	8,070,780
Rental income	3,896,230	4,870,884	6,373,687	7,167,099	12,748,944
Real estate reimbursement	2,226,858	4,634,935	1,985,922	1,917,398	2,010,331
Interest and other	3,823,186	3,863,934	7,276,958	8,508,662	9,775,674
Training and program fees	2,704,479	3,775,592	3,323,396	3,897,306	4,309,154
Subsidy income	2,076,324	2,482,421	5,020,257	6,272,260	6,781,492
Grants	1,325,129	575,499	2,233,695	5,159,678	3,351,765
Real estate development income	--	--	310,500	159,500	191,500
Net assets released from time restrictions	--	--	300,000	762,151	179,515
Net assets released from purpose restrictions	2,033,857	360,200	3,153,491	1,642,257	5,259,851
TOTAL OPERATING REVENUES	<u>40,733,063</u>	<u>51,341,521</u>	<u>58,015,255</u>	<u>67,475,142</u>	<u>80,504,627</u>
OPERATING EXPENSES					
Personnel and related	13,488,945	15,848,769	19,276,783	22,542,499	25,841,392
Program and grant expenses	12,269,653	11,536,061	14,739,914	22,010,966	12,194,716
Interest	7,186,706	7,857,227	13,545,717	17,160,206	21,438,030
Depreciation and amortization	3,079,934	3,503,185	3,791,532	4,398,844	6,089,144
Occupancy	3,007,884	2,510,300	3,175,659	3,197,545	3,300,246
Administrative	2,052,312	2,046,276	2,381,307	2,752,404	3,699,834
System and technology	--	--	--	1,387,301	2,238,690
TOTAL OPERATING EXPENSES	<u>41,085,445</u>	<u>43,301,818</u>	<u>56,910,912</u>	<u>73,449,765</u>	<u>74,802,052</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	<u>(352,382)</u>	<u>8,039,703</u>	<u>1,104,343</u>	<u>(5,974,623)</u>	<u>5,702,575</u>
OTHER REVENUE (EXPENSE)					
Net gain on extinguishment of debt	--	567,409	1,803,897	--	1,329,260
Change in discount on loans receivable	194,619	462,354	669,533	--	--
Forgiveness of debt	--	--	11,4286	114,286	114,286
Capital grant	25,920,032	--	--	--	--
Write-off of financing fees	(99,877)	--	--	(131,285)	--
Loss on fair value adjustment to notes payable	(456,450)	--	--	--	--
Construction impairment	(1,399,932)	(185,070)	--	--	--
Loss from disposal of property and equipment	--	(759,179)	--	--	(536,675)
Net unrealized gain (loss) on long-terms debt at fair value	--	--	--	--	--
Net assets released from capital restrictions	--	200,000	311,776	137,532	2,266,167
Loan extension fees	--	--	--	--	(624,288)
TOTAL OTHER REVENUE (EXPENSE)	<u>24,158,392</u>	<u>285,514</u>	<u>2,899,492</u>	<u>120,533</u>	<u>2,548,750</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	23,806,010	8,325,217	4,003,835	(5,854,090)	8,251,325
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	5,100,893	2,681,800	1,302,845	34,038	(548,268)
PERMANENTLY RESTRICTED NET ASSETS					
Grants and contributions	--	--	180,000	--	--
NET ASSETS, BEGINNING	<u>51,088,578</u>	<u>79,995,481</u>	<u>91,002,498</u>	<u>96,489,178</u>	<u>90,669,126</u>
NET ASSETS, ENDING	<u>\$79,995,481</u>	<u>\$91,002,498</u>	<u>\$96,489,178</u>	<u>\$90,669,126</u>	<u>\$98,372,183</u>

Source: Audited Financial Statements of Uncommon for the fiscal years ending June 30, 2015 through June 30, 2019.

Fundraising

Uncommon fundraises approximately \$10 million annually. The amount fluctuates by year and need, but the average is consistent over its 14-year history of formal fundraising for multiple regions. Uncommon

limits its fundraising to actual needs – believing, together with the boards of its regions, that as public schools, the charters it supports and manages should be able to sustain operations on public revenue. Uncommon’s Home Office core services are self-sufficient on management fees charged to each school.

Uncommon fundraises in order to start new schools, support strategic initiatives, such as its efforts to ensure Uncommon alumni complete college, pay for capital expenditures at the home office and provide support for certain capital projects in each region as needed.

In Rochester Prep’s case, this philosophy translates to fundraising more than \$4 million in operating funds and more than \$5.5 million in capital funds over the past 11 years.

Future Debt

Neither the Borrowers nor Rochester Prep have any current plans to issue any new debt to fund additional capital projects. Historically, Rochester Prep allocates \$1.2 million on average for ongoing capital expenditures. Rochester Prep anticipates about \$765,000 of ongoing capital expenditures in its current income and balance sheet projections. See “ROCHESTER PREP FINANCIAL SUMMARY – Financial Projections” herein.

EXHIBIT A
MANAGEMENT AGREEMENT

MASTER SERVICES AGREEMENT

By and Between

UNCOMMON SCHOOLS, INC. and

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

This Master Services Agreement (the "Agreement") is made and entered into as of July 1, 2019 (the "Effective Date") by and between Uncommon Schools, Inc., a New Jersey nonprofit corporation ("USI"), and True North Rochester Preparatory Charter School (the "School Partner"), together with USI, each a "Party" and collectively the "Parties").

WHEREAS, USI is a nonprofit charter management organization;

WHEREAS, the School Partner has legal authority under the laws of the Applicable State and Applicable Locality to operate the charter schools listed in the Services and Fee Addendum;

WHEREAS, it is the Parties' intention to create a relationship based on trust, common educational objectives, and clear accountability, through which they will work together to bring educational excellence to the School Partner;

WHEREAS, the Parties desire to enter into a written agreement to set forth the terms and conditions of their agreement;

NOW, THEREFORE, in consideration of the recitals and the mutual covenants, representations, warranties, conditions and agreements hereinafter expressed, the Parties agree as follows:

1. DEFINITIONS

"Agreement" has the meaning set forth in the recitals.

"Applicable State" means the state where the School Partner operates charter schools.

"Applicable Locality" means the locality where the School Partner operates charter schools.

"Arbitration Rules" has the meaning set forth in Section 11.2.

"Assigned Supervisor" has the meaning set forth in Section 6.

"Assigned USI Representative" has the meaning set forth in Section 3.5.

“Authorizer” means the governmental or other regulatory body of the Applicable State or Applicable Locality that authorizes the School Partner to operate charter schools.

“Charter Contract” means the School Partner’s agreement with the Authorizer, which authorizes the School Partner to organize and operate charter schools.

“Charter Schools Law” means the laws permitting the creation of charter schools, and governing the development and operation of charter schools, in the Applicable State or Applicable Locality.

“Claims” has the meaning set forth in Section 9.2.

“Confidential Information” means (i) any business or technical information of a Party that is not generally known or publicly available; (ii) any information that a Party maintains as confidential, proprietary, restricted, or otherwise as not to be disclosed generally; (iii) any information disclosed to or known by a Party that is not generally known or publicly available and that in any way relates to either Party’s products; services; techniques or know-how; trade secrets; ideas; processes; computer programs; documents; materials; business information; marketing materials (including costs, pricing, and customer lists); and (iv) the Marks and Proprietary Information. Notwithstanding any other provision of this Agreement to the contrary, Confidential Information shall not include any information that is required to be disclosed by a final order from a court or governmental agency (provided that the Party making such disclosure provides prior notice to the other Party if allowed by the court or agency).

“Deductible” has the meaning set forth in Section 9.4.

“Director(s) of Operations” in the singular means the senior-most School Partner employee who manages non-instructional operations of each School Campus, and in the plural means all directors of operations employed by the School Partner.

“Dispute” has the meaning set forth in Section 11.2.

“Effective Date” means, with reference to this Agreement, the date set forth in the recitals of this Agreement and, with reference to the Services and Fee Addendum, the date set forth in the recitals of the Services and Fee Addendum.

“Facilities Expense” includes building expense (leases, taxes), utilities, maintenance and furniture and fixtures, and excludes building related expenditures which are capitalized and amortized/depreciated. This definition is based upon the understanding that the School Partner does not hold title to the facilities it occupies. If the School Partner acquires and occupies a school facility during the Term, USI and the Governing Board agree to negotiate in good faith the proper treatment of the owned facility with respect to the Service Fee.

“Facility” means a building or other structure, of sufficient size to house the number of students agreed upon by USI and the School Partner to be housed in each such building or other structure, and suitable for use by the School Partner and meeting all applicable building codes, zoning ordinances and laws, environmental laws and regulations, and all other laws and regulations applicable to the operation of the School Partner.

“Facility Contract” means the lease or other contract for the use of a Facility, including any such agreement with the local Department of Education.

“FERPA” has the meaning set forth in Section 6.6.

“Final Recurring Public Revenue” means the Recurring Public Revenue as calculated and verified at the end of each fiscal year.

“Governing Board” means the governing board or other body with decision-making authority to direct or cause the direction of the management and policies of the School Partner.

“Indemnified Claims” has the meaning set forth in Section 9.2.

“Indemnified Party” has the meaning set forth in Section 9.6(a).

“Indemnifying Party” has the meaning set forth in Section 9.6(a).

“Initial Term” has the meaning set forth in Section 10.1.

“Marks” means all trademarks, service marks, design marks, trade names, domain names, registrations and applications for registration thereof, and any common law rights pertaining thereto, belonging to either Party.

“Material Notices” has the meaning set forth in Section 11.10.

“Minimum Enrollment Levels” has the meaning set forth in Section 6.4.

“Party” and “Parties” has the meaning set forth in the recitals.

“Principal(s)” in the singular means the senior-most School Partner employee responsible for all instructional aspects of each School Campus, and in the plural means all Principals employed by the School Partner.

“Proprietary Information” means all copyright and other proprietary rights to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by either Party, its employees, agents or subcontractors.

“Recurring Public Revenue” means the sum of annual public entitlement aid, including Core Aid tuition which includes General, SPED and State Special Funding and all ESSA funding which includes Title I, Title II A, IID, III, IV, V and IDEA funding.

“Regulatory Authority” means any United States federal, State or local government, or political subdivision thereof, any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof), any arbitrator or arbitral body, or any similar body with jurisdiction over the activities and operations of the School Partner.

“Renewal Term” has the meaning set forth in Section 10.1.

“Routine Notices” has the meaning set forth in Section 11.10.

“School Campus” means any of the charter schools operated by the School Partner, and as identified in the Services and Fee Addendum.

“School Partner Indemnified Persons” has the meaning set forth in Section 9.2.

“School Partner License” has the meaning set forth in Section 8.1(a).

“School Partner Marks” shall mean all Marks owned by or belonging to the School Partner, as set forth in Exhibit B. For the avoidance of doubt, School Partner Marks shall include all current and future Marks owned or belonging to the School Partner during the Term of this Agreement.

“Service Fee” means the amount equal to 13.5 percent multiplied by the sum of Recurring Public Revenue less Facilities Expense.

“Services” has the meaning set forth in Section 4.

“Services and Fee Addendum” have the meaning set forth in Section 4.1.

“USI License” has the meaning set forth in Section 8.1(b).

“USI Marks” shall mean all Marks owned by or belonging to USI, as set forth in Exhibit A. Notwithstanding the foregoing or Exhibit A, the words “Charter” or “School” shall be deemed to be USI Marks only when used in connection with any other USI Mark or when used in the exact combination of words listed herein. For the avoidance of doubt, USI Marks shall include all current and future Marks owned or belonging to USI during the Term of this Agreement.

“Term” has the meaning set forth in Section 10.1.

“Termination Assistance Period” has the meaning set forth in Section 10.7.

“Termination Notice” has the meaning set forth in Section 10.2(b).

“Third Party Claim” has the meaning set forth in Section 9.6.

“USI” has the meaning set forth in the recitals.

2. REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of USI.

USI represents and warrants as follows:

- (a) Organization. USI is a nonprofit corporation duly organized under the laws of the state of New Jersey, with the purpose and legal ability to contract to provide educational management services. USI shall notify the School Partner of any

change in its corporate status. USI shall not change its corporate status such that this Agreement is materially affected. USI shall also notify the School Partner when it is aware that it has become insolvent, has entered into receivership, is the subject of a voluntary or involuntary bankruptcy proceeding, knowingly makes an assignment for the benefit of creditors, or is aware that it does not have sufficient financial resources to perform its obligations under this Agreement in the ordinary course.

- (b) Authority. USI is authorized to do business in the Applicable State and Applicable Locality, each to the extent required by law. USI has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder (including the Services and Fee Addendum), and to otherwise consummate the transactions contemplated hereby. This Agreement constitutes a valid and binding obligation of USI, enforceable against USI in accordance with its terms, and the signatory hereto is duly authorized by USI to sign this Agreement and bind USI to the terms hereof.
- (c) Full Disclosure. No representation or warranty of USI herein and no statement, information or certificate furnished or to be furnished by USI pursuant hereto or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading.
- (d) Litigation. Except for the matter of *Rochester City School District v. Genesee Valley Real Estate Company, LLC, Uncommon Schools, Inc. and True North Rochester Preparatory Charter School a/k/a Rochester Prep*, (N.Y. Sup Ct., Monroe County, Dec. 26, 2018, Index No. E2018010646), there is no suit, claim, action or proceeding now pending or, to the knowledge of USI, threatened before any Regulatory Authority to which USI is a party and which may result in any judgment, order, decree, liability, award or other determination which will or may reasonably be expected to have a material adverse effect upon USI or upon the right or ability of USI to enter into and perform this Agreement. No such judgment, order, decree or award has been entered against USI which has, or may reasonably be expected to have, such effect. There is no claim, action or proceeding now pending or, to the knowledge of USI, threatened before any Regulatory Authority involving USI which will or may reasonably be expected to prevent or hamper the performance of the agreements of USI contemplated by this Agreement.
- (e) Conduct of USI. USI has complied, and at all times during the Term will comply, in all material respects with all local, state and federal laws and regulations that are applicable to USI, or the School Partner when USI is acting on its behalf, which include, but are not limited to the Internal Revenue Code, the non-profit corporation law of New Jersey and the Charter Schools Law. USI has maintained and will maintain adequate records of the activities and decisions of USI to ensure and document compliance with all such laws and regulations. The School Partner agrees to provide USI with copies of all records that are in its possession or under its

control (other than those prepared by USI), and to allow USI to, at USI's discretion, assist with the preparation and retention of such records, subject to applicable laws and regulations concerning the privacy of such records.

- (f) Insurance. USI has commercial general liability or other, similar insurance at its own expense at levels approximately equal to those maintained by the School Partner, or as required by law, to cover USI's actions and those of its agents. USI need not have a separate insurance contract for the School Partner.
- (g) Third Party IT. Notwithstanding anything to the contrary in this Agreement, USI makes no representations or warranties with respect to third party information technology, software or equipment obtained by USI on behalf of School Partner. USI does not provide indemnification obligations for any intellectual property infringement caused by School Partner's use of the third party information technology, software or equipment.

2.2 Representations and Warranties of the School Partner.

The School Partner represents and warrants as follows:

- (a) Organization and Tax Exempt Status. The School Partner is, and at all times during the Term will be, an education corporation duly organized under the laws of the Applicable State and Applicable Locality, with the purpose and legal ability to operate charter schools and to contract for educational management services. Should the Internal Revenue Service require changes to this Agreement in conjunction with the School Partner's application for or continuation of tax exempt status, both Parties will take all reasonable steps and agree to all reasonable modifications to effectuate the necessary changes.
- (b) Authority. The School Partner has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder (including the Services and Fee Addendum), and to otherwise consummate the agreements contemplated hereby and thereby. This Agreement constitutes a valid and binding obligation of the School Partner, enforceable against the School Partner in accordance with its respective terms, and the signatory hereto is duly authorized by School Partner to sign this Agreement and bind School Partner to the terms hereof.
- (c) Litigation. Except for the matter of *Rochester City School District v. Genesee Valley Real Estate Company, LLC, Uncommon Schools, Inc. and True North Rochester Preparatory Charter School a/k/a Rochester Prep*, (N.Y. Sup Ct., Monroe County, Dec. 26, 2018, Index No. E2018010646), there is no suit, claim, action or proceeding now pending or, to the knowledge of the School Partner, threatened before any Regulatory Authority to which the School Partner is a Party or which may result in any judgment, order, decree, liability, award or other determination which will or may reasonably be expected to have a material adverse effect upon the School Partner. No such judgment, order, decree or

award has been entered against the School Partner which has, or may reasonably be expected to have, such effect. There is no claim, action or proceeding now pending or, to the knowledge of the School Partner, threatened before any Regulatory Authority involving the School Partner which will or may reasonably be expected to prevent or hamper the consummation of the agreements contemplated by this Agreement.

- (d) Full Disclosure. No representation or warranty of the School Partner herein and no statement, information or certificate furnished or to be furnished by the School Partner pursuant hereto or in connection with the agreement contemplated hereby contains any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading.
- (e) Conduct of the School Partner and its Governing Board. The School Partner has complied, and at all times during the Term will comply, in all material respects with all local, State and federal laws and regulations that are applicable to the School Partner, which include, but are not limited to the Internal Revenue Code, the not-for-profit corporation law of the Applicable State, the open records and meetings laws of the Applicable State, the Applicable Locality and the Charter Schools Law. The School Partner has maintained and will maintain adequate records of the activities and decisions of the School Partner to ensure and document compliance with all such laws and regulations. The School Partner agrees to provide USI with copies of all such records (except such non-public records that may reflect the Governing Board's discussions or evaluations of USI or its relationship with USI), and to allow USI to, at USI's discretion, assist with the preparation and retention of such records, subject to applicable laws and regulations concerning the privacy of such records.
- (f) Due Authorization. The School Partner is authorized to organize and operate the School Campuses and is vested by the Authorizer with all powers necessary to carry out the educational program outlined in the Charter Contract. Regardless of the delegation of any duties to USI, the School Partner shall at all times retain all rights and responsibilities under the Charter Contract.

3. AUTHORITY

3.1 Delegation of Authority to USI.

The School Partner hereby authorizes USI to undertake the functions specified in this Agreement in regards to business and academic services of the School Partner on behalf of the School Partner, it being understood that, at all times, USI remains accountable and subject to the oversight of the School Partner, the Authorizer, and authorities of the Applicable State and Applicable Locality, each as provided for in this Agreement and by law. The School Partner also authorizes USI to take such other actions that may not be expressly set forth in this Agreement, but which are necessary in USI's good faith and reasonable judgment to properly and efficiently perform its responsibilities pursuant to this Agreement, provided such actions are consistent with

the Charter Contract, applicable laws and the annual School Partner budget approved by the Governing Board, and that USI provides reasonable prior notice to the Governing Board of the School Partner if any such other material action is to be taken by USI.

3.2 USI Authority to Subcontract.

Except to the extent prohibited by law or this Agreement, USI may subcontract any function or service it is obligated to provide hereunder, provided that no such subcontract permitted hereunder shall relieve or discharge USI from any obligation or liability under this Agreement. USI shall, upon the request of the Governing Board, provide an annual list indicating, for each subcontract with an actual or expected value of more than \$100,000: (a) the functions or services it subcontracts or expects to subcontract the following fiscal year that it is obligated to provide hereunder; and (b) the vendors to whom it expects to subcontract said services, to the extent they are known. Additionally, at all times under this Agreement, USI shall provide reasonable advance notice to the Governing Board of any intention to subcontract an academic function. Notwithstanding the immediately foregoing, USI shall not subcontract the majority of its core academic functions.

3.3 State and Local Authorities.

Nothing in this Agreement shall be construed in any way to limit the authority of the Authorizer or other regulatory authorities of the Applicable State or Applicable Locality, including, but not limited to, the authority to take and enforce action pursuant to the Charter Schools Law.

3.4 Conflict with Charter.

To the extent there are any conflicts between the terms of the Charter Contract or the School Partner's provisional charter, and the terms of this Agreement, the terms of the Charter Contract or the School Partner's provisional charter, as applicable, shall control.

3.5 Assigned USI Representative

At all times at least one representative designated by USI ("Assigned USI Representative") shall be elected as a member of the Governing Board, and the Governing Board shall take all necessary actions to amend and restate its applicable certificates, bylaws and other governance documents to provide for such election, unless otherwise prohibited by law. The Assigned USI Representative serving on the Governing Board shall be entitled to participate in all discussions and to vote, except in those instances in which his/her employment or affiliation with USI may pose a conflict of interest with his/her obligations as a trustee of the School Partner, subject to the Bylaws of the School Partner and the Charter Contract, and shall consider any reasonable request for recusal by the presiding officer with respect to matters relating to the approval, amendment or termination of this Agreement.

4. SERVICES

USI shall provide to the School Partner the services referenced in this section, whether identified in the Services and Fee Addendum or any Amended Services and Fee Addendum (the "Services"), all of which are incorporated herein by reference and made part of this Agreement.

USI may perform functions off-site, except as prohibited by State law. USI may utilize web-based systems to provide support and counsel to the School Partner.

USI shall be responsible for any and all travel, travel-related and incidental expenditures incurred by USI employees in the delivery of the Services. The School Partner shall be responsible for all travel, travel-related and incidental expenditures incurred by its employees.

4.1 Services and Fee Addendum.

The scope of Services to be provided by USI to the School Partner pursuant to this Agreement shall be described in an addendum incorporated into this Agreement (the "Services and Fee Addendum"). The Services and Fee Addendum shall contain the following information, as may be applicable: (a) the School Campuses for which Services shall be performed by USI; (b) the details of the scope and type of Services to be performed by USI; (c) fees and payment terms related to such Services; and (d) any other additional terms required for the performance of Services. No Services and Fee Addendum shall be effective until executed in writing by authorized representatives of both Parties. The Services and Fee Addendum shall be deemed incorporated into this Agreement as a schedule hereto and shall be treated as Services under the applicable terms of this Agreement subject to the approval, if required, of the School's chartering Authorizer. If any terms or conditions set forth in this Agreement conflict with or contradict in any manner any terms or conditions of the Services and Fee Addendum, the terms and conditions of this Agreement shall prevail, except to the extent that the Services and Fee Addendum expressly states that specific provisions override conflicting provisions of this Agreement for purposes of a specific engagement.

4.2 Changes to Services and Fee Addendum

If either Party desires to modify the School Campuses, the scope of Services, or other matters set forth in the Services and Fee Addendum, either Party shall submit a change request to the other Party. Upon receipt of a request, the Parties shall negotiate in good faith the details of such changes, if any, and once agreed shall execute a written amendment (each, an "Amended Services and Fee Addendum") detailing: (a) the changes to the scope of Services; (b) the impact on fees; and (c) any other additional terms required to effectuate the change. No Amended Services and Fee Addendum shall be effective until executed in writing by authorized representatives of both Parties and, if required, approved by the chartering Authorizer.

5. DUTIES AND OBLIGATIONS OF THE SCHOOL PARTNER

In addition to the duties and obligations expressly set forth in the Services and Fee Addendum, the School Partner shall have the following duties and obligations:

5.1 Provision of Suitable Facilities of the School Partner

(a) As of the date of this Agreement, the locations of the School Campuses shall be as set forth in the Services and Fee Addendum.

(b) The School Partner shall procure and maintain insurance for damage or loss to the Facilities and to the personal property of the School Partner located at the Facilities or elsewhere. USI shall have no liability for damage to or loss of the Facilities or the said personal property except as provided in Section 11.5 and shall have no liability under any lease or other document pertaining to the said Facilities or personal property. The School Partner shall indemnify and hold harmless USI against any loss or damage which USI may incur as a result of loss of or damage to the Facilities or the said personal property or any claims of third parties arising on, or from the operation of, the Facilities or said personal property except as provided in Section 11.5.

(c) Should any School Campus need to be moved in any subsequent year because of a need for more space, a dispute with the operators of the Facility or other reason, the School Partner shall use its best efforts to secure such Partner Campus with a suitable Facility. USI, if requested by the School Partner, will use commercially reasonable efforts to assist the School Partner in the identification of a Facility. USI and the School Partner shall also work together to provide Facilities needed to expand the School Partner in the future.

(d) The School Partner shall provide physical facilities for USI employees to provide Services to the School Partner and to otherwise work in furtherance of the provisions of this Agreement. The specific requirements for such facilities shall be determined and mutually agreed upon by the Parties, in their reasonable discretion, and shall be subject to reasonable modification from time to time during the term of this Agreement. If the Parties are unable to reach a mutually acceptable agreement regarding such physical facilities at any time during the term of this Agreement, the School Partner shall pay USI an amount equal to the fair market value associated with USI obtaining such facilities from another source.

5.2 Annual Financial Audit.

The School Partner shall pay for an annual financial audit of the School Partner to be conducted in compliance with applicable law and regulations, and showing the manner in which funds are spent at the School Partner. The annual financial audit shall be performed by a certified public accountant approved by the Governing Board of the School Partner.

5.3 Charter Renewal and Additional Required Filings to Authorizer

The School Partner shall be responsible for filing and completing charter renewal applications for each School Campus, as well as any reports or other documents required to be submitted to the Authorizer. USI will support the School Partner in the completion and filing of such charter applications, renewal applications and other documents, as applicable.

5.4 Legal Services.

The School Partner shall arrange and, if necessary, pay for its own legal services.

5.5 Accounting, Bookkeeping, Procurement, and other Financial Functions.

The School Partner shall be responsible and accountable for the following financial functions:

- (a) payment of School Partner expenditures with School Partner funds;
- (b) payroll, in accordance with Section 5.6;
- (c) transfer to USI of all relevant financial information;
- (d) review financial reports;
- (e) coding of all vendor invoices and processing deposits in accordance with USI's fiscal policies and procedures before sending the information to USI;
- (f) process all vendor invoices and contract and grant information to USI in accordance with USI's fiscal policies and procedures; and
- (g) availability of the Governing Board, Principals, Directors of Operations, or other School personnel, as applicable, for consultation with USI staff during normal business hours.

5.6 Payroll, Employee Salaries and Benefits.

The School Partner shall be responsible and accountable for the funding of the salaries, fringe benefits, and state and federal payroll taxes for all individuals employed by the School Partner, and all independent contractors delivering services to the School Partner. All such payments shall be made by USI with School Partner funds on a timely basis, in accordance with all State and federal laws and regulations, including all tax requirements. The School Partner shall also be responsible for maintaining performance management and development related human resource files.

5.7 Power and Authority.

The School Partner shall take reasonable actions to assist USI in securing such approvals and authorizations as may be necessary to carry out the duties of USI under this Agreement.

5.8 State and Federal Waivers.

Subject to prior notice to the Governing Board, the School Partner shall, with USI's assistance, timely apply for and support the waiver of any federal or State rules or regulations that conflict with recommendations of USI and the Parties' objective of providing an exemplary education.

5.9 Evaluation of USI

At its discretion, the Governing Board will provide an annual written evaluation of USI's performance after the conclusion of each school year.

6. OPERATION OF THE SCHOOL CAMPUSES

6.1 Principals and Directors of Operations

USI shall assign one or more employees of USI who shall be responsible for supervising and managing the Principals and Directors of Operations, or leaders with similar responsibilities, and for managing and implementing the academic and non-academic operations of the School Partner (the "Assigned Supervisor").

Because the accountability of USI to the School Partner is an essential foundation of this Agreement, and because the responsibility of Principals and Directors of Operations are critical to the School Partner's success, the School Partner delegates to USI the authority and responsibility, consistent with State law, to recruit, supervise, and recommend for hiring and firing, Principals and Directors of Operations, and to hold such persons accountable for the success of the School Partner. In order to make hiring recommendations, USI shall have the right to determine selection criteria, select and interview final round candidates, and establish compensation parameters. USI shall present hiring recommendations to the School Partner on an as needed basis, USI shall, as may be necessary from time to time, also make firing recommendations to the School Partner.

The Governing Board will promptly consider and act on any USI recommendation regarding the employment and termination of any Principal or Director of Operations. It is the expectation of the Parties that, in the absence of extraordinary circumstances, the Governing Board will follow USI's recommendation, unless two thirds of the Governing Board members unaffiliated with USI vote against the recommendation, subject to the provisions specified in Sections 10.3(a)(v), 10.3(a)(vi)(2) and 10.3(a)(vi)(3).

6.2 Teachers and Other School Personnel-Related Support

Excluding the Director of Operations, each Principal shall have the final authority to hire instructional staff and the Director of Operations shall have the final authority to hire operational staff, although USI may recommend termination of a School Partner employee.

During the term of this Agreement, the School Partner will be the employer of the School Partner's teachers, administrators and other professionals and staff, and USI will become a co-employer of such personnel solely to facilitate their access to specified medical, dental and similar benefits and as may otherwise be mandated by applicable law. The School Partner acknowledges and agrees that except as set forth in the preceding sentence and in Section 1(g) of the Services and Fee Addendum, USI shall not have, nor shall it be deemed to have, any of the duties, obligations or responsibilities as an employer of any of the School Partner's personnel. The School Partner is not financially responsible for paying for specified medical, dental and similar benefits for USI employees. Similarly, USI is not financially responsible for paying for specified medical, dental and similar benefits for the School Partner's personnel.

USI shall assist each Principal and Director of Operations in performing the following personnel functions:

- determining staff responsibilities;
- providing counsel as to evaluation and discipline of personnel;
- training in USI methods, curriculum, program, and technology to all teaching personnel; and
- training to all non-teaching personnel as USI determines is necessary.

USI will assist the School Partner (specifically the Principals) to develop the internal capacity to deliver teacher training, especially the initial teacher training covering the basics of the USI methodology. USI will work closely with the Principals to jointly plan and deliver ongoing teacher training.

Each Principal and Director of Operations shall be an employee of the School Partner, but each shall report to the Assigned Supervisor and shall coordinate the management of the School Partner with such Assigned Supervisor.

6.3 Recruitment and Admission.

USI and the School Partner shall be jointly responsible for the recruitment and admission of students in accordance with the Charter Schools Law, Charter Contract and applicable law, but USI's involvement in supporting School Partner's recruitment and admission of students shall not give rise to any liability of USI, including, without limitation, liability for the failure of enrollment to support School Partner's budget, and shall not limit USI's right to terminate this Agreement pursuant to Section 10.3.

6.4 Minimum Enrollment Levels.

If School Partner fails to maintain 85% of the prior school year's actual enrollment (the "Minimum Enrollment Levels"), this Agreement may be terminated by USI upon three (3) months written notice to the School Partner if such failure is not cured within such three month notice period, subject to the limitations in Section 10.5. The Minimum Enrollment Levels shall be calculated based on the actual student enrollment of the School Partner during each regular academic year of the contract.

6.5 School Partner Day and Year for Students.

The School Partner's calendar shall be developed annually by USI, in conformity with the minimum standards for time and learning required by the Authorizer.

6.6 School Partner Policies

The School Partner and USI are committed to the educational success of all School Partner students as set forth in the educational program outlined in the Charter Contract.

Consequently, USI shall develop the School Partner's policies, rules, regulations, and procedures as set forth in the Services and Fee Addendum, and make recommendations concerning personnel and budget, and USI and the School Partner shall mutually work together in good faith in considering and adopting USI's recommendations.

6.7 Family Educational Rights and Privacy Act.

The School Partner hereby designates employees of USI as agents of the School Partner having a legitimate educational interest such that they are entitled to access education records under 20 U.S.C. § 1232g, the Family Educational Rights and Privacy Act ("FERPA"). USI, its officers and employees shall comply with FERPA at all times.

6.8 Students with Special Needs

The School Partner recognizes its obligation to provide an appropriate education to all students enrolled in the School Campuses, regardless of special need, in accordance with the requirements of the Individuals with Disabilities Education Act and Section 504 of the Rehabilitation Act of 1973 as modified by the Charter School Law. As required by law, the School Campuses shall be open to individuals with handicapping conditions and other special needs. USI may, on behalf of the School Partner, subcontract as necessary and appropriate to a municipal, public or private contractor or otherwise for the provision of special education services, subject to approval by the School Partner, which shall not be unreasonably withheld.

7. FINANCIAL ARRANGEMENTS

7.1 Funding Eligibility.

The Director of Operations and Principal of each School Campus shall be responsible for complying with applicable requirements for the purpose of receiving or maintaining the School Partner's eligibility to receive from state and local agencies in the Applicable State and Applicable Locality the per pupil allowance and other funds to which the School Partner is entitled under applicable law. The School Partner shall apply for all Applicable State and Applicable Locality aid and other monies it is eligible to receive. USI shall provide such assistance to the School Partner in the preparation or review of Applicable State or Applicable Locality aid applications and reports as the School Partner may request. The School Partner shall permit USI to review any such applications and reports prior to their submission, and USI shall have the right to assume control of the application and report process if and to the extent it reasonably deems it appropriate to do so.

7.2 Fundraising, Donations and Grants.

USI shall provide fundraising assistance to the School Partner as specified in the Services and Fee Addendum. The Governing Board will commit to fundraising, with the support of USI, an amount mutually agreed upon by both parties. Monies raised by USI fundraising activities specifically for the School Partner shall be used and retained for the benefit of the School Partner; including use by USI for third party costs outlined in Section 3.2. All other funds raised by USI for its own benefit or the benefit of other schools managed by USI, shall be the exclusive property of USI and the School Partner shall have no claim on such funds. Nothing

contained herein shall limit USI from making grants to the School Partner of funds raised by USI for purposes other than the School Partner, as USI determines in its sole and absolute discretion.

The Governing Board, the School Partner and USI will work together to procure grants and donations on behalf of the School Partner, as specified in the Services and Fee Addendum.

7.3 Service Fees

The Service Fees to be paid by School Partner to USI shall be as set forth in the Services and Fee Addendum.

7.4 No Required Loans or Advances.

Neither Party shall have any obligation to advance or loan any funds to the other Party.

8. PROPRIETARY INFORMATION AND CONFIDENTIAL INFORMATION

8.1 Marks and Proprietary Information.

- (a) The School Partner agrees that to the extent permitted by law, USI shall own all USI Marks and all Proprietary Information, provided that, except as otherwise provided in Section 10.9 hereof, the School Partner shall have the non-exclusive and royalty-free license to use the USI Proprietary Information and the USI Marks for the purpose of operating the School Partner during the Term of the Agreement (the "School Partner License"). USI shall have the sole and exclusive right to license such materials for use by other school districts or customers or to modify and/or sell such material to other school districts and customers. During the Term, USI may disclose such USI Proprietary Information, including that which is currently in existence as well as that which may be created in the future. The School Partner shall not disclose, publish, copy, transmit, modify, alter or utilize such USI Proprietary Information during the Term or at any time after the expiration of this Agreement other than to the extent necessary for implementation of this Agreement or the operation of any School Campus. The School Partner shall use such efforts as may be reasonably requested by USI to assure that no School Partner personnel or agents disclose, publish, copy, transmit, modify, alter or utilize the USI Proprietary Information without USI's prior written consent, except as required for the operation of each School Campus.
- (b) USI agrees that to the extent permitted by law, the School Partner shall own all School Partner Marks and all proprietary information that the School Partner develops, provided that, except as otherwise provided in Section 10.9 hereof, USI shall have the non-exclusive and royalty-free license to use the School Partner Proprietary Information and School Partner Marks for the purpose of operating USI during the Term of the Agreement (the "USI License"). The School Partner shall have the sole and exclusive right to license such materials for use by other school districts or customers or to modify and/or sell such material to other school districts and customers. During the Term, the School Partner may disclose such School Partner Proprietary Information, including that which is currently in

existence as well as that which may be created in the future. USI shall not intentionally disclose, publish, copy, transmit, modify, alter or utilize School Partner Proprietary Information during the Term or at any time after the expiration of this Agreement other than to the extent necessary for implementation of this Agreement or the operation of USI. USI shall use such efforts as may be reasonably requested by the School Partner to assure that no USI personnel or agents disclose, publish, copy, transmit, modify, alter or utilize School Partner Proprietary Information without the prior written consent of the School Partner, except as required for the operation of USI.

- (c) Both Parties acknowledge the importance to the other Party of its reputation and goodwill in the Marks. Accordingly, each Party will use the other Party's Marks in a manner that is consistent with any Mark usage and quality control guidelines established by such Party and shall, upon the Mark owner's request, provide samples of all uses of the Marks for review. In the event that the Mark owner identifies any issues with the other Party's usage, the Party using the Mark shall promptly address and correct such issues. Each Party acknowledges that USI is the owner of the USI Marks and School Partner is the owner of the School Partner Marks, and that any goodwill established by the other Party's use of the Marks, will inure to the exclusive benefit of the Party who owns the Marks. Each Party shall, at its sole cost and expense, be responsible for taking all necessary steps to maintain and defend applications and registrations of their own Marks.

8.2 Treatment of Confidential Information.

- (a) Confidential Information. The Parties acknowledge that prior to the Term, either Party may have disclosed, and during the Term either Party may disclose, Confidential Information to the other Party. The Parties agree that they will not at any time or in any manner, directly or indirectly, use or disclose any trade secrets or other Confidential Information to anyone, and that the Parties will not use Confidential Information for any purpose other than those provided for herein or for the operation of the School Campuses.
- (b) Protection of Confidential Information. The Parties shall preserve and take all reasonable precautions to prevent the disclosure of the Confidential Information to any persons, entities, and/or firms other than those authorized by the Parties to receive such information, except in connection with the operation of the School Campuses.
- (c) Use of Confidential Information. The Parties agree that the Confidential Information: (i) shall be used solely in furtherance of this Agreement or the operation of the School Campuses, and shall not otherwise be used for the benefit of others; (ii) shall not be copied or reproduced by the Parties without the express written permission of the Parties, except for such copies as may be reasonably required for accomplishment of provisions of this Agreement or the operation of the School Campuses; and (iii) shall not be disclosed to any third party without the prior written consent of the Parties, except in connection with the operation of

the School Campuses. The Parties agree that they will not knowingly infringe upon, or permit any of their respective employees or agents to infringe upon, any rights of any third party or knowingly violate the patent, copyright, trademark, trade secret, or other proprietary right of any third party in connection with the performance of this Agreement. If a Party becomes aware of any infringement or alleged instance of infringement, the Party agrees to notify the other Party promptly in writing.

- (d) Return of Confidential Information. The Parties will promptly deliver to the other Party any and all Confidential Information, including all written and electronic copies, in the Party's possession or control upon termination or expiration of this Agreement or upon request by the other Party, except in connection with the operation of the School Campuses.
- (e) Rights to Confidential Information. Except as required for the Parties' performance hereunder or the operation of the School Campuses, nothing in this Agreement shall be construed to require the Parties to provide, or to entitle the Parties to obtain, any Confidential Information or any rights of the other Party therein. The Parties agree that these confidentiality obligations shall survive the expiration or termination of this Agreement for five years.
- (f) Specific Performance. In addition to all of the remedies otherwise available to the Parties, including, but not limited to, recovery of damages and reasonable attorneys' fees incurred in the enforcement of this Article 8, the Parties shall have the right to injunctive relief to restrain and enjoin any actual or threatened breach of the provisions of this Article 8. All of the Parties' remedies for breach of this Article 8 shall be cumulative and the pursuit of one remedy shall not be deemed to exclude any other remedies. The Parties acknowledge and agree that their respective rights under this Article 8 are special and unique and that any violation of this Article 8 by the other Party would not be adequately compensated by money damages alone.

9. INDEMNIFICATION

9.1 Survival of Representations and Warranties.

All representations and warranties hereunder shall be deemed to be material and relied upon by the Parties with or to whom the same were made, notwithstanding any investigation or inspection made by or on behalf of such Party or Parties. The representations and warranties covered in this Agreement will survive the termination or expiration of this Agreement.

9.2 Indemnification of the School Partner.

USI shall hold the School Partner and its trustees, officers, successors, assigns, and agents (the "School Partner Indemnified Persons") harmless and indemnify each of them from and against any and all claims, losses, damages, liabilities, penalties, fines, expenses or costs ("Claims"), plus reasonable attorneys' fees and expenses incurred in connection with Claims and/or enforcement of this Agreement, plus interest from the date incurred through the date of

payment at the prime lending rate as published in *The Wall Street Journal*, from time to time prevailing (collectively, the "Indemnified Claims"), incurred or to be incurred by any School Partner Indemnified Person resulting from or arising out of, directly or indirectly, any breach or violation of USI's representations, warranties, covenants, or agreements contained in this Agreement provided that in no event shall Indemnified Claims include consequential, punitive, or exemplary damages.

In particular, USI shall indemnify the School Partner Indemnified Persons against any claim that arises from (i) a USI employee, Principal or Director of Operations engaging in harassing, discriminating or retaliatory behavior against a School Partner employee; (ii) USI's failure to disclose to School Partner or to properly address complaints of harassment, discrimination or retaliation, consistent with School Partner's policies, made or known to UST by or about a School Partner employee; and/or (iii) USI, in making a recommendation to not hire, terminate or discipline a School Employee, providing information that is inaccurate or knowingly incomplete that is relied upon by School Partner in taking action against such employee. The indemnification set forth in this Section 9(b) shall not be subject to the limitation of claims provided for in Section 9.4 of this Agreement.

9.3 Indemnification of USI.

The School Partner shall hold USI and its affiliates, and the shareholders, directors, officers, partners, successors, assigns, and agents of each of them (the "USI Indemnified Parties"), harmless and indemnify each of them from and against any and all Indemnified Claims incurred or to be incurred by any USI Indemnified Party resulting from or arising out of, directly or indirectly, any breach or violation of the School Partner's representations, warranties, covenants or agreements contained in this Agreement provided that in no event shall Indemnified Claims include consequential, punitive, or exemplary damages.

9.4 Limitation on Claims of the School Partner

Notwithstanding anything in this Agreement to the contrary, USI shall have no liability for any Indemnified Claim and USI shall have no obligations or liabilities pursuant to Section 9.2:

- (a) until the aggregate of the Claims suffered or incurred by the School Partner exceeds Five Thousand Dollars (\$5,000) (the "Deductible"). After the Deductible has been met there shall be liability for the aggregate of all Claims. In computing the amount of the Claims incurred by the School Partner, the amount of any operational savings and the amount of any insurance proceeds received by the School Partner for an insured event under insurance policies referenced in this Agreement as a result thereof as well as the operational cost arising out of such indemnity, if any, shall be taken into account;
- (b) to the extent such liabilities exceed the lesser of (i) the Service Fees paid to USI during the academic year in which the action or omission giving rise to the Claim occurred and (ii) the amount of any insurance proceeds received by the School Partner for an insured event under insurance policies referenced in this

Agreement; provided, however that the foregoing limitation shall not be construed to limit any remedy to School Partner under this Agreement nor shall it excuse, release or apply to any claims resulting from USI's gross negligence, intentional or willful misconduct, or fraudulent acts or omissions, or the representations and warranties set forth in Section 2.1(a) or (b); and

- (c) if the claim for indemnification is made pursuant to Section 9.2, to the extent that USI can demonstrate that the School Partner had, prior to the Effective Date of this Agreement, actual knowledge that the applicable representation or warranty was untrue or incomplete or had been breached or that the applicable covenant had been breached or was unfulfilled prior to the Effective Date of this Agreement.

9.5 Limitation on Claims of USI

Notwithstanding anything in this Agreement to the contrary, the School Partner shall have no liability for any Indemnified Claim and the School Partner shall have no obligations or liabilities pursuant to Section 9.3:

- (a) until the aggregate of the Claims suffered or incurred by USI exceeds the Deductible. After the Deductible has been met there shall be liability for the aggregate of all Claims. In computing the amount of the Claims incurred by USI, the amount of any operational savings actually realized by USI as a result thereof as well as the operational cost arising out of such indemnity, if any, shall be taken into account;
- (b) to the extent such liabilities exceed the lesser of (i) the Service Fees paid by the School Partner during the academic year in which the action or omission giving rise to the Claim occurred or (ii) the amount of any insurance proceeds received by USI for an insured event under insurance policies referenced in this Agreement; and
- (c) if the claim for indemnification is made pursuant to Section 9.3, to the extent that the School Partner can demonstrate that USI had, prior to the Effective Date of this Agreement, actual knowledge that the applicable representation or warranty was untrue or incomplete or had been breached or the applicable covenant had been breached or was unfulfilled prior to the Effective Date of this Agreement.

9.6 Indemnification of Third-Party Claims

The obligations and liabilities of any Party to indemnify the other under this Article 9 with respect to an Indemnified Claim relating to or arising from third parties (a "Third Party Claim") shall be subject to the following terms and conditions:

- (a) Notice and Defense. The Party to be indemnified (the "Indemnified Party") will give the Party from whom indemnification is sought (the "Indemnifying Party") prompt written notice of any such Claim, and the Indemnifying Party may undertake the defense thereof by representatives chosen by it. Failure to give

notice shall not affect the Indemnifying Party's duty or obligations under this Article 9, except to the extent the Indemnifying Party is prejudiced thereby. If the Indemnifying Party undertakes the defense of a Third Party Claim, then the Indemnifying Party shall be deemed to accept that it has an indemnification obligation under this Article 9 with respect to such Third Party Claim, unless it shall in writing reserve the right to contest its obligation to provide indemnity with respect to such Third Party Claim. So long as the Indemnifying Party is defending any such Third Party Claim actively and in good faith, the Indemnified Party shall not settle such Claim without the prior written consent of the Indemnifying Party. The Indemnified Party shall make available to the Indemnifying Party or its representatives all records and other materials required by them and in the possession or under the control of the Indemnified Party, for the use of the Indemnifying Party and its representatives in defending any such Claim, and shall in other respects give reasonable cooperation in such defense.

- (b) Failure to Defend. If the Indemnifying Party, within thirty (30) days after notice of any such Claim, fails to dispute the obligation of the Indemnifying Party with respect to such Claim and fails to defend such Claim actively and in good faith, then the Indemnified Party will (upon written notice to the Indemnifying Party) have the right to undertake the defense, compromise or settlement of such Claim or consent to the entry of a judgment with respect to such Claim, on behalf of and for the account and risk of the Indemnifying Party, and the Indemnifying Party shall thereafter have no right to challenge the Indemnified Party's defense, compromise, settlement or consent to judgment therein.
- (c) Indemnified Party's Rights. Anything in this Article 9 to the contrary notwithstanding, (i) if there is a reasonable probability that a Claim may materially and adversely affect the Indemnified Party other than as a result of money damages or other money payments, the Indemnified Party shall have the right to defend, compromise or settle such Claim, and (ii) the Indemnifying Party shall not, without the written consent of the Indemnified Party, settle or compromise any Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party of a release from all liability in respect of such Claim.

9.7 Payment.

The Indemnifying Party shall promptly pay the Indemnified Party any amount due under this Article 9. Upon a final, non-appealable judgment, or upon other determination, settlement or compromise of any third party claim, the Indemnifying Party shall pay promptly on behalf of the Indemnified Party, and/or to the Indemnified Party in reimbursement of any amount theretofore required to be paid by it, the amount so determined by judgment, determination, settlement or compromise and all other Claims of the Indemnified Party with respect thereto. If the Indemnifying Party desires to appeal from an adverse judgment, then the Indemnifying Party shall post and pay the cost of the security or bond to stay execution of the judgment pending appeal. Upon the payment in full by the Indemnifying Party of such amounts, the Indemnifying

Party shall succeed to the rights of such Indemnified Party, to the extent not waived in settlement, against the third party who made such Third Party Claim.

9.8 Adjustment of Liability

In the event an Indemnifying Party is required to make any payment under this Article 9 in respect of any damages, liability, obligation, loss, claim, or other amount indemnified hereunder, such Indemnifying Party shall pay the Indemnified Party an amount which is equal to the sum of (i) the amount of such damages, liability, obligation, loss, claim or other amount, minus (ii) the amount of any insurance proceeds the Indemnified Party actually receives with respect thereto, minus (iii) any third party payments actually received by the Indemnified Party with respect to such damages, liability, obligation, loss, claim or other amount after demand or notice to such third party from the Indemnifying Party (with the consent of the Indemnified Party which will not be unreasonably withheld).

10. TERM AND TERMINATION

10.1 Term.

This Agreement shall have an initial term commencing on the Effective Date and ending on the fifth anniversary of the Effective Date (the "Initial Term"), and shall automatically be renewed for additional one (1) year renewal terms ending on June 30 of each subsequent year (each a "Renewal Term" and collectively with the Initial Term the "Term") unless written notice of intent to terminate or renegotiate is given by either Party not later than the December 31 prior to the end of the Initial Term or the December 31 prior to the end of any Renewal Term. The term of the Services and Fee Addendum shall commence on the Effective Date stated on the Services and Fee Addendum and shall continue for such period of time that the Agreement is in effect, or until the Services and Fee Addendum is replaced by an Amended Services and Fee Addendum pursuant to Section 4.2. Notwithstanding the foregoing, in no event shall this Agreement or any Services and Fee Addendum remain in effect if the School Partner fails to maintain an effective Charter Contract from the Authorizer.

10.2 Termination by School Partner.

The School Partner may terminate this Agreement in accordance with the following provisions:

- (a) Termination for Cause. Subject to the provisions of subparagraph (b) below, the School Partner may terminate this Agreement for cause at any time during the applicable Term. For purposes of this Section 10.2, the term "for cause" shall mean:
 - (i) USI becomes insolvent, enters into receivership, is the subject of a voluntary or involuntary bankruptcy proceeding, makes an assignment for the benefit of creditors, or does not have sufficient financial resources to perform its obligations under this Agreement in the ordinary course;

- (ii) a Regulatory Authority has revoked any license which may be required for USI to carry on its business and perform its obligations and functions under the Charter Contract;
 - (iii) USI violates any material provision of law with respect to the School Partner from which the School Partner was not specifically exempted and which results in material adverse consequences to the School Partner;
 - (iv) USI breaches any of the material terms and conditions of this Agreement, which results in material adverse consequences to the School Partner;
 - (v) the School Partner fails to make reasonable progress toward achievement of the goals and objectives outlined in the "Goals and Objectives" section of the Charter application that was most recently filed and approved by the Authorizer prior to the Effective Date of this Agreement, at any time after a period of at least three years from the Effective Date of this Agreement (with, for the avoidance of doubt, such three-year period from the Effective Date of this Agreement not to consider any subsequent automatic renewals of this Agreement under Section 10.1);
 - (vi) the Authorizer notifies either Party of its intention to revoke the School Partner's Charter Contract or declines to renew the Charter Contract;
 - (vii) the Governing Board notifies USI of its intention to relinquish the School Partner's Charter Contract or declines to review the Charter Contract; or
 - (viii) the enactment, repeal, promulgation or withdrawal of any federal, State or local law, regulation, or court or administrative decision or order finding that this Agreement, the operation of the School Campuses in conformity with this Agreement, or the School Partner's Charter Contract with the Authorizer violates any Party's responsibilities, duties or obligations under the laws, rules or regulations of the United States, the Applicable State, the Applicable Locality, or any contract or agreement.
- (b) USI Right to Cure. Prior to exercising its right to terminate this Agreement pursuant to Section 10.2(a)(i), (ii), (iii), (iv), (vi), (vii) or (viii), the School Partner shall give USI written notice of its basis for terminating the Agreement or the Services and Fee Addendum (a "Termination Notice"). The Termination Notice shall specify the section of this Agreement or the Services and Fee Addendum upon which the School Partner is relying on for the termination and the requirements for correction of the breach. Upon receipt of the Termination Notice, USI shall have 60 business days to remedy the breach, unless such breach endangers the health and safety of the students of the School Partner in which case, the School Partner may immediately terminate this Agreement. If such other breach is not corrected within the cure period, the School Partner may immediately terminate the Agreement.

- (c) Prior to exercising its right to terminate this Agreement pursuant to Section 10.2(a)(i)(v), the School Partner shall give USI a Termination Notice at least six (6) months prior to the effective date of the termination. If the School Partner provides USI with this Termination Notice less than six (6) months prior to the effective date of the termination, School Partner shall pay USI \$150,000 within 60 days of termination, provided that USI shall not have materially breached its obligations under this Agreement.

10.3 Termination by USI.

USI may terminate this Agreement in accordance with the following provisions:

- (a) Termination For Cause. Subject to the provisions of subparagraph (b) below, USI may terminate this Agreement for cause at any time during the applicable Term. For purposes of this Section 10.3, the term "for cause" shall mean that:
- (i) the School Partner breaches any of the material terms and conditions of this Agreement;
 - (ii) the School Partner fails to comply with its Bylaws and such failure materially and adversely affects the ability of the School Campuses to operate as contemplated by this Agreement;
 - (iii) the School Partner violates any material provision of law with respect to the School Partner from which the School Partner was not specifically exempted and which results in material adverse consequences to USI or to the School Partner;
 - (iv) the School Partner materially interferes with the ability of USI to perform under this Agreement;
 - (v) the School Partner's Governing Board overrides USI's recommendation to terminate a Principal or Director of Operations, or overrides one or more of USI's hiring recommendations for a Principal or Director of Operations, subject to and as described in Section 6.1;
 - (vi) the School Partner, during the Term of the Agreement, (1) hires a Principal or Director of Operations without the agreement of USI; (2) fires, without the agreement of USI, a Principal two or more times; or (3) fires, without the agreement of USI, a Director of Operations two or more times. For purposes of this provision, USI will have been determined to have agreed to a hiring or firing decision of the School Partner if School Partner has provided to the USI Assigned Representative (or his/her designee) written notice of the proposed decision at least 30 days prior to the proposed implementation of the decision and the USI Assigned Representative (or his/her designee) either agreed to the decision or did not respond regarding the decision within 14 days of receipt of the written notice;

- (vii) the School Partner refuses or willfully fails to follow any material direction of USI related to implementation of the USI School Model;
 - (viii) the Authorizer notifies either Party of its intention to revoke the School Partner's Charter Contract or declines to renew the Charter Contract;
 - (ix) the Governing Board notifies USI of its intention to relinquish the School Partner's Charter Contract or declines to review the Charter Contract; or
 - (x) the enactment, repeal, promulgation or withdrawal of any federal, State or local law, regulation, or court or administrative decision or order finding that this Agreement, the operation of the School Campuses in conformity with this Agreement, or the School Partner's Charter Contract with the Authorizer violates any Party's responsibilities, duties or obligations under the laws, rules or regulations of the United States, the Applicable State, the Applicable Locality, or any contract or agreement.
- (b) School Partner Right to Cure. Prior to exercising its right to terminate this Agreement pursuant to Section 10.3(a), USI shall give the School Partner a Termination Notice specifying the section of this Agreement upon which USI is relying on for the termination and the requirements for correction of the breach. Upon receipt of the Termination Notice, the School Partner shall have 60 business days to remedy the breach, unless such breach endangers the health and safety of the students of the School Partner in which case, USI may immediately terminate this Agreement or the Services and Fee Addendum. If such other breach is not corrected within the cure period, USI may immediately terminate the Agreement, subject to Section 10.5 below.
- (c) Minimum Enrollment. USI may terminate this Agreement as stated in Section 6.4, subject to the limitations in Section 10.5.
- (d) Inadequate Fee. USI may terminate this Agreement in the event that Final Recurring Public Revenue on a per pupil basis decreases by 5% or more of the average Final Recurring Public Revenue on a per pupil basis for the prior two fiscal years.
- (e) If USI terminates this Agreement for any of the reasons in Sections 10.3(a)(i), (ii), (iii) and (iv), then the School Partner shall pay to USI \$150,000 within 60 days of such termination.

10.4 Termination Upon Agreement of the Parties.

This Agreement or the Services and Fee Addendum may be terminated upon written agreement of the Parties.

10.5 Avoidance of Disruptions to Students.

Notwithstanding the foregoing provisions of this Article 10, each Party shall use its good faith reasonable best efforts to avoid a termination of the Agreement that becomes effective during the school year because of the disruption to the educational program and the students. Therefore, in the event this Agreement is terminated by either Party prior to the end of the Term, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year.

10.6 Payment of Service Fee.

Upon termination of this Agreement, the School Partner shall pay USI any previously unpaid portion of the Service Fee for services performed by USI until the time of termination.

10.7 Assistance by USI Following Termination.

In the event of termination of this Agreement by USI, and in the event the School Partner terminates this Agreement as described in Article 10 hereof, USI shall provide reasonable assistance to the School Partner to assist in the transition to another School Partner management plan ("Termination Assistance"). Termination Assistance shall be provided by USI for the following time periods ("Termination Assistance Periods"):

- (a) in the case of termination of this Agreement by USI for the shorter of: (i) the remainder of the current school year after USI provides notice to School Partner of the intent to terminate; or (ii) 90 days after the effective date of termination of the Agreement; and
- (b) in the case of termination of the Agreement by School Partner: for the 6 month period immediately following the effective date of the termination.

During the Termination Assistance Period, USI will be entitled to receive and the School Partner shall continue to pay USI's Service Fees and shall reimburse USI for all reasonable expenses incurred by USI in providing such Termination Assistance.

10.8 Records upon Termination.

Upon termination or expiration of this Agreement for any reason, USI shall give to the School Partner as soon as practicably possible all student, fiscal and other School Partner records.

10.9 Marks.

(a) Upon termination or expiration of this Agreement, the School Partner will not have any right to make any use whatsoever of USI Marks and if the legal or trade name of any School Campus includes a USI Mark, the School Partner shall, unless otherwise agreed to in writing by USI, immediately take steps to change all such names to remove any USI Mark or portion of a USI Mark. For a period of six-months after expiration or termination of this Agreement, such limitation shall not apply to any current printed or advertising materials which

utilize a USI Mark or portion thereof, provided the limitation shall apply to all printed and advertising materials printed after the termination or expiration of the Agreement.

(b) Upon termination or expiration of this Agreement, USI will not have any right to make any use whatsoever of the School Partner Marks, and to the extent that USI's corporate name or logo includes any of the School Partner Marks, including but not limited to the School Campus name, and unless expressly agreed to in writing by the School Partner, USI shall immediately seek to change the corporate name or logo so that it does not include any School Partner Marks, following termination or expiration of this Agreement. For a period of six-months after expiration or termination of this Agreement, such limitation shall not apply to any current printed or advertising materials which utilize a School Partner Mark or portion thereof, provided the limitation shall apply to all printed and advertising materials printed after the termination or expiration of the Agreement.

10.10 Assistance Upon Nonrenewal or Termination by Authorizer or Regulatory Authority.

In the event of nonrenewal of the Charter Contract by the Authorizer or termination or revocation of the charter by the Authorizer or Regulatory Authority, USI shall render assistance to the School Partner with respect to following the School Partner's closure plan and terminating operations including transferring of student records and rendering final reports and audits including providing information to the School Partner's auditors in connection therewith.

11. MISCELLANEOUS

11.1 Governing Law.

This Agreement shall be governed by, construed, interpreted and enforced in accordance with the laws of New York, without giving effect to the principles of conflict of laws thereof; provided, however, that the *Federal Arbitration Act*, to the extent applicable and inconsistent, will supersede the laws of New York and shall govern. If any action is brought to enforce an arbitral award rendered pursuant to Section 11.2, venue for such action shall be in the courts located in the School Partner's county or the courts of the United States serving that part of the Applicable State. The Parties hereby irrevocably waive any objection which either may now or hereafter have to the laying of venue of any actions or proceedings arising out of or in connection with this Agreement brought in the courts referred to in the preceding sentence and hereby further irrevocably waive and agree not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11.2 Alternative Dispute Resolution.

- (a) Good Faith Negotiation of Disputes. The parties agree to cooperate in good faith in all actions relating to this Agreement, to communicate openly and honestly, and generally to attempt to avoid disputes. If, nevertheless, a dispute should arise in connection with this Agreement, either Party may give notice to the other Party of intent to negotiate, and the parties agree to use their best efforts to resolve such dispute in a fair and equitable manner. In the event any dispute or claim arising out of or relating to this Agreement or the relationship resulting in or from this

Agreement (a "Dispute"), except for a claim by either Party relating to its intellectual property rights (including under Article 8 or Section 10.9 of this Agreement), is unable to be resolved by the Parties (or if one of the Parties refuses to participate in such negotiations) within twenty days from the notice of intent to negotiate, either Party may give written notice to the other (in accordance with Section 11.10) that the Dispute shall be resolved in accordance with the following alternative dispute resolution procedure.

- (b) Binding Arbitration Except With Respect to Intellectual Property. Any Dispute, except for a claim by either Party relating to its intellectual property rights (including under Article 8 or Section 10.9 of this Agreement), will be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of The American Arbitration Association (the "Arbitration Rules"), except as stated below in this clause (b). A claim by either Party relating to its intellectual property rights (including under Article 8 or Section 10.9 of this Agreement) shall not be subject to arbitration absent further agreement by the parties. Within fourteen business days following the giving by either Party of a written notice to arbitrate, (1) each Party shall designate its panel representative and (2) the Party giving notice to arbitrate shall also give notice to the Authorizer of such intent to arbitrate, and shall request that such office designate a third representative. The arbitrators shall convene a hearing as soon as possible thereafter. Each Party may present witnesses, documentary, and other evidence on its behalf, but strict rules of evidence shall not apply. The arbitrators shall permit the filing of briefs upon request of either Party. The arbitrators shall issue a written opinion concerning the matters in controversy together with their award. They shall issue their award within 30 days following the close of the hearing, and judgment upon the award may be entered in any court having jurisdiction thereof.
- (c) Notices. All notices, arbitration claims, responses, requests and documents will be sufficiently given or served if mailed or delivered in the manner described in the Notice provision of this Agreement.
- (d) Award, Confirmation. Notwithstanding anything to the contrary in the Arbitration Rules or otherwise, the arbitrators are not empowered to award punitive damages. Any award rendered by the arbitrator(s) may be entered as a judgment or order and confirmed or enforced by either Party in any State or federal court having competent jurisdiction thereof. This Agreement concerns transactions involving commerce among the several states.
- (e) Expense Shifting For Arbitration Avoidance. Notwithstanding anything to the contrary in the Arbitration Rules or otherwise, and except for a claim by either Party under Article 8 or Section 10.9, which claim is not subject to arbitration, no Party may seek judicial relief. In the event any Party violates this provision and brings any action for judicial relief in the first instance without pursuing arbitration prior thereto, such Party will be liable to the other Party for, among other things, all of the other Party's costs and expenses (including, without limitation, court costs and attorneys' fees) incurred to stay or dismiss such judicial

action and/or remove or remand it to arbitration. It shall not be a violation of this arbitration provision for the Party entitled to collect such costs and expenses to seek to have them included in a judicial order of dismissal, removal, or remand. In the alternative, such Party may seek an immediate and separate award of such costs and expenses at the outset of the arbitration, which the arbitrators must grant, and the Party may seek immediately to confirm such award of costs and expenses. In addition, if either Party brings any judicial action to vacate or modify any award rendered pursuant to arbitration, or opposes a judicial action to confirm such award, and the Party bringing or opposing such action or opposing confirmation of such award does not prevail, such Party will pay all of the costs and expenses (including, without limitation, court costs, arbitrators fees and expenses and attorneys' fees) incurred by the other Party in defending against the action to vacate or modify such award or in pursuing confirmation of such award. The cost-shifting provisions of the preceding sentence shall apply equally to appeals of judicial decisions to which the preceding sentence applies. It shall not be a violation of this arbitration provision for the Party entitled to collect such costs and expenses to seek to have them included in a judicial order dealing with confirmation, vacation, or modification of an award, or any order on an appeal to which the preceding sentence applies.

- (f) Waiver of Jury Trial. The Parties knowingly and willingly waive the right to a jury trial of any Dispute, whether or not subject to this arbitration provision, and including any Dispute included within this arbitration provision but found not to be subject to arbitration for any reason.

11.3 Breach and Waiver.

No failure on the part of any Party to enforce the provisions of this Agreement shall act as a waiver of the right to enforce any provision. Further, no waiver of any breach of this Agreement shall (a) be effective unless it is in writing and executed by the Party charged with the waiver, or (b) constitute a waiver of a subsequent breach, whether or not of the same nature. All waivers shall be strictly and narrowly construed. No delay in enforcing any right or remedy as a result of a breach of this Agreement shall constitute a waiver thereof. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision. Nor shall such waiver constitute a continuing waiver unless otherwise expressly stated.

11.4 No Third Party Beneficiary Rights.

With the exception of the Authorizer, no third party, whether a constituent of the School Partner, a member of the community, a student or parent of a student of the School Partner or otherwise, may enforce or rely upon any obligation of, or the exercise of or failure to exercise any right of, the School Partner or USI in this Agreement. This Agreement is not intended to create any rights of a third party beneficiary.

11.5 Negligent, Wrongful or Unlawful Acts of a Party.

Nothing in this Agreement shall affect or alter in any way responsibility of either Party of this Agreement for the gross negligence, or the wrongful or unlawful actions of that Party's employees, agents or contractors, except that USI shall be responsible for the gross negligence, or wrongful and unlawful actions of the School Partner's Principal and Director of Operations.

11.6 Delegation of Authority.

Nothing in this Agreement shall be construed as delegating to USI any of the powers or authority of the School Partner or the Governing Board, which are not subject to delegation by the School Partner or the Governing Board under the laws of the Applicable State or Applicable Locality, or under the Charter Contract.

11.7 Compliance with Laws.

Unless specifically waived by appropriate governmental authority, USI shall comply with all applicable laws, rules, regulations, ordinances, orders or other requirements of the Applicable State, the Applicable Locality, and any governmental authority relating to its delivery of the goods or services specified in this Agreement.

11.8 Incorporation of Recitals and Appendices.

The recitals to this Agreement and any appendices referred to in this Agreement are hereby incorporated herein as an integral part of this Agreement.

11.9 Inspection and Access to Records.

Upon reasonable notice, the Parties shall make available to each other and to the Authorizer for inspection and copying, all books, records, and documents relating to the Parties' obligations and performance under this Agreement.

11.10 Notices.

Notices, demands, consents or other communications which either Party may be required or desire to give to the other Party with respect to matters arising under the Section 1 definition of Confidential Information, or under Sections 2.1(a), 3.1, 5.8, 6.4, 8.2(c), 9.6, 10.1, 10.2, 10.3, or 11.2(b) of this Agreement (each, "Material Notices") shall be in writing and shall be deemed delivered when (a) personally delivered, (b) if mailed, five business days after deposit in the United States mail, postage prepaid, certified or registered mail, return receipt requested, (c) if delivered by a reputable overnight carrier, one business day after delivery to such carrier, or (d) if delivered by facsimile, on the date the facsimile transmission is confirmed, provided that, on such date, a separate copy is also delivered pursuant to clause (b) or (c). Delivery by mail, overnight carrier or facsimile shall be addressed to the Parties as follows:

USI:

Uncommon Schools, Inc.
Attn: Brett Peiser, Chief Executive Officer
826 Broadway, 9th Floor

New York, NY 10003

School Partner:

True North Rochester Preparatory Charter School
Attn: Geoff Rosenberger, Chair, True North Rochester Preparatory
Charter School Board of Trustees
Rochester Prep Middle School - Brooks Campus
630 Brooks Avenue
Rochester, NY 14619

Any Party may change its address for Material Notices by notice given in accordance with the foregoing provisions.

Notices, demands, consents or other communications which either Party may be required or desire to give to the other Party that are not Material Notices ("Routine Notices") shall be in writing and may be sent via: (e) the delivery methods allowed for Material Notices; (f) email; or (g) hand-delivery. Delivery by email or hand-delivery shall be addressed to the Parties as follows:

USI:

Uncommon Schools, Inc.
Attn: Brett Peiser, Chief Executive Officer
bpeiser@uncommonschoools.org
826 Broadway, 9th Floor
New York, NY 10003

School Partner:

True North Rochester Preparatory Charter School
Attn: Geoff Rosenberger
LilypondVentures@outlook.com
7 Lily Pond Lane
Pittsford, NY 14534

Notwithstanding the manner of delivery, whether or not in compliance with the foregoing provisions, any notice, demand or other communication actually received by a Party shall be deemed delivered when so received.

11.11 Defined Terms and Use of Terms.

All defined terms used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular and/or plural, in each instance as the context and/or particular facts may require. Use of the terms "hereunder," "herein," "hereby," and similar terms refer to this Agreement.

11.12 Section Headings.

The headings in this Agreement are for the convenience of the Parties only, and shall have no effect on the construction or interpretation of this Agreement and are not part of this Agreement.

11.13 Exhibits and Schedules.

Each exhibit and each schedule to this Agreement to which reference is made in this Agreement is hereby incorporated in this Agreement as an integral part thereof. In the event of a conflict between the terms and provisions of this Agreement and the terms and provisions of any exhibits or schedules, the terms and provisions of this Agreement shall control, except to the extent that the Services and Fee Addendum expressly states that specific provisions override conflicting provisions of this Agreement for purposes of a specific engagement.

11.14 Entire Agreement.

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter herein, as of the Effective Date, and there are no understandings of any kind except as expressly set forth herein. Further, any and all prior understandings and agreements between the Parties, expressed or implied, written or oral, are superseded hereby.

11.15 Modifications and Amendments; No Parol Evidence.

This Agreement (including any exhibits and schedules to this Agreement) is the entire agreement between the Parties, and may be altered, changed, added to, deleted from or modified only by agreement in writing approved by the Governing Board and by USI's Chief Executive Officer. Accordingly, no course of conduct or custom shall constitute an amendment or modification of this Agreement, and any attempt to amend or modify this Agreement orally, or in a writing not so approved, shall be void. This Agreement may not be modified, supplemented, explained, or waived by parol evidence.

11.16 Assignment.

This Agreement, including without limitation, the rights granted herein, may not be assigned, delegated, transferred, pledged, or hypothecated by either Party, whether voluntary or involuntary, without the prior written consent of the other Party. This Agreement shall inure to the benefit of and shall be binding upon the Parties and their permitted successors and assigns, and the name of a Party appearing herein shall be deemed to include the name of such Party's permitted successors and assigns to the extent necessary to carry out the intent of this Agreement.

11.17 Counterparts.

This Agreement and the Services and Fee Addendum may be executed in counterparts, each of which shall be deemed to be an original and both together shall be deemed to be one and the same Agreement or Services and Fee Addendum. Signatures on counterparts of this Agreement and the Services and Fee Addendum that are delivered via fax, email or by other

electronic means are authorized and shall be acknowledged as if such signatures were an original execution.

11.18 No Partnership.

This Agreement does not constitute, and shall not be construed as constituting, a partnership or joint venture between the Parties.

11.19 Further Assurances.

The Parties agree that they will execute and deliver or cause to be executed and delivered from time to time such other documents, including but not limited to a License in customary form, and will take such other actions as the other Party reasonably may require to more fully and efficiently carry out the terms of this Agreement.

11.20 Severability.

In case any one or more of the provisions or parts of a provision contained in this Agreement shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision or part of a provision of this Agreement in such jurisdiction, but this Agreement shall be reformed and construed in any such jurisdiction as if such invalid or illegal or unenforceable provision or part of a provision had never been contained herein and such provision or part shall be reformed so that it would be valid, legal, and enforceable to the maximum extent permitted in such jurisdiction.

11.21 Survival.

The provisions of Articles 2, 8 and 9, Sections 3.3, 3.4, 10.6, 10.7, 10.8, 10.9, 11.1, 11.2, 11.4, 11.5, 11.6, 11.8, 11.10, 11.11, 11.12, 11.13, 11.14, 11.15, 11.20, this Section 11.21, and any other sections or exhibits to this Agreement that by their nature extend beyond the expiration or termination of this Agreement shall survive for five (5) years after the expiration or termination of this Agreement; provided that any provisions that is stated to extend for a specified period of time shall survive only for such specified period of time.

11.22 Negotiated Agreement.

The provisions of this Agreement were negotiated by the Parties and this Agreement shall be deemed to have been drafted by the Parties, notwithstanding any presumptions at law to the contrary.

- SIGNATURES ARE ON THE FOLLOWING PAGE -

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first written above

**THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH
MAY BE ENFORCED BY THE PARTIES**

UNCOMMON SCHOOLS, INC.

By: 
Name: _____
Title: Chief Executive Officer

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL


By: 
Name: _____
Title: Chair, True North Rochester Preparatory Charter School Board of Trustees

EXHIBIT A

USI Marks

Trademark Registrations

Mark	Application or Registration Number	Goods and Services	Owner
UNCOMMON SCHOOLS	3,301,012	Educational services, namely, providing courses of instruction at the primary and secondary school levels in urban centers.	Uncommon Schools Inc.
UNCOMMON	88/371,563	Educational services, namely, providing courses of instruction at the primary and secondary school levels in urban centers.	Uncommon Schools Inc.


Common Law Marks

- UNCOMMON
- UNCOMMON SCHOOLS
- UNCOMMON SCHOOLS, INC.
- UNCOMMON NYC
- UNCOMMON CHARTER HIGH SCHOOL
- UNCOMMON COLLEGIATE CHARTER HIGH SCHOOL
- UNCOMMON PREPARATORY CHARTER HIGH SCHOOL
- UNCOMMON LEADERSHIP CHARTER HIGH SCHOOL
- UCHS
- UCC
- UPC
- ULC

EXHIBIT B

School Partner Marks

Trademark Registrations

Mark	Application or Registration Number	Goods and Services	Owner
ROCHESTER PREP & Design 	4,015,322	Educational services, namely, providing courses of instruction at the primary and secondary school levels in urban centers.	True North Rochester Preparatory Charter School

Common Law Marks

TRUE NORTH ROCHESTER PREP
ROCHESTER PREP
ROCHESTER PREP ELEMENTARY SCHOOL
ROCHESTER PREP WEST CAMPUS ELEMENTARY SCHOOL
ROCHESTER PREP ELEMENTARY SCHOOL 3
ROCHESTER PREP MIDDLE SCHOOL-BROOKS CAMPUS
ROCHESTER PREP MIDDLE SCHOOL-WEST CAMPUS
ROCHESTER PREP HIGH SCHOOLRPES
RPWCES
RPES3
RPBC
RPWCMS
RPHS

Services and Fee Addendum

This Services and Fee Addendum is part of and subject to the terms and conditions of the Master Services Agreement dated July 1, 2019 (the "Agreement") by and between Uncommon Schools, Inc., a New Jersey nonprofit corporation ("USI"), and True North Rochester Preparatory Charter School (the "School Partner", together with USI, each a "Party" and collectively the "Parties"), as of July 1, 2019 (the "Effective Date"). This Services and Fee Addendum sets forth certain services to be performed by USI pursuant to the Agreement.

This Services and Fee Addendum shall have no effect separate and apart from the Agreement, and all capitalized terms used herein without definition will have the same meanings as specified therefore in the Agreement, and this Services and Fee Addendum is hereby incorporated by reference therein.

1. Services From USI

a. Curriculum and Assessment

USI shall provide comprehensive program design, including curriculum development and implementation, instructional oversight, instructional best practice dissemination, the development, administration, and analysis of diagnostic assessments, and the oversight, measurement, and management of school quality.

USI shall support the School Partner in implementing its program and curriculum in a manner that is consistent with all applicable laws and fulfills the program and curriculum obligations of the School Partner under the Charter Contract, including requirements regarding content and subjects of instruction, unless such requirement has been waived by the relevant authorities, and such waiver has been approved by the Governing Board. USI shall manage the lesson plan process, train the lesson planners, and distribute common lesson plans across all schools. USI will provide the School Partner with information and systems for implementing the program and curriculum. The curriculum will include scope and sequence, an assessment system, a daily schedule and a variety of curriculum materials and related documents.

USI shall engage in activities to identify, codify, and disseminate best instructional and operational practices at its discretion.

b. Student Evaluation

USI shall support the implementation of student performance evaluation systems, which permit evaluation of the educational progress of each student at the School Partner in accordance with the goals set forth in the Charter Contract and any additional guidelines or mandates set forth by the Authorizer. USI shall support assessment administration, conduct network data analysis, and support regional and school-level data analysis to improve teacher effectiveness. The School Partner shall, with USI's assistance, ensure that the students take all State required standardized tests in accordance with State laws and regulations.

c. Data Analytics

USI shall facilitate access to data and, in some cases, create reporting, analysis, and/or predictive models in student academic performance, teacher performance, staff satisfaction, student discipline, student enrollment, student attendance, staff demographics, college admissions, and college completion. USI will perform statistical analysis on all core students' state and national test results and provide such information to school leaders on a timely basis. USI shall also facilitate data requests to complete reporting requirements to key external stakeholders (e.g., Authorizer, funders). USI and the School Partner will work together to monitor and record, to the extent reasonably possible, postsecondary progress of students completing high school, including their success in gaining college admission and monitoring their progress and graduation from college. USI will monitor and maintain postsecondary student persistence data, postsecondary student academic performance data, and postsecondary student risk assessment data, to the extent reasonably possible.

The School Partner, with USI's assistance, shall maintain detailed statistical information on the performance of (i) the School Partner as a whole, (ii) each individual Campus, (iii) each individual student, and (iv) each grade. USI and the School Partner shall cooperate in good faith to identify other measures of and goals for student and School Partner performance, including but not limited to student college admission rates, parent, teacher, and student satisfaction.

d. Supervision and Development of Principal and Director of Operations

USI shall supervise Principals and Director of Operations, as such titles and roles may change from time to time. For each Principal and Director of Operations, USI will (a) provide intensive up-front and ongoing formal professional development, (b) conduct evaluations at least once per year, and (c) provide ongoing support, coaching and training.

e. Professional Development

USI shall support the provision of professional development for Principals, instructional leaders, Deans of Students, teachers as well as Directors of Operations and operations staff, either through support to the School Partner or through direct provision of professional development, and, at its direction, through the facilitation of working groups.

f. USI School Partner Inspections

USI will conduct a thorough School Campus inspection and evaluation every two years to the extent mandated by and consistent with this Agreement.

g. Budget, Financial Statements, and Accounting Services

On or before June 30 of each year, USI will work closely with the School Partner in developing, and will provide the School Partner with a projected budget for the next fiscal year, for review and approval by the Governing Board. The annual budget for the School Partner shall provide for payment of all operating expenses related to the operation or opening of the School Partner, including, but not limited to: the USI Service Fee; payment of other reimbursable expenses paid by USI on behalf of the School Partner; compensation for School Partner

employees, including salary and benefit costs; debt payments owing and owed to USI by the School Partner; marketing and public relations costs; supplies; maintenance; staff development; curriculum materials; assessment materials and consulting fees; other third party consulting expenses; transportation and travel; printing and duplicating; postage; legal fees; and accounting fees. The budget will be subject to approval by the Governing Board. With respect to these items, USI may act as the disbursement agent on behalf of the School Partner to timely pay all such agreed upon budget expenditures out of funds available therefore from the School Partner's bank accounts, from which the School Partner shall give USI authority to remit payments. The School Partner shall be the lawful owner of all real and personal property purchased with such funds, except for property covered by Article 8, which property shall be the sole and exclusive property of USI, subject to the provisions of Article 8. USI shall have no responsibility to make any purchases on behalf of the School Partner or to act as disbursement agent for the School Partner unless and until the funds for such expenditures are in the School Partner's bank accounts to which USI has access.

The budget shall grant certain levels of discretion to the Principal and Director of Operations of each Campus within parameters established by the Governing Board.

USI, working closely with each Director of Operations, shall also:

- Provide quarterly unaudited financial statements for review and approval by the Governing Board or its designee. These financial statements, including balance sheet and statement of profit and loss, shall be provided in a timely manner;
- Record and track income and expenses related to all contracts and grants;
- Record all cash receipts and accounts payable invoices;
- Prepare vendor checks;
- Support business operations, including processing payment requests for purchases;
- Reconcile the checking accounts each month;
- Process all School 403(b) Plan filings;
- Manage all retirement related enrollment and reporting;
- Provide payroll processing, reporting and maintaining compliance with related government and regulatory filings;
- Interface with the accounting firm and prepare all schedules required for year-end audit work;
- Supervise and maintain temporary custody (for the joint benefit of the School Partner and USI) of files and records relating to the business operation of the School Partner. USI acknowledges that all records, data, communications, and other property of the

School Partner entrusted or loaned to USI during the term of this Agreement are the School Partner's property and USI agrees to return any such material to the School Partner immediately upon the termination of this Agreement; and

- Ensure accurate and timely financial reporting to pertinent state and local regulatory agencies in the Applicable State and Applicable Locality.

USI shall also provide other finance and accounting services, including the following:

- Selecting and managing a third party administrator and providing all necessary information for administer retirement benefits;
- Developing and leading professional development on budget management for Director of Operations, and other School Partner-based staff, as relevant;
- Re-forecasting budgets quarterly, compiling budget updates and informing regional leadership of budgetary updates;
- Conducting ongoing training and troubleshooting in the management of School Partner budgets;
- Maintaining Fiscal Policies and Procedures that align with applicable State guidelines;
- Monitor all bank accounts for adequate operating cash to cover payroll and payment to vendors;
- Selecting and managing banking relationships for the School Partner;
- Ensuring the preparation of the IRS Form 990 is within and IRS approved deadline, as requested or otherwise necessary; and
- Providing training to the Directors of Operations in the use of the financial management software and/or systems selected by USI and support and oversight pertaining to School Partner's accounting, bookkeeping, procurement and other financial functions.

USI may recommend an auditor for Board approval and serve as the liaison with the auditor. However, the Board is free to select an auditor of its own choosing. USI shall cooperate and provide to the School Partner's auditors all reasonably requested information, to the extent such information is in possession or under the control of USI, needed to complete an annual audit of the School Partner. Additionally, USI shall engage in the following audit-related activities:

- Provide auditors requested information to prepare and file required tax reporting within IRS approved deadlines;

- Provide Authorizer with annual audits and financial reports;
- Manage 403(b) plan audits and the filing of Form 5500 in compliance with ERISA;
- Manage other audits such as Comptrollers audit, Department of Labor audit, Worker's Compensation audit, and audits by the Authorizer or other governmental or regulatory bodies; and
- Oversee timely and appropriate action to resolve audit findings by the Authorizer or other governmental or regulatory bodies.

h. Grants Management

As needed, USI will provide grant management services, which includes preparing and/or writing grant applications, making recommendations to apply for certain grants, compiling grant applications, developing grant budgets, maintaining appropriate records, documenting and ensuring spending is in accordance with terms, and preparing required foundation and government reports.

Other services may include the following:

- Writing grants, responding to RFPs, and submitting proposal for grants;
- Creating and executing all compliance documentation for grants including timesheets, trackers, and project plans;
- Gathering necessary data and completing reporting requirements; and
- Creating Governing Board materials and resolutions for approval where applicable.

i. Real Estate and Facilities

USI shall assist the School Partner in any and all efforts to secure shared or sole occupancy space from the hosting district, and support the School Partner in compliance with leases for all Facilities. Other services may include the following:

- Preparing analysis of potential facility options for review and assessment;
- Assisting in the selection of vendors for various real estate related contracts, as required for occupancy;
- Managing contractual obligations under leases or facility use agreements;
- Developing budgets for facility occupancy;
- Applying for regulatory approvals, if any, as required under leases and facility licenses;

- Preparing property tax exemption applications, coordinating legal assistance for procurement of same, if necessary;
- Securing sales tax exemptions for real estate projects, if necessary; and
- Overseeing security assessments, recommendations and implementation.

j. Fundraising

USI shall provide fundraising assistance to the School Partner, including:

- Determining philanthropic need;
- Developing fundraising strategy based upon that need; and
- Lead fundraising activities around the identification, solicitation, and stewardship of prospects to achieve fundraising goals.

k. Human Resources

USI shall have the responsibility to develop, revise and administer human resources policies to ensure legal compliance with federal, state and local laws and regulations. USI shall research changes in human resource or employment law to ensure ongoing compliance. USI shall communicate recommendations and changes to regional leaders and implement changes as deemed appropriate. Other responsibilities may include:

- Selecting, managing and evaluating benefits plans for School Partner employees;
- Negotiating attractive and competitive benefits packages;
- Assessing participation and effectiveness of the benefit plans offered to employees. Such plans may include medical, dental and vision insurance; disability and life insurance; wellness benefits and commuter and transit benefits;
- Administering and monitoring of employee leave benefits in alignment with requisite regulations;
- Providing workers' compensation coverage to employees and facilitating the processing of claims through third-party provider;
- Enrolling eligible employees in state retirement systems, if applicable;
- Administering the participation in defined contribution plans for eligible employees (403(b)), including enrollment, record maintenance, compliance with applicable laws and regulations;
- Training Fellows, new DOOs on all HR-interfacing processes and providing tools for current DOOs to ensure compliance with policies and procedures;

- Supporting new employee onboarding orientations;
- Advising School Partner or School Campus leaders on personnel issues to facilitate resolution and minimize any risk exposure to the School Partner and USI, including monitoring for any litigation and ensure insurance broker and necessary stakeholders notified for ongoing management and resolution;
- Providing guidance and counsel to ensure compliance with required employment laws and regulations; and
- Ensuring streamlined and timely onboarding and off-boarding of employees.

I. Recruitment

USI shall have the responsibility to recruit future Principals, Directors of Operations, deans and full-time teaching, operations staff (e.g., Office Manager) and support staff (e.g., Social Worker) of each School Campus. USI shall generate applications for all school-based positions by curating job descriptions, hosting recruiting events, attending career fairs, and posting positions on job board platforms. Other responsibilities may include:

- Conducting initial candidate screening (e.g., of resumes, application materials, videos, interviews);
- Coordinating interviews;
- Handling candidate communication and outreach;
- Using data to drive recruiting strategy;
- Managing recruiting relationships with universities;
- Leveraging digital platforms to headhunt targeted candidates;
- Managing social media presence and digital campaigns to improve branding and advertising for open roles;
- Building and maintaining relationships with teacher feeder programs and other partners;
- Providing training, guidance where needed, on candidate selection and offer best practices; and
- Managing all recruitment technology systems.

Travel, travel-related and incidental expenditures incurred by prospective School Partner employees during the interview process shall be the responsibility of the School Partner once it

has been established that said employees are primarily interested in employment in the region as opposed to elsewhere within the USI school network.

m. Insurance

USI will procure commercial general liability or other, similar insurance at its own expense at levels approximately equal to those maintained by the School Partner, or as required by law, to cover USI's actions and those of its agents. USI need not have a separate insurance contract for the School Partner.

USI will procure Directors and Officers, Employment Practices Liability, Fiduciary Liability or other, similar insurance for the School Partner at the School Partner's expense at levels at least equal to those maintained by USI, or as required by law, to cover the School Partner's actions and those of its agents.

USI will procure insurance policies necessary for all the buildings it owns, co-occupies and builds.

n. Equipment and Information Technology

USI will facilitate the School Partner's purchase and procurement of information technology equipment and services integral to the operation of a school. In addition, USI will provide troubleshooting, website and network design, and completion of the E-Rate application. USI will also provide the following computer and information technology support to the School Partner:

- Maintaining access to and providing training in the use of a central file repository containing electronic curricular and school administration resources;
- Providing training materials and support in the use of a student information system;
- Effectively managing help-desk and general desktop support services to the School Partner staff;
- Providing data management support to School Partner's staff;
- Recommending and ensuring the effective implementation of a data back-up protocol;
- Managing third party vendor for delivery of technology support services; and
- Supporting large-scale technology-related initiatives by providing project management resources as needed.

All technology software, and equipment, and third party infrastructure help desk support services will be paid for by the School Partner, unless otherwise specified by USI. USI will work with third party consultants in technology redesign as needed to support the School Partner's growth.

o. Marketing and Media

USI shall create cohesive branding (including but not limited to school logos, stationery design and visitor materials); maintain USI social media presence; maintain, renew and apply for new trademarks; monitor and respond to online or social media coverage of the School Partner; and manage both digital and outdoor media advertisements (as deemed necessary). USI shall facilitate and manage all vendor relationships for website hosting and maintenance, for formal photography and for selected video productions. USI shall also manage and maintain the accuracy and the quality of the School Partner website, with the support of School Partner staff, as necessary.

USI shall support and oversee media-related activities. USI shall ensure a cohesive media message across all School Partners, build relationships with media influencers to promote the School Campuses, directly pursue positive media coverage, as well as support the School Partner as relevant during the process of handling positive or negative media coverage.

p. External Affairs and Community Outreach

USI shall provide strategic guidance on outreach activities, with direct execution of activities as warranted, and including but not limited to, supporting district partnerships, creating and optimizing effective campaigns, building critical relationships with external stakeholders and elected officials, supporting parent engagement at local meetings, attending community events and town hall meetings, and building partnerships with its peers to understand the political shifts that may impact the School Partner.

q. Impact

USI shall build district partnerships, coordinate the sharing of best practices with district partners, and coordinate visits of key stakeholders to its trainings, as deemed relevant, and in support of School Partner's interests.

r. Diversity

USI shall provide diversity, equity and inclusion-related services and support. USI shall engage in hiring practices that appeal to diverse applicants with the intention of strengthening faculty diversity. USI shall create and support training and opportunities for School Partner-wide engagement that foster an inclusive culture and equitable practices within the School Campuses. USI shall provide intervention and support to individual schools by way of developing specific professional development and consultation around equity and inclusion issues.

s. College Access and Completion

USI shall develop overall vision and approach for supporting high school graduates in selecting, persisting in and completing college, USI shall oversee the successful implementation and continuous improvement of this vision and approach.

USI shall oversee, support and train college counselors at School Campuses and participate in their evaluation, including in the following areas:

- Advising students on creating college lists using data to ensure lists have the right mix of far reach, reach and match schools;
- Advising students and families on the financial aid process and how to assist in completing financial aid forms;
- Compiling college applications including transcript review, the development of personal statements, teacher recommendations and counselor recommendations; and
- Using data systems to upload and submit all college application materials.

USI shall oversee, support and train alumni counselors, including in the following areas:

- Providing support to students on college campuses;
- Supporting alumni on college campuses in disciplinary matters; and
- Assisting with academic issues and financial aid packages.

USI will develop and/or oversee development of partnerships with institutions of higher education and other outside partners to support USI's alumni in completing college.

2. Service Fee and Payment Terms

For each 12-month period during the term of this Agreement beginning on July 1st and continuing until June 30th of the following year, the School Partner shall pay USI the Service Fee.

The Service Fee shall be due and payable in four approximately equal installments throughout the year on September 30th, December 31st, March 31st, and June 30th. The Service Fee installment due to USI on September 30th, December 31st, and March 31st of each fiscal year of the School Partner shall be based on good faith estimates of each School Campus' anticipated school year enrollment. The June 30th Service Fee for each school year shall be adjusted to reflect actual average enrollment at the School Partner at each School Campus for such school year (i.e., either reduced by overpayments made or increased for underpayments for prior periods).

3. Schools Campuses

The School Campuses subject to the Agreement shall mean any of the following and any additional public charter schools operated by the School Partner upon approval of Authorizer:

- Rochester Prep Elementary School, 899 Jay Street, Rochester, NY 14611
- Rochester Prep West Campus Elementary School, 85 St Jacob Street, Rochester, NY 14621

- Rochester Prep Elementary School 3, 85 St Jacob Street, Rochester, NY 14621
- Rochester Prep Middle School-Brooks Campus, 630 Brooks Avenue, Rochester, NY 14619
- Rochester Prep Middle School-West Campus, 432 Chili Avenue, Rochester, NY 14611
- Rochester Prep High School, 305 Andrews Street, Rochester, NY, 14604

* * * *

IN WITNESS WHEREOF, the Parties have executed and delivered this Services and Fee Addendum as of the date first written above

UNCOMMON SCHOOLS, INC.

By:  _____

Name: Brett Peiser

Title: Chief Executive Officer

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

By:  _____

Name:

Title: Chair, True North Rochester Preparatory Charter School Board of Trustees

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APPENDIX B-1

**FINANCIAL STATEMENTS OF ROCHESTER PREP FOR THE FISCAL
YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

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**TRUE NORTH ROCHESTER PREPARATORY
CHARTER SCHOOL**

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019

(With Comparative Totals for 2018)

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
True North Rochester Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying statement of financial position of True North Rochester Preparatory Charter School as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of True North Rochester Preparatory Charter School as of June 30, 2019, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited True North Rochester Preparatory Charter School's June 30, 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statement from which they are derived.

Other Report Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019 on our consideration of True North Rochester Preparatory Charter 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 24, 2019

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 3,711,363	\$ 4,698,428
Investments	5,100,020	-
Grants and contracts receivable	1,309,610	1,961,262
Accounts receivable	1,207,514	3,470,654
Note receivable - related party	3,024,375	-
Prepaid expenses and other current assets	<u>649,610</u>	<u>449,719</u>
TOTAL CURRENT ASSETS	15,002,492	10,580,063
 <u>PROPERTY AND EQUIPMENT</u> , net of accumulated depreciation of \$5,650,312 and \$4,058,226, respectively		
	3,893,468	3,693,453
 <u>ESCROW ACCOUNT</u>		
	<u>238,257</u>	<u>238,257</u>
TOTAL ASSETS	<u>\$ 19,134,217</u>	<u>\$ 14,511,773</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,780,835	\$ 1,699,834
 <u>NET ASSETS, without donor restrictions</u>		
	<u>17,353,382</u>	<u>12,811,939</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,134,217</u>	<u>\$ 14,511,773</u>

The accompanying notes are an integral part of the financial statements.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 30,927,001	\$ 26,698,740
Students with disabilities	1,039,657	845,891
Grants and contracts:		
State and Local	-	391,895
Federal - Title and IDEA	1,320,385	1,541,577
Federal - Other	405,358	1,002,270
Food service/child nutrition program	<u>2,239,970</u>	<u>2,031,872</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	35,932,371	32,512,245
Expenses:		
Program services:		
Regular education	27,613,363	25,341,696
Special education	<u>934,207</u>	<u>783,762</u>
TOTAL PROGRAM SERVICES	28,547,570	26,125,458
General and administrative	<u>3,345,513</u>	<u>3,430,144</u>
TOTAL OPERATING EXPENSES	<u>31,893,083</u>	<u>29,555,602</u>
SURPLUS FROM SCHOOL OPERATIONS	4,039,288	2,956,643
Support and other revenue:		
Contributions:		
Foundations	310,196	206,853
Individuals	115,000	65,156
Miscellaneous income	<u>76,959</u>	<u>42,096</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>502,155</u>	<u>314,105</u>
CHANGE IN NET ASSETS	4,541,443	3,270,748
Net assets without donor restrictions at beginning of year	<u>12,811,939</u>	<u>9,541,191</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 17,353,382</u>	<u>\$ 12,811,939</u>

The accompanying notes are an integral part of the financial statements.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	No. of Positions	June 30,					2018 Total
		2019			2018		
		Regular education	Special education	Total	Support Services Management and General	Total	
Personnel services costs:							
Administrative staff personnel	50	\$ 3,165,377	\$ 111,831	\$ 3,277,208	\$ 1,203,733	\$ 4,480,941	\$ 4,239,022
Instructional personnel	206	9,445,887	318,515	9,764,402	-	9,764,402	8,929,521
Non-instructional personnel	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,416</u>	<u>60,416</u>	<u>121,113</u>
Total salaries and staff	259	12,611,264	430,346	13,041,610	1,264,149	14,305,759	13,289,656
Fringe benefits and payroll taxes		2,489,409	85,943	2,575,352	277,667	2,853,019	2,437,897
Retirement		309,804	10,578	320,382	-	320,382	290,339
Management fees		2,325,346	78,090	2,403,436	424,135	2,827,571	2,503,478
Legal service		-	-	-	35,430	35,430	35,519
Accounting and audit services		-	-	-	46,036	46,036	44,564
Other professional and consulting services		686,451	23,876	710,327	80,724	791,051	898,733
Building and land rent		1,115,693	37,704	1,153,397	-	1,153,397	1,062,702
Repairs and maintenance		1,029,121	33,089	1,062,210	-	1,062,210	967,245
Insurance		-	-	-	308,030	308,030	364,940
Utilities		330,698	11,222	341,920	164,211	506,131	440,533
Supplies and materials		430,361	14,661	445,022	-	445,022	476,438
Equipment/Furnishings		53,623	1,666	55,289	35,712	91,001	63,731
Professional development		833,056	29,108	862,164	-	862,164	984,780
Marketing and recruitment		57,143	1,866	59,009	-	59,009	98,739
Technology		331,144	10,838	341,982	159,632	501,614	591,046
Food service		1,734,873	58,785	1,793,658	-	1,793,658	1,680,947
Student services		1,315,604	46,860	1,362,464	-	1,362,464	1,310,594
Office expense		423,245	15,260	438,505	461,249	899,754	838,758
Depreciation and amortization		1,536,528	44,315	1,580,843	11,242	1,592,085	1,117,079
Other		<u>-</u>	<u>-</u>	<u>-</u>	<u>77,296</u>	<u>77,296</u>	<u>57,884</u>
		<u>\$ 27,613,363</u>	<u>\$ 934,207</u>	<u>\$ 28,547,570</u>	<u>\$ 3,345,513</u>	<u>\$ 31,893,083</u>	<u>\$ 29,555,602</u>

The accompanying notes are an integral part of the financial statements.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	June 30,	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 4,541,443	\$ 3,270,748
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,592,085	1,117,079
Bad debt expense	53,146	5,388
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	2,209,994	(1,977,384)
Grants and other receivables	651,652	428,750
Prepaid expenses and other current assets	(199,891)	(310,910)
Accounts payable and accrued expenses	472,896	171,693
Deferred revenue	-	(57,710)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>9,321,325</u>	<u>2,647,654</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,183,995)	(1,357,478)
Purchases of investments	(5,100,020)	-
Increase in note receivable - related party	(3,024,375)	-
Increase in escrow account	-	(51)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(10,308,390)</u>	<u>(1,357,529)</u>
NET (DECREASE) INCREASE IN CASH	(987,065)	1,290,125
Cash at beginning of year	<u>4,698,428</u>	<u>3,408,303</u>
CASH AT END OF YEAR	<u>\$ 3,711,363</u>	<u>\$ 4,698,428</u>
<u>NON-CASH INVESTING ACTIVITIES</u>		
Purchases of property and equipment in accounts payable	<u>\$ -</u>	<u>\$ 391,895</u>

The accompanying notes are an integral part of the financial statements.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

True North Rochester Preparatory Charter School (the “Charter School”), is an educational corporation operating as a charter school in Rochester, New York. On June 27, 2006, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On February 18, 2014, the Charter School entered into an amended and restated renewal charter agreement which included the addition of Rochester Prep Charter School 3 through July 31, 2019. On January 26, 2016 the Charter School was granted a five year renewal for all schools through July 31, 2021.

The Charter School’s mission is to prepare all students to enter and succeed in college through effort, achievement and the content of their character.

West Campus Merger

Effective July 1, 2013, True North Rochester Preparatory Charter School and True North Rochester Preparatory Charter School – West Campus merged in accordance with the approval of the Charter School’s Board of Trustees and the New York State Board of Regents.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at June 30, 2019 or 2018.

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions received are recorded in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Investments

Investments are maintained in accordance with the Charter School's Cash Management and Investment Policy. The goals of this policy are the preservation of principal, the maintenance of liquidity, and to obtain a competitive return on investment subject to prevailing market conditions and safe and sound investment practices. The policy was adopted by the Board in March 2019 and currently, as of June 30, 2019, all funds are held in a money market fund. As the policy is put into place, the funds will be separated into the following three portfolios:

- The operating portfolio will be invested in short-term instruments to fund the daily operating needs of the Charter School and fund any capital outlays anticipated in the next 2 months. This portfolio will consist of no less than two months' worth of operating expenses and shall be continuously invested in readily available funds such as money market funds or bank deposits.
- The reserve portfolio, if sufficient funds are available, will be invested in short-term instruments to fund daily operating needs and capital outlays within the next twelve months. Assets within this portfolio will be permitted to have investments maturing in one year or less.
- The strategic portfolio, if sufficient funds are available, will be invested to fund operating needs anticipated over the next three years. This portfolio allows for investments with stated maturities of up to three years from the purchase date. Maturities are to be laddered to ensure flexibility of and access to funds in this portfolio.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2019 or 2018.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Escrow account

The Charter School maintains cash in an escrow account in accordance with the terms of their charter agreement. The escrow is restricted to fund legal and other costs in the event of dissolution of the Charter School.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2016 through June 30, 2019 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. In addition, the Charter School received donated transportation services from certain local school districts. The Charter School was unable to determine a value for these services.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2018

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities". The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1.) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets.
- 2.) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3.) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4.) Provide enhanced disclosures about:
 - a. Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - b. Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
 - c. Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Cont'd

- d. Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
- e. Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Charter School has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The standard is currently effective for the fiscal year ending June 30, 2021, but FASB is considering proposals to delay the effective date by one year. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 24, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted except as disclosed in Note B.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. (“USI”), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated September 26, 2006 which was renewed for an additional five years effective July 1, 2011 and was revised July 1, 2014 and again effective July 1, 2018 for an additional five years, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil tuition for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage was fixed at 8% for Rochester Prep and 10% for West Campus for the 2014 year and is fixed for the fiscal years 2015 through 2023 for each of the schools ranging from 8% to 10% as outlined in the agreement. In addition, during the year ended June 30, 2017, the Charter School paid USI a 10% service fee for Rochester Prep 3 Elementary School based upon an agreement approved at the September 2016 Board meeting but not signed. Rochester Prep 3 Elementary School was included in an agreement signed subsequent to year end, with an effective date of July 1, 2018. Rochester Prep 3 Elementary School’s fee ranges from 8.5% to 10% through 2023. The fee incurred for the years ended June 30, 2019 and 2018 was \$2,827,571 and \$2,503,478, respectively. At June 30, 2019 and 2018, approximately \$8,600 and \$131,000, respectively, was included in accounts receivable relating to USI, primarily from grants passed through USI. At June 30, 2019 and 2018, approximately \$418,800 and \$385,700, respectively, was included in accounts payable relating to USI. On July 1, 2019, the Charter School entered into a new five-year agreement with USI terminating on June 30, 2024. This new agreement adjusts the service fee calculation to equate to 13.5% of the sum of recurring public revenue less facilities expenses.

The Charter School leases its Rochester Prep Middle School facilities from True North Rochester Real Estate LLC, a wholly-owned subsidiary of USI (Brooks Avenue location). The lease agreement expired in July 2011 and is renewable in four successive periods of five years. Rent for this lease is calculated based on a formula of certain expenses of the landlord. The Charter School is currently leasing the property on a month to month basis.

The Charter School leases its Rochester Prep Elementary School facilities from True North Rochester Real Estate Ames Street, LLC, a wholly-owned subsidiary of USI (Jay Street location). A new lease agreement was negotiated in March 2016. The lease agreement expires in August 2022, but will terminate if the Charter School’s charter is not renewed. Rent for this lease was initially approximately \$28,300 per month for the initial four months and then decreased to a monthly rate of \$23,268 until the termination of the lease. The Charter School is also responsible for all other expenses relating to the property and must remain in compliance with a certain financial covenant. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Effective February 18, 2016, the Charter School began leasing space for its Rochester Prep – West Campus Middle School from Rochester Chili Avenue, LLC, a wholly-owned subsidiary of USI. The agreement requires the School remain in compliance with a financial covenant and expires in August 2022. The Charter School is responsible for all other expenses related to the property. Required monthly payments under the agreement were \$32,894 beginning on May 1, 2016 through June 30, 2016 and then decreased to \$20,394 for the remaining term. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

Effective July 1, 2016, the Charter School began leasing space for its second Rochester Prep Elementary School and its Rochester Prep – West Campus Elementary School from True North St. Jacob Street, LLC, a wholly-owned subsidiary of USI. The agreement will require the School remain in compliance with a financial covenant and expires in July 2021. The Charter School is responsible for all other expenses related to the property. Required payments vary over the term of the lease ranging from \$10,238 to \$11,190. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

Effective October 1, 2016, the Charter School began leasing space for a future location of its West Campus Elementary School from True North Andrews Street, LLC, a wholly owned subsidiary of USI. The agreement requires the School remain in compliance with a financial covenant and expires in July 1, 2021. The Charter School is responsible for all other expenses related to the property. Payments under the agreement are \$10,033 from October 1, 2016 through June 1, 2017 then decreasing to monthly payments ranging from \$7,684 to \$8,396 through July 1, 2021. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

At June 30, 2019 and 2018, the Charter School was in compliance with its financial covenants referred to above.

During 2019, the Charter School advanced \$3,000,000 to USI in connection with the development of a property to be leased to the Charter School. The loan carries an interest rate of 2.5% and matures on the earlier of January 31, 2020 or within ten days of USI or the related realty company obtaining financing from a bank. If repayment does not occur by the maturity date, the Charter School has the right to offset management fees owed to USI under their management agreement. The amount outstanding, including accrued interest, at June 30, 2019 is approximately \$3,024,000.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Effective June 1, 2017, the Charter School amended its leases with True North St. Jacob Street, LLC and True North Andrews Street, LLC to include a commitment to advance \$374,089 and \$475,000, to each of the sites respectively. These commitments will be used to fund construction at the sites in preparation for the occupancy by the Charter School. As of June 30, 2017, the full amount of these payments had been made or accrued and they were included in part as construction in progress and as of June 30, 2018 and 2019, the amounts are included as leasehold improvements in Note F.

Effective August 24, 2018, the Charter School amended its leases with True North St. Jacob Street, LLC and True North Andrews Street, LLC to include additional commitments to advance \$200,000 and \$191,895, to each of the sites respectively. These commitments will be used to fund continued construction and renovations at the sites. As of June 30, 2018, the full amount of these payments had been made or accrued and they were included in part as construction in progress and as of June 30, 2019, the amounts are included as leasehold improvements in Note F.

Including certain expenses, rent expense incurred for the years ended June 30, 2019 and 2018 relating to the above leases was approximately \$810,000 and \$794,000, respectively.

The future minimum lease payments for the Charter School to related parties are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 752,100
2021	759,000
2022	543,900
2023	87,300
	<u>\$ 2,142,300</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE C: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

	<u>Amount</u>
Cash	\$ 3,711,363
Investments	5,100,020
Grants and contracts receivable	1,309,610
Accounts receivable	1,207,514
Note receivable - related party	<u>3,024,375</u>
	<u>\$ 14,352,882</u>

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service, as well as the conduct of services undertaken to support those activities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal year 2019.

NOTE D: SCHOOL FACILITY

The Charter School leased space from the Rochester City School District for its high school (Martin Street location). The lease was renewable in one year extensions through June 2019. Rent expense was \$96,534 for the year ended June 30, 2018, due to the Charter School terminating the lease in December 2017. There was no rent expense related to this lease during the year ended June 30, 2019.

Effective December 21, 2017, the Charter School leases space from 1001 Lake Ave LLC for its high school. The lease term is from January 1, 2018 through July 31, 2019. Rent expense was \$343,890 and \$171,945 for the years ended June 30, 2019 and 2018, respectively, which was payable in monthly installments of \$28,658.

Effective June 12, 2019, the Charter School signed an agreement for a new location at 400 Andrews Street in Rochester, NY. The term of this lease ends on June 12, 2021 and requires monthly payments of \$2,300 with a total of \$27,600 and \$25,300 being due in the fiscal years ending June 30, 2020 and 2021, respectively.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE E: FAIR VALUE MEASUREMENTS

Accounting principles establishes a frame work for measuring fair value. That framework provides 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 or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

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, 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Charter School are actively traded open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to report their daily net asset value and to transact at that price.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE E: FAIR VALUE MEASUREMENTS, Cont'd

The following table sets forth by level, within the fair value hierarchy, the Charter School's assets at fair value as of June 30, 2019:

<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market funds	\$ 5,100,020	\$ -	\$ -	\$ 5,100,020
Total assets at fair value	<u>\$ 5,100,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,100,020</u>

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 594,500	\$ 516,638
Computer equipment and software	3,319,249	2,687,518
Leasehold improvements	5,524,482	3,604,031
Construction in process	<u>105,549</u>	<u>943,492</u>
	9,543,780	7,751,679
Less accumulated depreciation and amortization	<u>5,650,312</u>	<u>4,058,226</u>
	<u>\$ 3,893,468</u>	<u>\$ 3,693,453</u>

Construction in progress as of June 30, 2018 consists of costs related to two new locations that the Charter School moved into during the 2019 fiscal year and the amounts were transferred to leasehold improvements. No depreciation was taken on these assets until they were placed into service. Construction in progress at June 30, 2019 consists of costs related to multiple small improvements projects. No depreciation will be taken until these assets are placed in service.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through November 2023. The approximate future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 426,000
2021	334,000
2022	157,000
2023	61,000
2024	<u>24,000</u>
	<u>\$ 1,002,000</u>

NOTE H: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. For employees who have less than 2 years of service, the Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. For employees who have 2 to 3 years of service, the Charter School will match up to the lesser of 4% of gross payroll or \$4,000. For employees who have 4 years of service or more, the Charter School will match up to the lesser of 5% of gross payroll or \$5,000. The Charter School's total contribution to the Plan for the years ended June 30, 2019 and 2018 approximated \$320,000 and \$290,000, respectively.

NOTE I: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE J: CONCENTRATIONS

At June 30, 2019 and 2018, approximately 24% and 36%, respectively, of receivables are due from New York State, and 1% and 34%, respectively, of accounts receivable are due from the Rochester City School District.

During the years ended June 30, 2019 and 2018, 89% and 84%, respectively, of total revenue, gains and other support came from per-pupil funding provided by New York State through the school districts in which the students reside. The per-pupil rate is set annually by the state based on the school district in which the Charter School's students are located.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Undesignated	\$ 13,459,914	\$ 9,118,486
Invested in property and equipment	<u>3,893,468</u>	<u>3,693,453</u>
	<u>\$ 17,353,382</u>	<u>\$ 12,811,939</u>

NOTE L: FUNCTIONAL EXPENSES

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. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
True North Rochester Preparatory Charter School

We have audited the financial statements of True North Rochester Preparatory Charter School as of and for the year ended June 30, 2019, and we have issued our report thereon dated October 24, 2019, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2019, as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 24, 2019

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF ROCHESTER PREP, WEST CAMPUS AND ROCHESTER PREP SCHOOL 3 ACTIVITIES

YEAR ENDED JUNE 30, 2019

	<u>Rochester Prep</u>	<u>West Campus</u>	<u>Rochester Prep School 3</u>	<u>Total</u>
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 16,138,894	\$ 11,195,356	\$ 3,592,751	\$ 30,927,001
Students with disabilities	703,260	302,466	33,931	1,039,657
Grants and contracts				
State and Local	-	-	-	-
Federal - Title and IDEA	674,021	503,754	142,610	1,320,385
Federal - Other	311,949	69,588	23,821	405,358
Food service/child nutrition program	1,232,432	900,692	106,846	2,239,970
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>19,060,556</u>	<u>12,971,856</u>	<u>3,899,959</u>	<u>35,932,371</u>
Personnel services costs:				
Administrative staff personnel	2,478,125	1,523,687	479,129	4,480,941
Instructional personnel	5,018,012	3,516,564	1,229,826	9,764,402
Non-instructional personnel	33,197	27,219	-	60,416
TOTAL STAFF AND SALARIES	<u>7,529,334</u>	<u>5,067,470</u>	<u>1,708,955</u>	<u>14,305,759</u>
Fringe benefits and payroll taxes	1,481,684	1,094,007	277,328	2,853,019
Retirement	157,775	132,058	30,549	320,382
Management fees	1,458,048	992,682	376,841	2,827,571
Legal service	25,346	6,724	3,360	35,430
Accounting and audit services	23,018	15,348	7,670	46,036
Other professional and consulting services	471,508	225,223	94,320	791,051
Building and land rent	594,874	416,153	142,370	1,153,397
Repairs and maintenance	524,339	336,803	201,068	1,062,210
Insurance	154,015	102,680	51,335	308,030
Utilities	288,949	166,300	50,882	506,131
Supplies and materials	225,793	171,880	47,349	445,022
Equipment/Furnishings	49,147	22,404	19,450	91,001
Professional development	518,561	246,509	97,094	862,164
Marketing and recruitment	28,445	21,146	9,418	59,009
Technology	251,162	169,352	81,100	501,614
Food service	938,656	634,476	220,526	1,793,658
Student services	769,249	507,895	85,320	1,362,464
Office expense	547,754	254,547	97,453	899,754
Depreciation and amortization	546,115	615,090	430,880	1,592,085
Other	31,374	40,699	5,223	77,296
TOTAL EXPENSES	<u>16,615,146</u>	<u>11,239,446</u>	<u>4,038,491</u>	<u>31,893,083</u>
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	<u>2,445,410</u>	<u>1,732,410</u>	<u>(138,532)</u>	<u>4,039,288</u>
Support and other revenue:				
Contributions:				
Foundations	187,917	1,536	120,743	310,196
Corporations	115,000	-	-	115,000
Miscellaneous income	35,449	40,801	709	76,959
TOTAL SUPPORT AND OTHER REVENUE	<u>338,366</u>	<u>42,337</u>	<u>121,452</u>	<u>502,155</u>
CHANGE IN NET ASSETS	<u>\$ 2,783,776</u>	<u>\$ 1,774,747</u>	<u>\$ (17,080)</u>	<u>\$ 4,541,443</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL, MIDDLE SCHOOL, AND HIGH SCHOOL ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2019

	West Campus			Rochester Prep				Rochester Prep School 3	
	Middle School	Elementary School	Total	High School	Middle School	Elementary School	Total	Elementary School	Total
Revenue, gains and other support									
Public school district									
Resident student enrollment	\$ 5,186,652	\$ 6,008,704	\$ 11,195,356	\$ 5,256,054	\$ 5,068,016	\$ 5,814,824	\$ 16,138,894	\$ 3,592,751	\$ 30,927,001
Students with disabilities	261,205	41,261	302,466	186,886	353,669	162,705	703,260	33,931	1,039,657
Grants and contracts									
State and Local	-	-	-	-	-	-	-	-	-
Federal - Title and IDEA	57,551	446,203	503,754	246,604	102,507	324,910	674,021	142,610	1,320,385
Federal - Other	43,404	26,184	69,588	224,686	42,853	44,410	311,949	23,821	405,358
Food service/child nutrition program	428,954	471,738	900,692	251,997	443,738	536,697	1,232,432	106,846	2,239,970
TOTAL REVENUE, GAINS AND OTHER SUPPORT	5,977,766	6,994,090	12,971,856	6,166,227	6,010,783	6,883,546	19,060,556	3,899,959	35,932,371
Personnel services costs:									
Administrative staff personnel	698,966	824,721	1,523,687	821,723	618,588	1,037,814	2,478,125	479,129	4,480,941
Instructional personnel	1,418,151	2,098,413	3,516,564	1,782,070	1,404,280	1,831,662	5,018,012	1,229,826	9,764,402
Non-instructional personnel	-	27,219	27,219	-	33,197	-	33,197	-	60,416
TOTAL STAFF AND SALARIES	2,117,117	2,950,353	5,067,470	2,603,793	2,056,065	2,869,476	7,529,334	1,708,955	14,305,759
Fringe benefits and payroll taxes	438,979	655,028	1,094,007	489,475	389,281	602,928	1,481,684	277,328	2,853,019
Retirement	53,709	78,349	132,058	52,232	35,580	69,963	157,775	30,549	320,382
Management fees	440,433	552,249	992,682	511,924	441,935	504,189	1,458,048	376,841	2,827,571
Legal service	3,362	3,362	6,724	18,622	3,362	3,362	25,346	3,360	35,430
Accounting and audit services	7,674	7,674	15,348	7,670	7,674	7,674	23,018	7,670	46,036
Other professional and consulting services	101,490	123,733	225,223	242,877	105,607	123,024	471,508	94,320	791,051
Building and land rent	183,643	232,510	416,153	188,265	179,557	227,052	594,874	142,370	1,153,397
Repairs and maintenance	183,371	153,432	336,803	40,059	230,493	253,787	524,339	201,068	1,062,210
Insurance	51,340	51,340	102,680	51,335	51,340	51,340	154,015	51,335	308,030
Utilities	87,861	78,439	166,300	97,175	119,315	72,459	288,949	50,882	506,131
Supplies and materials	74,076	97,804	171,880	103,461	61,892	60,440	225,793	47,349	445,022
Equipment/Furnishings	1,880	20,524	22,404	27,382	14,193	7,572	49,147	19,450	91,001
Professional development	130,561	115,948	246,509	231,823	122,956	163,782	518,561	97,094	862,164
Marketing and recruitment	9,672	11,474	21,146	9,172	10,218	9,055	28,445	9,418	59,009
Technology	97,198	72,154	169,352	106,870	64,792	79,500	251,162	81,100	501,614
Food service	253,265	381,211	634,476	249,120	330,308	359,228	938,656	220,526	1,793,658
Student services	337,987	169,908	507,895	354,636	229,741	184,872	769,249	85,320	1,362,464
Office expense	118,275	136,272	254,547	171,142	144,068	232,544	547,754	97,453	899,754
Depreciation and amortization	181,487	433,603	615,090	163,141	167,985	214,989	546,115	430,880	1,592,085
Other	5,592	35,107	40,699	9,787	20,385	1,202	31,374	5,223	77,296
TOTAL EXPENSES	4,878,972	6,360,474	11,239,446	5,729,961	4,786,747	6,098,438	16,615,146	4,038,491	31,893,083
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	1,098,794	633,616	1,732,410	436,266	1,224,036	785,108	2,445,410	(138,532)	4,039,288
Support and other revenue:									
Contributions:									
Foundations	768	768	1,536	36,381	768	150,768	187,917	120,743	310,196
Corporations	-	-	-	115,000	-	-	115,000	-	115,000
Miscellaneous income	10,754	30,047	40,801	709	27,346	7,394	35,449	709	76,959
TOTAL SUPPORT AND OTHER REVENUE	11,522	30,815	42,337	152,090	28,114	158,162	338,366	121,452	502,155
CHANGE IN NET ASSETS	\$ 1,110,316	\$ 664,431	\$ 1,774,747	\$ 588,356	\$ 1,252,150	\$ 943,270	\$ 2,783,776	\$ (17,080)	\$ 4,541,443

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – WEST CAMPUS

	June 30,						
	2019						2018
	No. of Positions	Program Services			Support Services		Total
Regular education		Special education	Total	Management and General	Total		
Personnel services costs:							
Administrative staff personnel	17	\$ 1,070,431	\$ 33,106	\$ 1,103,537	\$ 420,150	\$ 1,523,687	\$ 1,460,261
Instructional personnel	70	3,411,067	105,497	3,516,564	-	3,516,564	3,488,966
Non-instructional personnel	2	-	-	-	27,219	27,219	79,595
Total salaries and staff	89	4,481,498	138,603	4,620,101	447,369	5,067,470	5,028,822
Fringe benefits and payroll taxes		956,414	29,580	985,994	108,013	1,094,007	1,009,659
Retirement		128,096	3,962	132,058	-	132,058	111,739
Management fees		818,467	25,313	843,780	148,902	992,682	963,157
Legal service		-	-	-	6,724	6,724	9,884
Accounting and audit services		-	-	-	15,348	15,348	15,236
Other professional and consulting services		191,134	5,911	197,045	28,178	225,223	202,672
Building and land rent		403,668	12,485	416,153	-	416,153	425,504
Repairs and maintenance		326,699	10,104	336,803	-	336,803	283,655
Insurance		-	-	-	102,680	102,680	141,046
Utilities		135,769	4,199	139,968	26,332	166,300	170,598
Supplies and materials		166,724	5,156	171,880	-	171,880	192,600
Equipment/Furnishings		15,796	489	16,285	6,119	22,404	30,696
Professional development		239,114	7,395	246,509	-	246,509	352,357
Marketing and recruitment		20,512	634	21,146	-	21,146	35,316
Technology		100,464	3,107	103,571	65,781	169,352	156,218
Food service		615,442	19,034	634,476	-	634,476	650,652
Student services		492,658	15,237	507,895	-	507,895	427,673
Office expense		122,655	3,793	126,448	128,099	254,547	254,608
Depreciation and amortization		593,599	18,359	611,958	3,132	615,090	297,855
Other		-	-	-	40,699	40,699	6,502
		<u>\$ 9,808,709</u>	<u>\$ 303,361</u>	<u>\$ 10,112,070</u>	<u>\$ 1,127,376</u>	<u>\$ 11,239,446</u>	<u>\$ 10,766,449</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP

	No. of Positions	June 30,					2018 Total
		2019					
		Program Services		Total	Support Services		
	Regular education	Special education		Management and General			
Personnel services costs:							
Administrative staff personnel	29	\$ 1,823,648	\$ 75,985	\$ 1,899,633	\$ 578,492	\$ 2,478,125	\$ 2,299,126
Instructional personnel	110	4,817,292	200,720	5,018,012	-	5,018,012	4,671,076
Non-instructional personnel	1	-	-	-	33,197	33,197	36,396
Total salaries and staff	140	6,640,940	276,705	6,917,645	611,689	7,529,334	7,006,598
Fringe benefits and payroll taxes		1,295,012	53,959	1,348,971	132,713	1,481,684	1,252,370
Retirement		151,464	6,311	157,775	-	157,775	150,337
Management fees		1,189,767	49,574	1,239,341	218,707	1,458,048	1,290,845
Legal service		-	-	-	25,346	25,346	21,010
Accounting and audit services		-	-	-	23,018	23,018	22,457
Other professional and consulting services		410,629	17,110	427,739	43,769	471,508	624,008
Building and land rent		571,079	23,795	594,874	-	594,874	542,549
Repairs and maintenance		503,365	20,974	524,339	-	524,339	527,629
Insurance		-	-	-	154,015	154,015	167,924
Utilities		160,108	6,671	166,779	122,170	288,949	236,027
Supplies and materials		216,761	9,032	225,793	-	225,793	198,137
Equipment/Furnishings		25,170	1,049	26,219	22,928	49,147	21,551
Professional development		497,819	20,742	518,561	-	518,561	537,242
Marketing and recruitment		27,307	1,138	28,445	-	28,445	45,202
Technology		171,093	7,129	178,222	72,940	251,162	370,343
Food service		901,110	37,546	938,656	-	938,656	882,315
Student services		738,479	30,770	769,249	-	769,249	834,530
Office expense		267,092	11,129	278,221	269,533	547,754	507,169
Depreciation and amortization		520,555	21,690	542,245	3,870	546,115	519,485
Other		-	-	-	31,374	31,374	50,080
		<u>\$ 14,287,750</u>	<u>\$ 595,324</u>	<u>\$ 14,883,074</u>	<u>\$ 1,732,072</u>	<u>\$ 16,615,146</u>	<u>\$ 15,807,808</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP SCHOOL 3

	No. of Positions	June 30,					2018
		2019					
		Program Services			Support Services		
	Regular education	Special education	Total	Management and General	Total	Total	
Personnel services costs:							
Administrative staff personnel	4	\$ 271,298	\$ 2,740	\$ 274,038	\$ 205,091	\$ 479,129	\$ 479,635
Instructional personnel	26	1,217,528	12,298	1,229,826	-	1,229,826	769,479
Non-instructional personnel	-	-	-	-	-	-	5,122
Total salaries and staff	30	1,488,826	15,038	1,503,864	205,091	1,708,955	1,254,236
Fringe benefits and payroll taxes		237,983	2,404	240,387	36,941	277,328	175,868
Retirement		30,244	305	30,549	-	30,549	28,263
Management fees		317,112	3,203	320,315	56,526	376,841	249,476
Legal service		-	-	-	3,360	3,360	4,625
Accounting and audit services		-	-	-	7,670	7,670	6,871
Other professional and consulting services		84,688	855	85,543	8,777	94,320	72,053
Building and land rent		140,946	1,424	142,370	-	142,370	94,649
Repairs and maintenance		199,057	2,011	201,068	-	201,068	155,961
Insurance		-	-	-	51,335	51,335	55,970
Utilities		34,821	352	35,173	15,709	50,882	33,908
Supplies and materials		46,876	473	47,349	-	47,349	85,701
Equipment/Furnishings		12,657	128	12,785	6,665	19,450	11,484
Professional development		96,123	971	97,094	-	97,094	95,181
Marketing and recruitment		9,324	94	9,418	-	9,418	18,221
Technology		59,587	602	60,189	20,911	81,100	64,485
Food service		218,321	2,205	220,526	-	220,526	147,980
Student services		84,467	853	85,320	-	85,320	48,391
Office expense		33,498	338	33,836	63,617	97,453	76,981
Depreciation and amortization		422,374	4,266	426,640	4,240	430,880	299,739
Other		-	-	-	5,223	5,223	1,302
		<u>\$ 3,516,904</u>	<u>\$ 35,522</u>	<u>\$ 3,552,426</u>	<u>\$ 486,065</u>	<u>\$ 4,038,491</u>	<u>\$ 2,981,345</u>

APPENDIX B-2

**CONSOLIDATED FINANCIAL STATEMENTS OF UNCOMMON
SCHOOLS AND AFFILIATES FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND JUNE 30, 2018**

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Uncommon
Schools | Change History.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

UNCOMMON SCHOOLS, INC. AND AFFILIATES

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June 30, 2019 and 2018

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Independent Auditor's Report

To the Boards of Trustees of
Uncommon Schools, Inc. and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Uncommon Schools, Inc. (a New Jersey corporation, not for profit) and its Affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Uncommon Schools, Inc. and Affiliates as of June 30, 2019 and 2018, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 36 through 52 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Alexander, Brown, Pinning & Co., P.C.

Westborough, Massachusetts
November 19, 2019

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statements of Financial Position
June 30, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 36,203,717	\$ 37,098,704
Current portion of grants and pledges receivable	4,181,351	3,903,531
Accounts and other receivables	12,621,179	7,210,549
Interest receivable	1,591,158	1,575,390
Current portion of restricted deposits	14,233,149	6,985,447
Prepaid expenses and other	1,010,051	1,094,309
Total current assets	<u>69,840,605</u>	<u>57,867,930</u>
Other Assets:		
Restricted deposits, net of current portion	13,114,089	55,579,509
Grants and pledges receivable, net of current portion	2,234,000	350,000
Bonds receivable, net	125,797,077	124,873,215
Loan receivable	14,929,250	14,929,250
Property and equipment, net	242,828,458	135,785,537
Construction in process	40,195,512	109,401,368
Pledge receivable - property	20,409,760	21,587,943
Total assets	<u>\$ 529,348,751</u>	<u>\$ 520,374,752</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of notes and bonds payable	\$ 98,280,530	\$ 90,248,411
Current portion of capital lease obligation	79,105	75,172
Accounts payable and accrued expenses	3,697,764	3,494,898
Current portion of accounts payable - construction	14,062,125	565,975
Grants payable	3,640,251	1,128,045
Deferred rental revenue	397,051	464,068
Accrued interest	3,682,041	3,728,209
Total current liabilities	<u>123,838,867</u>	<u>99,704,778</u>
Other Liabilities:		
Construction advances	946,471	5,393,293
Notes and bonds payable, net	283,034,963	287,151,718
Accounts payable - construction, net of current portion	-	13,042,283
Capital lease obligation, net of current portion	2,746,507	2,825,611
Financing obligation	20,409,760	21,587,943
Total liabilities	<u>430,976,568</u>	<u>429,705,626</u>
Net Assets:		
Without donor restrictions:		
Operating	33,684,549	31,073,292
Development	21,933,372	14,672,555
Property and equipment	29,751,731	31,372,480
Total without donor restrictions	<u>85,369,652</u>	<u>77,118,327</u>
With donor restrictions	13,002,531	13,550,799
Total net assets	<u>98,372,183</u>	<u>90,669,126</u>
Total liabilities and net assets	<u>\$ 529,348,751</u>	<u>\$ 520,374,752</u>

The accompanying notes are an integral part of these consolidated statements.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

 Consolidated Statements of Activities and Changes in Net Assets
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions:		
Operating revenues:		
Management fees	\$ 27,825,621	\$ 24,877,667
Rental income	12,748,944	7,167,099
Interest and other	9,775,674	8,508,662
Contributions	8,070,780	7,111,164
Subsidy income	6,781,492	6,272,260
Training and program fees	4,309,154	3,897,306
Grants	3,351,765	5,159,678
Real estate reimbursements	2,010,331	1,917,398
Real estate development income	191,500	159,500
Net assets released from time restrictions	179,515	762,151
Net assets released from purpose restrictions	5,259,851	1,642,257
Total operating revenues	<u>80,504,627</u>	<u>67,475,142</u>
Operating expenses:		
Personnel and related	25,841,392	22,542,499
Interest	21,438,030	17,160,206
Program and grant expenses	12,194,716	22,010,966
Depreciation	6,089,144	4,398,844
Administrative	3,699,834	2,752,404
Occupancy	3,300,246	3,197,545
System and technology	2,238,690	1,387,301
Total operating expenses	<u>74,802,052</u>	<u>73,449,765</u>
Changes in net assets without donor restrictions from operations	<u>5,702,575</u>	<u>(5,974,623)</u>
Other revenue (expense):		
Gain on unwind	1,329,260	-
Forgiveness of debt	114,286	114,286
Write-off of debt issuance costs	-	(131,285)
Loss on disposal of property and equipment	(536,675)	-
Loan extension fees	(624,288)	-
Net assets released from capital restrictions	2,266,167	137,532
Total other revenue (expense)	<u>2,548,750</u>	<u>120,533</u>
Changes in net assets without donor restrictions	<u>8,251,325</u>	<u>(5,854,090)</u>
Net Assets With Donor Restrictions:		
Grants and contributions	7,157,265	1,514,048
Capital grants	-	1,061,930
Net assets released from restrictions	(7,705,533)	(2,541,940)
Changes in net assets with donor restrictions	<u>(548,268)</u>	<u>34,038</u>
Changes in net assets	7,703,057	(5,820,052)
Net Assets:		
Beginning of year	<u>90,669,126</u>	<u>96,489,178</u>
End of year	<u>\$ 98,372,183</u>	<u>\$ 90,669,126</u>

The accompanying notes are an integral part of these consolidated statements.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 7,703,057	\$ (5,820,052)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	6,089,144	4,398,844
Amortization of debt issuance costs	408,849	178,041
Gain on unwind	(1,329,260)	-
Forgiveness of debt	(114,286)	(114,286)
Write-off of debt issuance costs	-	131,285
Loss on disposal of property and equipment	536,675	-
Loan extension fees	624,288	-
Capital grants	-	(1,061,930)
Amortized interest on bond receivable discounts	(923,862)	(893,083)
Amortized interest on bond payable discounts	740,034	724,975
Changes in operating assets and liabilities:		
Grants and pledges receivable	(2,661,820)	(666,667)
Accounts and other receivables	(5,410,630)	368,832
Interest receivable	(15,768)	(185,800)
Prepaid expenses and other	84,258	(146,896)
Accounts payable and accrued expenses	202,866	662,263
Grants payable	2,512,206	1,128,045
Deferred rental revenue	(67,017)	464,068
Accrued interest	(46,168)	1,194,539
Net cash provided by operating activities	<u>8,332,566</u>	<u>362,178</u>
Cash Flows from Investing Activities:		
(Increase) decrease in restricted deposits	35,217,718	(15,375,321)
Purchase of bonds receivable, net of credit strip proceeds	-	(29,833,624)
Purchase of construction in process and property and equipment	<u>(44,009,017)</u>	<u>(59,816,366)</u>
Net cash used in investing activities	<u>(8,791,299)</u>	<u>(105,025,311)</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable	13,104,656	50,375,902
Principal payments on notes payable	(8,894,629)	(2,199,080)
Proceeds from bonds payable	-	55,748,408
Construction advances provided (used)	(4,446,822)	3,888,264
Debt issuance and loan extension costs	(624,288)	(1,315,179)
Capital grants	500,000	561,930
Principal payments on capital lease obligation	(75,171)	(71,435)
Net cash provided by (used in) financing activities	<u>(436,254)</u>	<u>106,988,810</u>
Net Change in Cash and Cash Equivalents	(894,987)	2,325,677
Cash and Cash Equivalents:		
Beginning of year	<u>37,098,704</u>	<u>34,773,027</u>
End of year	<u>\$ 36,203,717</u>	<u>\$ 37,098,704</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 20,335,315</u>	<u>\$ 15,062,651</u>
Supplemental Disclosure of Non-Cash Transactions:		
Amortization of financing fees capitalized as part of construction in process	<u>\$ -</u>	<u>\$ 114,329</u>
Construction in process and property and equipment financed through accounts payable - construction	<u>\$ 14,062,125</u>	<u>\$ 13,608,258</u>
Construction in process transferred to property and equipment	<u>\$ 113,149,804</u>	<u>\$ 26,217,088</u>
Debt issuance costs financed through proceeds from notes and bonds payable	<u>\$ 458,676</u>	<u>\$ 368,625</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2019

(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019							2018	
	Program			General and Administrative				Total	
	Charter Management Program	Facility Development Program	Total Program	Charter School Support	CMO Support	Total General and Administrative	Fundraising		
Personnel and Related Costs:									
Salaries	\$ 13,543,063	\$ -	\$ 13,543,063	\$ 1,715,780	\$ 5,860,055	\$ 7,575,835	\$ 908,338	\$ 22,027,236	\$ 19,251,249
Payroll taxes and employee benefits	2,345,068	-	2,345,068	297,098	1,014,706	1,311,804	157,284	3,814,156	3,291,250
Total payroll and related costs	15,888,131	-	15,888,131	2,012,878	6,874,761	8,887,639	1,065,622	25,841,392	22,542,499
Interest:									
Interest on notes and bonds payable	240,008	20,049,139	20,289,147	-	-	-	-	20,289,147	16,257,190
Amortization of discount on bonds payable	-	740,034	740,034	-	-	-	-	740,034	724,975
Amortization of debt issuance costs	-	408,849	408,849	-	-	-	-	408,849	178,041
Total interest	240,008	21,198,022	21,438,030	-	-	-	-	21,438,030	17,160,206
Program and Grant Expenses:									
Grants to schools	7,606,823	40,974	7,647,797	-	-	-	-	7,647,797	16,782,140
Other school support	2,641,462	-	2,641,462	66,991	262,429	329,420	112,291	3,083,173	3,718,625
Professional development	1,008,041	-	1,008,041	92,672	363,033	455,705	-	1,463,746	1,510,201
Total program and grant expenses	11,256,326	40,974	11,297,300	159,663	625,462	785,125	112,291	12,194,716	22,010,966
Depreciation	186,950	5,855,457	6,042,407	37,390	9,347	46,737	-	6,089,144	4,398,844
Administrative:									
Office and other	1,522,883	1,199,191	2,722,074	247,468	57,108	304,576	76,144	3,102,794	2,370,183
Professional services	477,632	-	477,632	77,615	17,911	95,526	23,882	597,040	382,221
Total administrative	2,000,515	1,199,191	3,199,706	325,083	75,019	400,102	100,026	3,699,834	2,752,404
Occupancy:									
Rent, utilities and maintenance	188,975	2,462,151	2,651,126	30,709	7,087	37,796	9,449	2,698,371	2,595,670
Donated space	481,500	-	481,500	78,244	18,056	96,300	24,075	601,875	601,875
Total occupancy	670,475	2,462,151	3,132,626	108,953	25,143	134,096	33,524	3,300,246	3,197,545
System and Technology	1,790,951	-	1,790,951	291,030	67,161	358,191	89,548	2,238,690	1,387,301
Total operating expenses	\$ 32,033,356	\$ 30,755,795	\$ 62,789,151	\$ 2,934,997	\$ 7,676,893	\$ 10,611,890	\$ 1,401,011	\$ 74,802,052	\$ 73,449,765

The accompanying notes are an integral part of these consolidated statements.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program			General and Administrative				
	Charter Management Program	Facility Development Program	Total Program	Charter School Support	CMO Support	Total General and Administrative	Fundraising	Total
Personnel and Related Costs:								
Salaries	\$ 11,836,296	\$ -	\$ 11,836,296	\$ 5,121,540	\$ 1,499,549	\$ 6,621,089	\$ 793,864	\$ 19,251,249
Payroll taxes and employee benefits	2,023,568	-	2,023,568	875,594	256,367	1,131,961	135,721	3,291,250
Total payroll and related costs	13,859,864	-	13,859,864	5,997,134	1,755,916	7,753,050	929,585	22,542,499
Interest:								
Interest on notes and bonds payable	241,950	16,015,240	16,257,190	-	-	-	-	16,257,190
Amortization of discount on bonds payable	-	724,975	724,975	-	-	-	-	724,975
Amortization of debt issuance costs	-	178,041	178,041	-	-	-	-	178,041
Total interest	241,950	16,918,256	17,160,206	-	-	-	-	17,160,206
Program and Grant Expenses:								
Grants to schools	7,072,404	9,709,736	16,782,140	-	-	-	-	16,782,140
Other school support	3,160,831	-	3,160,831	334,676	74,373	409,049	148,745	3,718,625
Professional development	1,042,039	-	1,042,039	377,550	90,612	468,162	-	1,510,201
Total program and grant expenses	11,275,274	9,709,736	20,985,010	712,226	164,985	877,211	148,745	22,010,966
Depreciation	400,292	3,898,479	4,298,771	80,058	20,015	100,073	-	4,398,844
Administrative:								
Office and other	1,102,161	992,482	2,094,643	179,101	41,331	220,432	55,108	2,370,183
Professional services	305,776	-	305,776	49,689	11,467	61,156	15,289	382,221
Total administrative	1,407,937	992,482	2,400,419	228,790	52,798	281,588	70,397	2,752,404
Occupancy:								
Rent, utilities and maintenance	188,975	2,359,450	2,548,425	30,709	7,087	37,796	9,449	2,595,670
Donated space	481,500	-	481,500	78,244	18,056	96,300	24,075	601,875
Total occupancy	670,475	2,359,450	3,029,925	108,953	25,143	134,096	33,524	3,197,545
System and Technology	1,109,841	-	1,109,841	180,349	41,619	221,968	55,492	1,387,301
Total operating expenses	\$ 28,965,633	\$ 33,878,403	\$ 62,844,036	\$ 7,307,510	\$ 2,060,476	\$ 9,367,986	\$ 1,237,743	\$ 73,449,765

The accompanying notes are an integral part of these consolidated statements.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS

Uncommon Schools, Inc. (“Uncommon”) mission is to close the achievement gap and prepare low-income students to graduate from college. Uncommon furthers its mission by starting, designing, planning, launching, and managing outstanding college preparatory urban charter public schools in Newark and Camden, New Jersey, New York City, Troy and Rochester, New York, and Boston, Massachusetts. Uncommon also furthers its mission by developing professional development tools and trainings which Uncommon makes available to its network schools, as well as other partner organizations and districts. Uncommon also develops, manages, and maintains real estate for lease to charter schools or renaissance schools within its network.

Several other not-for-profit corporations have a shared mission with Uncommon, are under common management and share common Board members. These entities are: Uncommon Lender, Inc. (“Lender”), North Star Academy Foundation, Inc. (“NSA Foundation”), Camden Prep Foundation, Inc. (“Camden Foundation”), Rochester Prep Foundation, Inc. (“Rochester Foundation”), Troy Prep Foundation, Inc. (“Troy Foundation”) and Excellence Academies Foundation, Inc. (“EAF”), all of which are not-for-profit corporations. Uncommon, EAF and Lender have a majority of common members on the Board of Trustees and two thirds of the Trustees of NSA Foundation, Camden Foundation, Rochester Foundation, and Troy Foundation are appointed by the Board of Trustees of Uncommon. Because of these trustees and shared mission, the financial statements are presented on a consolidated basis.

EAF was formed in November 2008 to support the charitable purpose of Uncommon by engaging in activities directed to the development of innovative schools, especially charter public schools. In particular, EAF supports program development, and program implementation of Excellence Boy’s Charter School of Bedford Stuyvesant (“Excellence”) and the acquisition and development of property to be used by Excellence.

Lender was formed in 2008 to support Uncommon’s real estate and other activities by providing subordinate debt and equity to Uncommon through loans, grants, loan participation purchases, and equity contributions.

Uncommon formed the following foundations, in fiscal year 2016, by geographical regions to support the schools in the Uncommon network in those regions both operationally and in connection with the acquisition and development of facilities:

NSA Foundation was formed to support North Star Academy Charter School of Newark, New Jersey (“North Star”). Camden Foundation was formed to support the schools Uncommon manages in Camden, New Jersey. Rochester Foundation was formed to support the schools Uncommon manages in Rochester, New York. Troy Foundation was formed to support the schools Uncommon manages in Troy, New York.

Uncommon, Lender, NSA Foundation, Camden Foundation, Rochester Foundation and Troy Foundation are organized under the not-for-profit corporation law of the State of New Jersey. EAF is organized under the not-for-profit corporation law of the State of Delaware. These entities are exempt from Federal income taxes as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Uncommon, EAF, Lender, NSA Foundation, Camden Foundation, Rochester Foundation and Troy Foundation are also exempt from state income taxes. Contributions made to Uncommon, EAF, Lender, NSA Foundation, Camden Foundation, Rochester Foundation and Troy Foundation are deductible within the requirements of the IRC.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Uncommon Real Estate and Financing Subsidiaries

Uncommon Crown Heights, LLC (“UNCROWN”) was formed in 2008 to administer facility expenses for the high school facility shared by Uncommon Charter High School and Achievement First Brooklyn High School.

Roxbury Prep Belgrade Avenue, LLC (“Belgrade Avenue”) was formed in 2017 to enter into a lease and develop vacant land located in Boston, Massachusetts.

10 Vale Street, LLC (“10 Vale Street”) was formed in August 2018 to acquire and renovate property located at 10 Vale Street, Boston, Massachusetts (“the Vale Street Property”). The Vale Street Property was acquired in 2019 and began renovations at that time.

Uncommon Properties, LLC (“UP”) was formed in 2006 to facilitate real estate ownership and real estate financing transactions for Uncommon.

Uncommon Properties II, LLC (“UP II”) was formed in 2012 to participate in a \$7.8 million Qualified Zone Academy Bond (“QZAB”) transaction entered into in December 2012. In October 2017, the QZAB proceeds were lent to NSA 9th St & Alexander (see page 10 and Note 8).

Uncommon Properties III, LLC (“UP III”) was formed in 2013 to participate in a \$35.7 million Qualified School Construction Bond (“QSCB”) transaction entered into in December 2013 for the Hazelwood Property and the Broad Street Property (see pages 9 and 10 and Note 8).

Uncommon Properties IV, LLC (“UP IV”) was formed in 2013 to participate in a \$7.1 million QZAB transaction entered into in December 2013. In August 2016, the QZAB proceeds were lent to NSA 9th St & Alexander (see page 10 and Note 8).

Uncommon Properties V, LLC (“UP V”) was formed in 2014 to participate in a \$7.1 million QZAB transaction entered into in December 2014 in connection with NSA 18 Wash (see page 10 and Note 8).

Uncommon Properties VI, LLC (“UP VI”) was formed in December 2015 to participate in a \$7.1 million QZAB transaction entered into in December 2015. In October 2017, the QZAB proceeds were lent to NSA 9th St & Alexander (see page 10 and Note 8).

Uncommon Properties VII, LLC (“UP VII”) was formed in April 2016 to participate in a \$41.3 million QSCB transaction entered into in April 2016 in connection with NSA 377 Wash (see page 10 and Note 8).

Uncommon CP Properties I, LLC (“UP CP I”) was formed in February 2016 to participate in a \$47.5 million QSCB transaction entered into in November 2016 in connection with CP Haddon & Copewood, LLC (see page 11 and Note 8).

Uncommon CP Properties II, LLC (“UP CP II”) was formed in February 2016 to participate in a \$29.8 million QSCB transaction entered into in December 2017. In April 2019, the QSCB proceeds were lent to CP Mt. Ephraim, LLC (see page 11 and Note 8).

Uncommon CP Properties III, LLC (“UP CP III”) was formed in November 2016 to participate in a \$7.9 million QZAB transaction entered into in December 2016. In April 2019, the QZAB proceeds were lent to CP Mt. Ephraim, LLC (see page 11 and Note 8).

UNCROWN, Belgrade Avenue, 10 Vale Street, UP II through UP VII, UP CP I through UP CP III (collectively, the “Uncommon Subsidiaries”) are each single-member limited liability companies, whose sole member is UP. UP is a single-member limited liability company, whose sole member is Uncommon. The Uncommon Subsidiaries and UP are each disregarded entities of Uncommon for tax purposes and included in the consolidated financial statements of Uncommon.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Lender Subsidiary Entities

Uncommon NSA Lender, LLC (“NSA Lender”) was formed in 2012 to participate in a \$7.8 million QZAB transaction entered into in December 2012 in connection with NSA 9th St & Alexander (see Note 6).

Uncommon NSA Lender II, LLC (“NSA Lender II”) was formed in 2013 to participate in a \$35.7 million QSCB transaction entered into in December 2013 in connection with the Hazelwood Property and the Broad Street Property (see Note 6).

Uncommon NSA Lender III, LLC (“NSA Lender III”) was formed in 2013 to participate in a \$7.1 million QZAB transaction entered into in December 2013 in connection with NSA 9th St & Alexander (see Note 6).

Uncommon NSA Lender IV, LLC (“NSA Lender IV”) was formed in 2014 to participate in a \$7.1 million QZAB transaction entered into in December 2014 in connection with NSA 18 Wash (see Note 6).

Uncommon NSA Lender V, LLC (“NSA Lender V”) was formed in December 2015 to participate in a \$7.1 million QZAB transaction entered into in December 2015 in connection with NSA 9th St & Alexander (see Note 6).

Uncommon NSA Lender VI, LLC (“NSA Lender VI”) was formed in April 2016 to participate in a \$41.3 million QSCB transaction entered into in April 2016 in connection with NSA 377 Wash (see Note 6).

Uncommon CP Lender I, LLC (“CP Lender I”) was formed in February 2016 to participate in a \$47.5 million QSCB transaction entered into in November 2016 in connection with CP Haddon & Copewood, LLC (see Note 6).

Uncommon CP Lender II, LLC (“CP Lender II”) was formed in February 2016 to participate in a \$29.8 million QSCB transaction entered into in December 2017 with CP Mt. Ephraim, LLC (see Note 6).

Uncommon CP Lender III, LLC (“CP Lender III”) was formed in November 2016 to participate in a \$7.9 million QZAB transaction entered into in December 2016 with CP Mt. Ephraim, LLC (see Note 6).

NSA Lender through NSA Lender VI, CP Lender I through CP Lender III (collectively, the “Lender Subsidiaries”) are each single-member limited liability companies, whose sole member is Lender. The Lender Subsidiaries are each disregarded entities of Lender for tax purposes and are included in the consolidated financial statements of Lender.

NSA Foundation Subsidiary Entities

NSA 559 Broad Street, LLC (“NSA 559 Broad St.”) was formed in 2012 to acquire and renovate property located at 559 Broad Street, Newark, New Jersey (the “Broad Street Property”). The Broad Street Property was acquired in 2003 and underwent substantial renovations in 2013. The Broad Street Property is leased to North Star.

NSA 10 Washington, LLC (“NSA 10 Washington”) was formed in 2008 to acquire and renovate property located at 10 Washington Street, Newark, New Jersey (the “10 Washington Property”). The 10 Washington Property was acquired and substantially renovated in 2008. The 10 Washington Property is leased to North Star.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

NSA Foundation Subsidiary Entities (Continued)

NSA Clinton Avenue, LLC (“NSA Clinton”) was formed in 2008 to secure a long-term lease of land and a building located at 600 Clinton Avenue, Newark, New Jersey (the “Clinton Property”). NSA Clinton entered into a fifty-year lease with the landlord of the Clinton Property in 2008. The Clinton Property was renovated and subleased to North Star.

NSA Central Avenue, LLC (“NSA Central”) was formed in 2010 to acquire and develop vacant land located at 13 Central Avenue, Newark, New Jersey (the “13 Central Property”). The 13 Central Property was acquired in 2010 and was completed in 2012. The 13 Central Property is leased to North Star.

NSA Hazelwood Avenue, LLC (“NSA Hazelwood”) was formed in 2009 to secure a lease and option to purchase real property located at 24 Hazelwood Avenue, Newark, New Jersey (the “Hazelwood Property”). The Hazelwood Property was purchased and substantially renovated in 2013. The Hazelwood Property is leased to North Star.

NSA 377 Washington, LLC (“NSA 377 Wash”) was formed in 2015 to acquire and develop vacant land located at 377 Washington Street, Newark, New Jersey (the “NSA 377 Washington Property”). Development of a school facility commenced in 2015 and was completed in August 2018. In July 2018, NSA 377 Wash entered into a lease agreement with North Star.

NSA S. 9th Street & Alexander, LLC (“NSA 9th St & Alexander”) was formed in 2013 to renovate the facility located at 109 S. 9th Street, Newark, New Jersey (the “S. 9th Property”). North Star leases the S. 9th Property from an unrelated landlord. NSA 9th St & Alexander used QZAB proceeds from UP II, UP IV and UP VI to help fund renovations of the S. 9th Property (see page 8).

NSA 72 Central, LLC (“NSA 72 Central”) was formed in 2015 to enter into a long-term lease for a facility located at 72 Central Avenue, Newark, New Jersey (the “72 Central Property”). The master lease was entered into in June 2015. The 72 Central Property is subleased to North Star.

NSA Livingston Street, LLC (“NSA Livingston”) was formed in March 2016 to enter into a lease for a facility located at 120 Livingston Street, Newark, New Jersey (the “Livingston Property”). The master lease was entered into in April 2016. The Livingston Property was subleased to North Star through November 2018, at which time both the master lease and sublease were terminated. This entity is expected to be dissolved during fiscal year 2020.

NSA 18th Avenue, LLC (“NSA 18th Ave”) was formed in November 2015 to acquire and renovate property located at 571 18th Avenue, Newark, New Jersey (the “NSA 18th Ave Property”). Development of a school facility commenced in 2016 and was completed in August 2019. The NSA 18th Ave Property is leased to North Star.

NSA 18 Washington Place, LLC (“NSA 18 Wash”) was formed in March 2016 to acquire and renovate property located at 18 Washington Place, Newark, New Jersey (the “NSA 18 Wash Property”). Development of a school facility commenced in 2016 and was completed in 2018. The NSA 18 Wash Property is leased to North Star.

NSA 559 Broad St., NSA 10 Washington, NSA Clinton, NSA Central, NSA Hazelwood, NSA 377 Wash, NSA 9th St & Alexander, NSA 72 Central, NSA Livingston, NSA 18th Ave, and NSA 18 Wash (collectively, the “NSA Foundation Subsidiaries”) are each single-member limited liability companies, whose sole member is NSA Foundation (see page 7). The NSA Foundation Subsidiaries are each disregarded entities of NSA Foundation for tax purposes and are included in the consolidated financial statements of NSA Foundation.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Camden Foundation Subsidiary Entities

CP Haddon & Copewood, LLC (“CP Haddon”) was formed in September 2015 to acquire and develop property located at 1675-1689 Haddon Avenue, Camden, New Jersey (the “Haddon Property”). The Haddon Property was acquired in 2015. Development of a school facility commenced in 2016. During fiscal year 2018, a portion of the school facility was completed and placed into service and the remainder of the school facility was completed and placed into service during fiscal year 2019. In November 2017, CP Haddon entered into a lease with Camden Prep Charter School (“the Camden School”). CP Haddon used QSCB proceeds from UP CP I to help fund renovations of the property (see page 8).

CP Mt. Ephraim, LLC (“CP Ephraim”) was formed in August 2015 to renovate leased property located at 1575 Mount Ephraim Avenue, Camden, New Jersey (the “Ephraim Property”). A master lease between CP Ephraim and an unrelated third-party was entered into in April 2016. The Ephraim Property is subleased to the Camden School. Renovation of this facility commenced in 2015 and are expected to be completed in 2020. CP Ephraim used QZAB and QSCB proceeds from UP CP II and UP CP III to help fund renovations of the Ephraim Property (see page 8).

CP Haddon and CP Ephraim, (collectively, the “Camden Foundation Subsidiaries”) are each single-member limited liability companies, whose sole member is Camden Foundation (see page 7). The Camden Foundation Subsidiaries are each disregarded entities of Camden Foundation for tax purposes and are included in the financial statements of Camden Foundation.

Rochester Foundation Subsidiary Entities

True North Parking, LLC (“TN Parking”) was formed in 2006 to own property located at 657 Brooks Avenue, Rochester, New York (the “TN Parking Property”). The TN Parking Property is leased to True North Rochester Preparatory Charter School (“Rochester Prep”).

True North Rochester Real Estate, LLC (“TN Rochester RE”) was formed in 2006 to acquire and renovate real property located at 630 Brooks Avenue, Rochester, New York (the “Brooks Property”). The Brooks Property is leased to Rochester Prep.

True North Rochester Real Estate Ames Street, LLC (“TN Ames”) was formed in 2009 to acquire and renovate property located at 899 Jay Street, Rochester, New York (the “Ames Property”). The Ames Property is leased to Rochester Prep.

Rochester Chili Avenue, LLC (“TN Chili”) was formed in 2014 to acquire and renovate real property located at 432 Chili Avenue, Rochester, New York (the “Chili Property”). The Chili Property is leased to Rochester Prep.

True North Andrews Street, LLC (“TN Andrews”) was formed in December 2015 to acquire and renovate property located at 305 Andrews Street, Rochester, New York (the “Andrews Property”). The Andrews property was acquired in 2017. Renovations of this facility commenced in 2017 and are expected to be completed in 2020. The Andrews Property is leased to Rochester Prep.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Rochester Foundation Subsidiary Entities (Continued)

True North St. Jacob Street, LLC (“TN St. Jacob”) was formed in April 2016 to acquire and renovate property located at 85 St. Jacob Street, Rochester, New York (the “St. Jacob Property”). The St. Jacob Property was purchased and phase one and two of the renovations were completed in 2017 and 2018, respectively. Phase three of the renovations are expected to be completed in late 2019. The St. Jacob Property is leased to Rochester Prep.

True North Rochester Mark Street, LLC (“TN Rochester Mark”) was formed in June 2019 to acquire and renovate property located in Rochester, New York. There was no activity during fiscal year 2019. In August 2019, TN Rochester Mark purchased land and a building (see Note 15).

TN Parking, TN Rochester RE, TN Ames, TN Chili, TN Andrews, TN St. Jacob and TN Rochester Mark (collectively, the “Rochester Foundation Subsidiaries”) are each single-member limited liability companies, whose sole member is Rochester Foundation (see page 7). The Rochester Foundation Subsidiaries are each disregarded entities of Rochester Foundation for tax purposes and are included in the financial statements of Rochester Foundation.

Troy Foundation Subsidiary Entities

True North Troy Real Estate, LLC (“TN Troy”) was formed in 2008 to own or lease property located in Troy, New York. TN Troy owns real property located at 523-524 First Street, Troy, New York (the “TN Tyler Parking Lot”). The TN Tyler Parking Lot is leased to True North Troy Preparatory Charter School (“Troy Prep”).

True North Tyler Street, LLC (“TN Tyler”) was formed in 2011 to acquire and renovate real property located at 4 Tyler, Troy, New York (the “TN Tyler Property”). The TN Tyler Property is leased to Troy Prep.

True North River Street, LLC (“TN River”) was formed in December 2015 to acquire and renovate real property located at 762, 765 and 780 River Street, Troy, New York (the “TN River Property”). The TN River Property is leased to Troy Prep.

TN Troy, TN Tyler, and TN River (collectively, the “Troy Foundation Subsidiaries”) are each single-member limited liability companies, whose sole member is Troy Foundation (see page 7). The Troy Foundation Subsidiaries are each disregarded entities of Troy Foundation for tax purposes and are included in the financial statements of Troy Foundation.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Uncommon, Lender, NSA Foundation, Camden Foundation, Rochester Foundation, Troy Foundation, EAF, the Uncommon Subsidiaries, the Lender Subsidiaries, the NSA Foundation Subsidiaries, the Camden Foundation Subsidiaries, the Rochester Foundation Subsidiaries, and the Troy Foundation Subsidiaries (collectively, the “Organization”). All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The consolidated financial statements of the Organization are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principle Adoption

During fiscal year 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Organization's consolidated financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see page 16).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the consolidated statement of financial position date (see Note 17).
- Functional expense reporting (see pages 5 and 6) and an explanation of the methods used to allocate costs among program and supporting (general and administrative and fundraising) functions (see page 17).

The adoption of this ASU did not impact the Organization's consolidated net asset balance, change in net assets, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 consolidated financial statements.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. The standard defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and requires disclosures about fair value measurements. Fair value is defined under this standard as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, money market accounts and money market funds that are readily convertible into cash and purchased with original maturities of three months or less.

Accounts and Other Receivables and Allowance for Doubtful Accounts

Accounts and other receivables are recorded at the net realizable value and do not bear interest. The allowance for doubtful accounts is the Organization's best estimate of the amount of probable credit losses in existing accounts receivable. The Organization determines the allowance based on historical write-off experience. The Organization reviews its allowance for doubtful accounts periodically and past due balances (over ninety days old) are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2019 and 2018, there was no allowance recorded.

Bonds Receivable

Bonds receivable represent the Organization's purchased interest in QSCBs and QZABs to construct public school facilities. The Organization's bonds receivable are initially recorded at the purchased price, including applicable discounts. Discounts are accreted over the term of the bonds using the effective interest rate method (see Note 6).

Loan Receivable and Allowance for Uncollectable Loans

Loan receivable (see Note 4) is stated net of an allowance for uncollectable loans if deemed necessary. Interest on the loan is calculated by using the simple interest method on monthly balances of the principal amount outstanding. There was no allowance for uncollectable loans as of June 30, 2019 or 2018.

Grants and Pledges Receivable and Allowance for Uncollectable Grants and Pledges

Contributions are recognized when they are received or pledged and are considered to be available for use without donor restrictions unless specifically restricted by the donor. Contributions are received from foundations, corporations and individual donors. Unconditional promises to give are recorded at fair value at the date the promise is received (see Note 3). Unconditional promises to give that are expected to be received after one year are discounted at a risk-free interest rate, and amortization of the discount is included in contribution revenue in the accompanying consolidated statements of activities. Conditional promises to give are reported at fair value at the date the condition is met. The Organization reviews its allowance for uncollectable grants and pledges periodically. There was no allowance for uncollectable grants and pledges recorded as of June 30, 2019 or 2018.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment (see Note 5) are stated at cost, except for donated property and equipment, which are recorded at the estimated fair value at the date of the gift.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Useful lives ascribed to assets are as follows:

Buildings and building improvements	27.5 - 40 years
Leasehold improvements	Lesser of 27.5 - 40 years or life of lease
Computer equipment and software	3 years

Gifts of long-lived assets such as property and equipment are determined at the fair value at the date of the gift and reported as an increase to support without donor restrictions unless explicit donor stipulations specify how the donated assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Organization accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. In accordance with this guidance, long-lived assets, such as property and equipment and other assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no such impairments during the years ended June 30, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs have been netted with notes and bonds payable (see Note 8), and are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

Deferred Rental Revenue

Deferred revenue represents rental payments received in advance of the period in which they pertain. These amounts will be recognized as income as they are earned.

Construction Advances

At times the Organization will coordinate construction projects on behalf of charter schools. The charter schools are ultimately responsible for the costs of the project. Cash received from charter schools in advance of construction costs being incurred are recorded as construction advances in the accompanying consolidated financial statements.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. Net assets without donor restrictions are broken down into the following components:

- **Operating** net assets represent that portion of each net asset group which is considered substantially liquid and is available for general operations.
- **Development** net assets include those assets and liabilities related to project developments (see Note 5), which are long-term in nature and are not expected to be liquid or otherwise available for operations for at least one year from the date of the accompanying consolidated statements of financial position.
- **Property and equipment** net assets represent that portion of resources, net of related liabilities, invested into long-term productive property and equipment.

Net assets with donor restrictions consist of contributions and grants that are designated by donors for specific purposes or for a specified time. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes or the time restrictions have lapsed. Contributions received with donor restrictions, where the restriction expires in the period of receipt, are recorded as contributions without donor restrictions. Funds raised on behalf of charter schools are recorded as net assets with donor restrictions until they are granted to the respective schools, and are spent at the discretion of the Organization.

Net assets with donor restrictions also includes restricted resources by the donor against any expenditures of principal. The income earned on these net assets is to be spent for the restricted purpose indicated by the donor. The perpetually restricted - endowment funds of \$180,000 were not invested as of June 30, 2019 and 2018, and are included in cash and cash equivalents in the accompanying consolidated financial statements.

Net assets with donor restrictions are restricted for the following as of June 30:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
School programs	\$ 5,822,264	\$ 10,000
Charter school operations	1,650,133	5,144,471
Expansion of charter schools	1,300,000	1,992,754
Capital	1,020,134	3,486,301
College success	455,000	570,000
Other	-	309,000
Alumni	-	153,759
Advocacy	-	25,000
	<hr/>	<hr/>
Total purpose restricted	10,247,531	11,691,285
Time restricted	2,575,000	1,679,514
Perpetually restricted - endowment	180,000	180,000
	<hr/>	<hr/>
	<u>\$ 13,002,531</u>	<u>\$ 13,550,799</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidated Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying consolidated statements of activities. Peripheral or incidental transactions are reported as other revenue (expense), which consist of non-operating real estate activities.

Revenue Recognition

Earned revenues are recognized in the period services are rendered and consist of management fees, training and program fees, and real estate development income that are all reported at estimated net realizable amounts from entities, primarily charter schools, the Organization supports. Real estate reimbursements relate to costs incurred by the Organization and reimbursed by various charter schools. Rental income is recognized ratably over the lease term (see Note 12).

Subsidy income represents interest subsidies received from the U.S. Department of Treasury in connection with certain bond financing programs (see Note 8) and are recorded ratably over the terms of the qualifying bond obligations.

Grants and contributions without donor restrictions are recognized as revenue when received or unconditionally pledged to the Organization. Donor restricted grants and contributions with time or purpose restrictions are recognized as net assets with donor restrictions when received or unconditionally pledged. Net assets with donor restrictions are transferred to net assets without donor restrictions when they are used in accordance with donor restrictions. Donor restricted gifts received and expended for their intended use in the same year are reflected as increases in net assets without donor restrictions. Interest and other income is recognized as earned.

Allocation of Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, occupancy, depreciation, professional development, other school support, office and other, system and technology and professional services, which are allocated on the basis of estimates of time and effort.

In-Kind Donations

The consolidated financial statements reflect the fair value amounts for donated services and space that create or enhance non-financial assets or require specialized skills, are performed by people possessing those skills, and would have been purchased by the Organization if they had not been donated. The Organization recorded the value for the use of a donated facility at its estimated annual fair value of \$601,875 for the years ended June 30, 2019 and 2018. This amount is included in contribution revenue and as donated space in the accompanying consolidated statements of activities.

The Organization also records the value for the use of a different facility over a twenty-two year period as a pledge receivable which will be recognized over this same period (see Note 9).

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Expense

The Organization raises philanthropy and government grants on behalf of new and existing schools. Grant expense is comprised substantially of pass-through grants to those schools. The Organization recognizes grant expense at the time the grantee incurs costs and all significant conditions are met. The Organization awarded grants totaling \$7,647,797 and \$16,782,140 during fiscal years 2019 and 2018, respectively, which are reflected as grants to schools in the accompanying consolidated statements of functional expenses. At June 30, 2019 and 2018, \$3,640,251 and \$1,128,045, respectively, are shown as grants payable in the accompanying consolidated statements of financial position.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at June 30, 2019 and 2018. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 19, 2019, which is the date the consolidated financial statements were available to be issued. Events that met the criteria for disclosure in the consolidated financial statements are disclosed in Notes 9 and 15.

3. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are expected to be collected as follows at June 30:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 4,181,351	\$ 3,903,531
Two to five years	<u>2,234,000</u>	<u>350,000</u>
Total pledges receivable	<u>\$ 6,415,531</u>	<u>\$ 4,253,531</u>

There was no discount calculated at June 30, 2019 and 2018, as it was not deemed material to the consolidated financial statements. Approximately 89% and 76% of the Organization's grants and pledges receivable are from two and three donors as of June 30, 2019 and 2018, respectively.

4. LOAN RECEIVABLE

In April 2016, UP VII made a loan in the amount of \$14,929,250 to 377 Washington Investment Fund LLC (the Fund), an unrelated third-party, as part of the 2016 NMTC financing transaction related to the property acquisition made by NSA 377 Wash (see Notes 1 and 8) for the development of a facility that is leased to North Star. Terms of the NMTC note receivable provide interest calculated at 1.41% per annum, to be paid quarterly. Quarterly interest payments of approximately \$53,000 commenced in July 2016 and run through March 2023, at which time principal and interest payments are due through maturity of April 21, 2056. The loan is secured by all assets of the borrower. Future minimum principal payments over the next five years are \$88,180 and \$355,839 for fiscal years 2023 and 2024, respectively.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

4. LOAN RECEIVABLE (Continued)

UP VII granted to PNC New Markets Investment Partners, LLC (“PNC NMIP”), an unrelated third-party, an option (the “Put Option”) to sell UP VII its interest in the Fund for the period March 1, 2023 through August 31, 2023 (“Put Period”) for \$1,000. PNC NMIP granted to UP VII an option (the “Call Option”) to purchase PNC NMIP’s interest in the Fund after the end of the Put Period, at fair value.

5. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROCESS

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 13,775,570	\$ 7,521,849
Buildings and building improvements	256,710,886	149,749,145
Leasehold improvements	1,130,196	1,988,229
Computer equipment and software	<u>2,257,828</u>	<u>1,804,550</u>
	273,874,480	161,063,773
Less - accumulated depreciation	<u>31,046,022</u>	<u>25,278,236</u>
	<u>\$ 242,828,458</u>	<u>\$ 135,785,537</u>

Construction in process consists of costs of various projects (the “Projects”) that are currently undergoing development. All construction-related costs incurred during development are capitalized. These costs include acquisition, construction, soft costs, overhead, interest, and other costs related to the Projects. During the years ended June 30, 2019 and 2018, \$113,149,804 and \$26,217,088, respectively, of construction in process was completed and transferred to property and equipment.

Construction in process consists of the following projects that were under development at June 30:

	<u>2019</u>	<u>2018</u>
CP Ephraim	\$ 26,060,184	\$ 1,077,126
TN Andrews	7,895,451	1,059,335
10 Vale Street	4,043,830	-
Belgrade Avenue	1,715,706	-
Other development projects	480,341	1,416,740
NSA 377 Wash	-	62,802,856
NSA 18 th Ave	-	22,105,131
CP Haddon	-	<u>20,940,180</u>
	<u>\$ 40,195,512</u>	<u>\$ 109,401,368</u>

Construction in process also includes purchased land that the construction of properties relates to. Land will be transferred to property and equipment after project completion. Included in the balance of construction in process is \$1,586,348 of interest capitalized by the Organization for the year ended June 30, 2018, for all projects still in development, which was transferred to property and equipment during fiscal year 2019. There was no capitalized interest included in the balance of construction in process for the year ended June 30, 2019. Intercompany capitalized interest has been eliminated from construction in process.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

6. BONDS RECEIVABLE

The Organization facilitated the construction or rehabilitation of certain real properties to be leased to its network charter schools and be operated as public charter school facilities (see Note 1).

Pursuant to the IRC of 1986, as amended, 26 U.S.C. Sections 54A, 54F, and 54E, and Treasury Regulations promulgated thereunder, these public charter school facilities were financed in part with the proceeds of issuance of obligations known as Qualified School Construction Bonds (QSCB) and Qualified Zone Academy Bonds (QZAB) (see Note 1).

The Organization has invested in bond receivable transactions as follows:

Issuer	Par Value	2019			
		Original Bond Discount	Accumulated Bond Discount Amortization	Net Discount	Bond Value, Net
NSA Lender II (a)	\$ 35,700,000	\$ 7,451,122	\$ 1,140,400	\$ 6,310,722	\$ 29,389,278
NSA Lender VI (b)	41,300,000	14,204,802	506,021	13,698,781	27,601,219
NSA Lender (c)	7,806,000	1,835,184	287,762	1,547,422	6,258,578
NSA Lender III (d)	7,132,000	5,777,788	777,328	5,000,460	2,131,540
NSA Lender IV (e)	7,145,000	6,392,341	390,666	6,001,675	1,143,325
NSA Lender V (f)	7,145,000	6,487,355	257,561	6,229,794	915,206
CP Lender I (g)	47,500,000	19,370,381	295,503	19,074,878	28,425,122
CP Lender III (h)	7,876,000	7,802,733	25,918	7,776,815	99,185
CP Lender II (i)	29,833,624	-	-	-	29,833,624
	<u>\$ 191,437,624</u>	<u>\$ 69,321,706</u>	<u>\$ 3,681,159</u>	<u>\$ 65,640,547</u>	<u>\$ 125,797,077</u>

Issuer	Par Value	2018			
		Original Bond Discount	Accumulated Bond Discount Amortization	Net Discount	Bond Value, Net
NSA Lender II (a)	\$ 35,700,000	\$ 7,451,122	\$ 901,223	\$ 6,549,899	\$ 29,150,101
NSA Lender VI (b)	41,300,000	14,204,802	336,068	13,868,734	27,431,266
NSA Lender (c)	7,806,000	1,835,184	235,953	1,599,231	6,206,769
NSA Lender III (d)	7,132,000	5,777,788	607,410	5,170,378	1,961,622
NSA Lender IV (e)	7,145,000	6,392,341	288,310	6,104,031	1,040,969
NSA Lender V (f)	7,145,000	6,487,355	174,266	6,313,089	831,911
CP Lender I (g)	47,500,000	19,370,381	199,637	19,170,744	28,329,256
CP Lender III (h)	7,876,000	7,802,733	14,430	7,788,303	87,697
CP Lender II (i)	29,833,624	-	-	-	29,833,624
	<u>\$ 191,437,624</u>	<u>\$ 69,321,706</u>	<u>\$ 2,757,297</u>	<u>\$ 66,564,409</u>	<u>\$ 124,873,215</u>

- (a) In December 2013, NSA Lender II entered into a QSCB transaction with the New Jersey Economic Development Authority (NJEDA), as bond issuer, for the purchase of a \$35.7 million bond for \$28.25 million (the "2013 QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to UP III (see Note 8(h)). NJEDA assigned all of its rights in the 2013 QSCB to NSA Lender II who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party (see Note 8).

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

6. BONDS RECEIVABLE (Continued)

- (a) (Continued) The principal amount of \$35.7 million is due from NJEDA on the maturity date of December 22, 2033. Quarterly interest payments are due calculated at 5.31% per annum. The original bond discount of \$7.45 million is accreted over the term using an effective interest rate of 7.26%. UP III lent the proceeds of the 2013 QSCB to NSA Hazelwood and NSA 559 Broad St.
- (b) In April 2016, NSA Lender VI entered into a QSCB transaction with NJEDA, as bond issuer, for the purchase of a \$41.3 million bond for \$27.1 million (the "2016 QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to UP VII (see Note 8(l)). NJEDA assigned all of its rights in the 2016 QSCB to NSA Lender VI who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$41.3 million is due from NJEDA on the maturity date of April 21, 2045. Quarterly interest payments are due calculated at 4.44% per annum. The original bond discount of \$14.2 million is accreted over the term using an effective interest rate of 7.24%. UP VII lent the proceeds of the 2016 QSCB to NSA 377 Wash.
- (c) In December 2012, NSA Lender entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.8 million bond for \$5.97 million (the "2012 QZABs"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of this bond to UP II (see Note 8(g)). NJEDA assigned all of its rights in the 2012 QZABs to NSA Lender with a bank servicing as the trustee (the Trustee). NSA Lender assigned all of its rights in the 2012 QZABs to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$7.8 million is due from NJEDA on the maturity date of December 28, 2035, with quarterly interest payments calculated at 4.40% per annum. The original bond discount of \$1.83 million is accreted over the term using an effective interest rate of 6.32%. UP II lent the proceeds of the 2012 QZABs to NSA 9th St & Alexander.
- (d) In December 2013, NSA Lender III entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.13 million bond for \$1.35 million (the "2013 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$3,232,365. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to UP IV (see Note 8(i)) and assigned all of its rights to NSA Lender III who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2013 QZAB. The principal amount of \$7.13 million is due on the maturity date of December 29, 2033. The original bond discount of \$5.78 million is accreted over the term using an effective interest rate of 8.34%. UP IV lent the proceeds of the 2013 QZABs to NSA 9th St & Alexander.
- (e) In December 2014, NSA Lender IV entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.15 million bond for \$752,659 (the "2014 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$2,973,978. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to UP V (see Note 8(j)) and assigned all of its rights to NSA Lender IV who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2014 QZAB. The principal amount of \$7.15 million is due on the maturity date of December 30, 2038. The original bond discount of \$6.39 million is accreted over the term using an effective interest rate of 9.42%. UP V lent the proceeds of the 2014 QZABs to NSA 18 Wash.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

6. BONDS RECEIVABLE (Continued)

- (f) In December 2015, NSA Lender V entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.15 million bond for \$657,645 (the "2015 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$3,365,295. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to UP VI (see Note 8(k)) and assigned all of its rights to NSA Lender V who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2015 QZAB. The principal amount of \$7.15 million is due on the maturity date of December 28, 2040. The original bond discount of \$6.49 million is accreted over the term using an effective interest rate of 9.58%. In October 2018, UP VI lent the proceeds of the 2015 QZABs to NSA 9th St & Alexander.
- (g) In November 2016, CP Lender I entered into a QSCB transaction with NJEDA, as bond issuer, for the purchase of a \$47.5 million bond for \$28.1 million (the "2016 CP QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to CP Properties I (see Note 8(m)). NJEDA assigned all of its rights in the 2016 CP QSCB to CP Lender I who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$47.5 million is due from NJEDA on the maturity date of November 29, 2056. Beginning on April 15, 2017, quarterly interest payments are due calculated at 4.15% per annum. The original bond discount of \$19.37 million is accreted over the term using an effective interest rate of 7.24%. UP CP I lent the proceeds of the 2016 CP QSCB to CP Haddon.
- (h) In December 2016, CP Lender III entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.88 million bond for \$73,267 (the "2016 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$4,079,295. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to CP Properties III (see Note 8(o)) and assigned all of its rights to CP Lender III who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2016 QZAB. The principal amount of \$7.88 million is due on the maturity date of December 29, 2054. The original bond discount of \$7.8 million is accreted over the term using an effective interest rate of 12.37%. In April 2019, UP CP III lent the proceeds of the 2016 CP QZAB to CP Mt. Ephraim.
- (i) In December 2017, CP Lender II entered into a QSCB transaction with NJEDA, as bond issuer, for the purchase of a \$29.83 million bond at par value (the "2017 CP QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to CP Properties II (see Note 8(n)). There was no discount associated with this bond. NJEDA assigned all of its rights in the 2017 CP QSCB to CP Lender II who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$29.83 million is due from NJEDA on the maturity date of December 20, 2050. Beginning on April 15, 2018, the quarterly interest payments were due calculated at 4% per annum. Additional interest of 4% will accrue from the earlier of (1) the date all the proceeds are spent or (2) December 2020. In April 2019, UP CP II lent the proceeds of the 2017 CP QSCB to CP Mt. Ephraim.

The Organizations' QZAB and QSCB bonds noted in sections a-h on pages 20 through 22 are currently being reviewed by the IRS. At this time, the outcome of this review and the timing of resolution cannot be reasonably predicted. If management or legal counsel determines, based on the underlying facts and circumstances, that it is probable a loss will result from the IRS's review and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. Management does not expect any adverse financial impact from the IRS's review as of June 30, 2019.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

7. RESTRICTED DEPOSITS

Pursuant to various debt agreements (see Note 8), the Organization is required to maintain debt service and various restricted cash accounts (the "Restricted Accounts"). The Restricted Accounts are held by the Trustees, as defined in the respective agreements, and are only to be used to fund development costs, make required debt service payments, purchase or redeem bonds, or payment of arbitrage, as defined in the agreements. Bond proceeds encumbered to existing construction projects are only to be used to fund qualified construction expenditures. Replacement reserves are restricted for capital improvements and replacements to the property. Approval is required of the mortgagor to withdraw funds from these accounts. The Restricted Accounts serve as collateral for the notes and bonds payable (see Note 8).

Restricted deposits consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Bond proceeds - encumbered	\$ 22,651,605	\$ 21,879,494
Interest and debt service reserves	3,899,785	4,420,775
Replacement reserve	477,826	592,594
Bond proceeds - unencumbered	318,022	34,628,387
Sinking fund (see Note 8 (II))	<u>-</u>	<u>1,043,706</u>
Total restricted deposits	27,347,238	62,564,956
Less - current portion	<u>14,233,149</u>	<u>6,985,447</u>
	<u>\$ 13,114,089</u>	<u>\$ 55,579,509</u>

In October 2018, Uncommon used funds from the sinking fund to partially pay off a \$2.9 million loan in connection with TN Tyler (see Note 8 (II)).

8. NOTES AND BONDS PAYABLE

Notes and bonds payable consist of the following as of June 30:

<u>Note or Bond</u>	<u>Calendar-Year Maturity</u>	<u>2019</u>	<u>2018</u>
Note payable, Uncommon (a)	2021 and 2022	\$ 1,500,000	\$ 1,500,000
Note payable, Uncommon (b)	2020	700,000	700,000
Note payable, Uncommon (c)	2021	150,000	150,000
Note payable, Uncommon (d)	2020	3,500,000	3,500,000
Note payable, Uncommon (e)	2021 and 2023	2,800,000	2,800,000
Note payable, Uncommon (f)	2022	2,800,000	2,000,000
Note payable, Uncommon (p)	2020	3,000,000	-
Note payable, Uncommon (z)	2024	100,000	-
Bond payable, UP II (g)	2035	7,806,000	7,806,000
Bond payable, UP III (h)	2033	35,700,000	35,700,000
Bond payable, UP IV (i)	2033	7,132,000	7,132,000
Bond payable, UP V (j)	2038	7,145,000	7,145,000
Bond payable, UP VI (k)	2040	7,145,000	7,145,000
Bond payable, UP VII (l)	2045	41,300,000	41,300,000
Bond payable, UP CP I (m)	2056	47,500,000	47,500,000
Bond payable, UP CP II (n)	2050	29,833,624	29,833,624
Bond payable, UP CP III (o)	2054	7,876,000	7,876,000
Note payable, NSA Lender (q)	2035	2,386,633	2,420,816

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

Note or Bond	Calendar-Year Maturity	2019	2018
Note payable, NSA Lender (r)	2035	2,755,897	2,800,000
Note payable, NSA Lender II (s)	2020	19,536,228	20,273,936
Note payable, NSA Lender II (t)	2033	8,612,978	8,899,227
Note payable, NSA Lender VI (u)	2041	26,059,266	26,300,000
Note payable, CP Lender I (v)	2019	32,590,000	32,590,000
Note payable, CP Lender II (w)	2019	27,800,000	27,800,000
Notes payable, NSA 10 Washington (x)	2041	3,693,448	3,776,986
Notes payable, NSA Clinton (y)	2041	5,655,826	5,783,750
Bond payable, NSA Central (aa)	2024	11,798,667	12,450,334
Notes payable, NSA 377 Wash (bb)	2056	21,035,500	21,035,500
Note payable, NSA 377 Wash (cc)	2020	30,770,820	21,107,488
Note payable, NSA 72 Central (dd)	2036	3,129,270	3,233,827
Bond payable, NSA 18 th Ave (ee)	2047	24,575,000	24,575,000
Notes payable, NSA 18 Wash (ff)	2043	6,819,630	6,954,807
Note payable, TN Ames (gg)	2022	2,623,065	2,678,925
Note payable, TN Chili (hh)	2022	2,051,576	2,095,301
Note payable, TN Chili (ii)	2022	457,142	571,428
Note payable, TN Andrews(jj)	2019	-	900,000
Note payable, TN St. Jacob (kk)	2019	-	1,350,000
Notes payable, TN Tyler (ll)	2019	-	5,336,000
Total notes and bonds payable		438,338,570	435,020,949
Less - bond discount (UP II) (g)		(1,547,422)	(1,599,231)
Less - bond discount (UP III) (h)		(6,310,722)	(6,549,899)
Less - bond discount (UP IV) (i)		(2,227,329)	(2,297,803)
Less - bond discount (UP V) (j)		(3,200,255)	(3,257,008)
Less - bond discount (UP VI) (k)		(2,988,546)	(3,031,300)
Less - bond discount (UP VII) (l)		(13,698,781)	(13,868,734)
Less - bond discount (UP CP I) (m)		(19,074,878)	(19,170,744)
Less - bond discount (UP CP III) (o)		(3,692,202)	(3,705,450)
Add - bond premium (NSA 18 th Ave) (ee)		1,615,945	1,708,409
Total, net of bond discounts and premium		387,214,380	383,249,189
Less - unamortized debt issuance costs		5,898,887	5,849,060
Less - current maturities		98,280,530	90,248,411
Notes and bonds payable, net		<u>\$ 283,034,963</u>	<u>\$ 287,151,718</u>

- (a) Uncommon entered into an unsecured program-related investment (PRI) with an unrelated third-party for financing of \$1.5 million. Principal is due in two installments; \$750,000 due in October 2021 and the remainder due in October 2022 (maturity). Interest accrues annually at a rate of 1% per annum.
- (b) Uncommon entered into an unsecured PRI with an unrelated third-party for financing of \$700,000. Principal and all accrued interest are due in June 2020 (maturity). Interest accrues annually at a rate of 1% per annum.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (c) Uncommon entered into an unsecured PRI with an unrelated third-party for financing of \$150,000. Principal and interest are due in June 2021 (maturity). Interest accrues annually at a rate of 1% per annum. This loan would have been forgiven in March 2019 if certain milestones were achieved, however these milestones were not achieved and the note is now due at maturity.
- (d) Uncommon entered into an unsecured PRI with an unrelated third-party for financing of \$3.5 million. Interest accrues annually at a rate of 2% and is payable in July 2017, December 2018, and December 2019. The remainder of interest and principal is due in full in December 2020 (maturity).
- (e) Uncommon entered into four unsecured PRIs with an unrelated third-party for financing totaling \$2,800,000. Interest accrues at 1% per annum. Principal and all accrued interest are due at maturity dates of June 30, 2021 (\$850,000), December 31, 2021 (\$1,600,000), and June 30, 2023 (\$350,000).
- (f) Uncommon entered into an unsecured PRI with an unrelated third-party for financing totaling \$2,000,000. Interest accrues annually at a rate of 2% and is payable in December of each year until 2021. The remainder of interest and principal is due at maturity in November 2022. In November 2018, the PRI was amended to allow for borrowings up to \$2,800,000 and all other terms of the agreement remained unchanged.
- (g) In December 2012, UP II entered into a bond loan agreement with NJEDA, under which UP II borrowed the 2012 QZABs. The 2012 QZABs were issued at a discount yielding proceeds of \$5.97 million (see Note 6(c)). Pursuant to the bond agreement, the principal sum of \$7.8 million is due at maturity in December 2035, with quarterly interest payments calculated at 4.40% per annum. The original bond discount of \$1.83 million is accreted over the term of the loan using an effective interest rate of 6.32%. NJEDA assigned its rights in the 2012 QZABs to NSA Lender, as purchaser of the bonds. NSA Lender assigned those rights to an unrelated third-party. UP II lent the 2012 QZABs, net of costs of issuance, to NSA 9th St & Alexander. The loan is secured with all assets of UP II.
- (h) In December 2013, UP III entered into a bond loan agreement with NJEDA, under which UP III borrowed the 2013 QSCBs. The 2013 QSCBs were issued at a discount yielding proceeds of \$28.25 million (see Note 6(a)). Pursuant to the bond agreement, the principal sum of \$35.7 million is due at maturity in December 2033, with quarterly interest payments calculated at 5.31%. The original bond discount of \$7.45 million is accreted over the term of the loan using an effective interest rate of 7.26%. NJEDA assigned its rights in the 2013 QSCBs to NSA Lender II, as purchaser of the bonds. NSA Lender II assigned those rights to an unrelated third-party. UP III lent the proceeds of the 2013 QSCBs to NSA Hazelwood and NSA 559 Broad St. The loan is secured with all assets of UP III.
- (i) In December 2013, UP IV entered into a bond loan agreement with NJEDA, under which UP IV borrowed the 2013 QZABs. The 2013 QZABs were issued at a discount yielding proceeds of \$4.59 million (see Note 6(d)). Pursuant to the bond agreement, the principal sum of \$7.13 million is due on the maturity date of December 29, 2033. The original bond discount of \$2.55 million is accreted over the term of the loan. NJEDA assigned its rights in the 2013 QZABs to NSA Lender III, as purchaser of the bonds. NSA Lender III assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2013 QZABs. UP IV lent the proceeds of the 2013 QZABs to NSA 9th St & Alexander. The loan is secured with all assets of UP IV.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (j) In December 2014, UP V entered into a bond loan agreement with NJEDA, under which UP V borrowed the 2014 QZABs (see Note 6(e)). Pursuant to the bond agreement, the principal sum of \$7.15 million is due on the maturity date of December 30, 2038. The original bond discount of \$3.42 million is accreted over the term of the loan. NJEDA assigned its rights in the 2014 QZABs to NSA Lender IV, as purchaser of the bonds. NSA Lender IV assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2014 QZABs. In December 2016, UP V lent the proceeds of the 2014 QZABs to NSA 18 Wash. The loan is secured with all assets of UP V.
- (k) In December 2015, UP VI entered into a bond loan agreement with NJEDA, under which UP VI borrowed the 2015 QZABs (see Note 6(f)). Pursuant to the bond agreement, the principal sum of \$7.15 million is due on the maturity date of December 28, 2040. The bond discount of \$3.12 million is accreted over the term of the loan. NJEDA assigned its rights in the 2015 QZABs to NSA Lender V, as purchaser of the bonds. NSA Lender V assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2015 QZABs. In October 2017, the 2015 QZABs, net of costs of issuance, were lent to NSA 9th St & Alexander. The loan is secured with all assets of UP VI.
- (l) In April 2016, UP VII entered into a bond loan agreement with NJEDA, under which UP VII borrowed the 2016 QSCBs (see Note 6(b)). The 2016 QSCBs were issued at a discount yielding proceeds of \$27.1 million. Pursuant to the bond agreement, the principal sum of \$41.3 million is due on the maturity date of April 21, 2045, with quarterly interest payments calculated at 4.44%, commencing on July 15, 2016. The original bond discount of \$14.2 million is accreted over the term of the loan using an effective interest rate of 7.24%. NJEDA assigned its rights in the 2016 QSCBs to NSA Lender VI, as purchaser of the bonds. NSA Lender VI assigned those rights to an unrelated third-party. UP VII lent the proceeds of the 2016 QSCBs to NSA 377 Wash. The loan is secured with all assets of UP VII.
- (m) In November 2016, UP CP I entered into a bond loan agreement with NJEDA, under which UP CP I borrowed the 2016 CP QSCBs (see Note 6(g)). The 2016 CP QSCBs were issued at a discount yielding proceeds of \$28.1 million. Pursuant to the bond agreement, the principal sum of \$47.5 million is due at maturity in November 2056, with quarterly interest payments calculated at 4.15% per annum commencing on April 15, 2017. The original bond discount of \$19.4 million is accreted over the term of the loan using an effective interest rate of 7.24%. NJEDA assigned its rights in the 2016 CP QSCBs to CP Lender I, as purchaser of the bonds. CP Lender I assigned those rights to an unrelated third-party. UP CP I lent the proceeds of the 2016 CP QSCBs to CP Haddon. The loan is secured with all assets of UP CP I.
- (n) In December 2017, UP CP II entered into a bond loan agreement with NJEDA, under which UP CP II borrowed the 2017 CP QSCBs (see Note 6(i)). Pursuant to the bond agreement, the principal sum of \$29.8 million is due at maturity in December 2050, with quarterly interest payments calculated at 4% per annum commencing on April 15, 2018. Additional interest of 4% will accrue from the earlier of (1) the date all the proceeds are spent or (2) December 2020. There was no discount associated with this bond. NJEDA assigned its rights in the 2017 CP QSCBs to CP Lender II, as purchaser of the bonds. CP Lender II assigned those rights to an unrelated third-party. In April 2019, UP CP II lent the proceeds of the 2017 CP QSCBs to CP Mt. Ephraim. The loan is secured with all assets of UP CP II.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (o) In December 2016, UP CP III entered into a bond loan agreement with NJEDA, under which UP CP III borrowed the 2016 QZABs (see Note 6(h)). Pursuant to the bond agreement, the principal sum of \$7.8 million is due on the maturity date of December 29, 2054. The bond discount of \$3.7 million is accreted over the term of the loan. NJEDA assigned its rights in the 2016 QZABs to CP Lender III, as purchaser of the bonds. CP Lender III assigned those rights to an unrelated third-party. In April 2019, UP CP III lent the proceeds of the 2016 QZABs to CP Mt. Ephraim. The loan is secured with all assets of UP CP III.
- (p) Uncommon entered into loan agreement with an unrelated third-party to fund construction for TN Andrews which allowed for borrowing up to \$3,000,000. The note bears interest at 2.50%. Payments of principal and interest are due the earlier of January 31, 2020, or within ten business days of the date of actual refinancing of acquisition and construction costs as defined in the agreement. TN Andrews is the guarantor of this loan.
- (q) In October 2017, in conjunction with the financing of NSA 9th St & Alexander, NSA Lender entered into a \$2.4 million financing with an unrelated third-party and used these proceeds to pay off the \$5.2 million financing (in connection with the 2012 QZAB transaction). The loan bears annual interest of 7.75% per annum, and is payable quarterly in arrears beginning January 17, 2018. Commencing on October 17, 2018, principal and interest payments are due quarterly through December 28, 2035. The loan is secured by all assets of NSA Lender and Uncommon Lender's interest in NSA 9th St & Alexander.
- (r) In October 2017, in conjunction with NSA 18th Ave Property construction, NSA Lender entered into a \$2.8 million financing with an unrelated third-party. The loan bears interest at 6.7% per annum, and is payable quarterly in arrears beginning on January 17, 2018. Commencing on October 17, 2018, principal and interest payments are due quarterly through December 28, 2035. The loan is secured with all assets and interest of NSA Lender.
- (s) In December 2013, in connection with the 2013 QSCB transaction, NSA Lender II borrowed \$23 million from an unrelated third-party. The loan bears annual interest of 6.5%, with principal and interest payments due quarterly over the term of the loan, which matures in December 2020. The proceeds of this loan were combined with the proceeds of the loan described in the paragraph below (t) to purchase the 2013 QSCBs and to make a loan of \$8.02 million to UP III (described in paragraph (h)). The loan is secured with all assets of NSA Lender II.
- (t) In December 2013, in connection with the 2013 QSCB transaction, NSA Lender II borrowed \$9.92 million from an unrelated third-party. The loan bears annual interest of 8%, with principal and interest payments due quarterly over the term of the loan, which matures in December 2033. The loan is secured by all assets of NSA Lender II.
- (u) In April 2016, in connection with the 2016 QSCB transaction, NSA Lender VI borrowed \$26.3 million (Tranche A of \$8.3 million and Tranche B of \$18.0 million) from an unrelated third-party. The loan is interest only for thirty months, with a stated interest rate of 6.7% and 7.2% for Tranches A and B, respectively. Commencing on January 17, 2019, principal and interest payments are due monthly through April 20, 2041 (maturity). The proceeds of this loan were used to purchase the 2016 QSCBs and to make a loan of \$4.7 million to UP VII. The loan is secured by all assets of NSA Lender VI.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (v) In November 2016, in connection with the 2016 CP QSCB transaction, CP Lender I borrowed \$32.59 million from an unrelated third-party. The loan bears annual interest of 4.5 percentage points in excess of the one-month London Interbank Offered Rate (LIBOR) (2.4739% and 1.8955% at June 30, 2019 and 2018, respectively). The loan is interest-only with quarterly interest payments due until the initial maturity of May 2018, which was extended until November 30, 2018. During fiscal year 2019, this loan was extended for another one-year period until November 30, 2019. The proceeds of this loan were used to purchase the 2016 CP QSCBs and to make a loan to CP Properties I. The loan is secured by all assets of CP Lender I.
- (w) In December 2017, in connection with the 2017 CP QSCB transaction, CP Lender II borrowed \$27.8 million from an unrelated party. The loan bears interest of 4.4%. The loan is interest-only with quarterly interest payments in arrears commencing on April 17, 2018, and the principal balance due at the initial maturity of June 21, 2019. During fiscal year 2019, this loan was extended until December 23, 2019. This loan is secured by all assets of CP Lender II and all cash and interest earned by CP Properties II. The proceeds of this loan were used to purchase the 2017 CP QSCBs and to make a loan to CP Properties II.
- (x) In December 2015, NSA 10 Washington entered into two notes payable totaling approximately \$4 million with two unrelated third-parties under the same terms. These notes bear interest at 5.798%, annually. Interest and principal are due monthly beginning in February 2016 and mature on January 1, 2041. Proceeds of these loans were used to repay a loan between NSA 10 Washington and an unrelated third-party in connection with the prior financing arrangement. The notes are secured by a shared first mortgage on the property and all assets of NSA 10 Washington.
- (y) In December 2015, NSA Clinton entered into two notes payable totaling approximately \$6.1 million with two unrelated third-parties under the same terms. The notes bear interest at 5.798% annually. Interest and principal are due monthly beginning in February 2016 and mature on January 1, 2041. Proceeds of these loans were used to repay a loan between NSA Clinton and an unrelated third-party in connection with the prior financing arrangement. The notes are secured by a shared first mortgage on the property and all assets of NSA Clinton.
- (z) Uncommon entered into an unsecured PRI with an unrelated third-party for financing totaling \$100,000. Principal and interest are due in June 2024 (maturity). Interest accrues annually at a rate of 1% per annum.
- (aa) In December 2009, NSA Central entered into a QSCB transaction with an unrelated third-party. The financing was for approximately \$16.48 million and provides for quarterly payments of interest calculated at 2% per annum, until a maturity date of December 2024. Annual principal payments are due each December, through and including the maturity date of December 2024. The debt is secured by a shared first mortgage on the property and all assets of NSA Central.
- (bb) In April 2016, in connection with the 2016 NMTC transaction, NSA 377 Wash borrowed approximately \$21 million from four unrelated entities with QLICI A and B notes (eight loans total) under the same terms. There is simple interest of 1% due quarterly through July 1, 2023. Commencing in July 2023, quarterly principal and interest payments are due until the maturity date of April 21, 2056. These loans are secured by a shared first mortgage on the property and all assets of NSA 377 Wash.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (cc) In April 2016, in connection with the 2016 NMTC transaction (see (bb) page 28), NSA 377 Wash entered into a construction loan with an unrelated third-party, which allows for borrowings up to \$31 million. The loan bears interest at the one-month LIBOR plus 3.95% (6.45% and 5.95% as of June 30, 2019 and 2018 respectively). All principal and accrued interest are due at maturity on October 21, 2018, which was initially extended until April 1, 2019. During fiscal year 2019, this loan was further extended until January 31, 2020. The loan is secured by a shared first mortgage on the property and all assets of NSA 377 Wash.
- (dd) In March 2016, NSA 72 Central entered into a loan agreement for approximately \$3.4 million with an interest rate of 6% per annum. Principal and interest payments are due monthly through the maturity date of April 30, 2036. The loan is secured by all the assets of NSA 72 Central.
- (ee) In October 2017, NSA 18th Ave entered into a loan agreement with NJEDA in connection with the issuance of \$24,575,000 of North Star Academy Charter School of Newark, Inc. – 2017 Project Revenue Bond, Series 2017 Bonds (Series 2017 Revenue Bonds) by NSA 18th Ave. The bonds were issued at a premium of \$1,801,594 for total cash proceeds of \$26,376,594. The original bond premium is accreted over the term using the effective interest method. The bonds bear interest at 5% and are payable semi-annually commencing on January 15, 2018. The bonds mature subject to a sinking fund redemption schedule, where a portion of the principal matures annually throughout the life of the bond. The loan is secured by a first mortgage on the property and an assignment of all leases and rents.
- (ff) In December 2016, NSA 18 Wash entered into two loans with an unrelated third-party to finance the rehabilitation of a property. The maximum obligations of the loans are \$5.1 million and \$1.88 million, respectively, and earn interest at 5.055% and 6.00%, respectively. The interest rate on the \$1.88 million loan was amended to 5.50% in February 2018. The loans provide for monthly payments of interest only through the construction period. Monthly principal and interest payments are due on the \$5.1 million loan beginning at the end of the construction period and continuing through maturity of December 1, 2043. All accrued interest and principal are due on the \$1.88 million loan on December 1, 2043. The loans are secured by a first mortgage on the property and all assets of NSA 18 Wash.
- (gg) In August 2015, TN Ames entered into a note agreement for \$2.79 million from an unrelated third-party. Interest accrues at 5.75% per annum. Interest and principal are due monthly. The loan matures in September 2022. The loan is secured by a first mortgage on the Ames Property and all assets of TN Ames and TN Chili (see below (hh)).
- (hh) In August 2015, TN Chili entered into a note agreement for \$2.16 million from an unrelated third-party. The loan has a stated interest rate of 5.75% annually and is payable on a twenty-five-year amortization schedule. Interest and principal are due monthly beginning in October 2015. The loan matures in September 2022. The loan is secured by a shared first mortgage on the Chili Property and all assets of TN Chili and TN Ames (see above (gg)).
- (ii) In August 2015, TN Chili entered into an \$800,000 PRI with an unrelated third-party. The PRI is interest only for seven-years, with a stated interest rate of 2.5%. Interest is due monthly. Commencing on July 1, 2016, through maturity of August 2022, \$114,286 of the principal balance of the PRI will be considered for forgiveness on an annual basis based on student performance at the tenant school. During fiscal years 2019 and 2018, \$114,286 was forgiven. The loan is secured by a shared first mortgage on the property and all assets of TN Chili.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (jj) In September 2016, TN Andrews entered into a note agreement for \$900,000 from an unrelated third-party. The loan had a stated interest rate of 5.75% per annum. Monthly interest-only payments were due through maturity of April 1, 2018. During fiscal year 2018, this loan was extended until January 1, 2019, and at which time the loan was paid off. The loan was secured by a first mortgage on the property and all assets of TN Andrews.
- (kk) In September 2016, TN St. Jacob entered into a note agreement for \$1,350,000 from an unrelated third-party. The loan had a stated interest rate of 5.75% per annum. Monthly interest-only payments were due through maturity of April 1, 2018. During fiscal year 2018, this loan was extended until January 1, 2019, and at which time the loan was paid off. The loan was secured by a first mortgage on the property and all assets of TN St. Jacob.
- (ll) In June 2011, TN Tyler entered into a \$5.3 million financing with an unrelated third-party. The financing consisted of three individual loans in the approximate amounts of \$2.9 million, \$1.3 million, and \$1.2 million. The \$2.9 million loan and the \$1.3 million loan provided for monthly payments of interest calculated at 4.728% through the maturity date and the payment of outstanding principal and accrued interest on the maturity date of October 2018. The \$1.2 million loan provided for monthly payments of interest calculated at 4.728% through the maturity date of October 2041; commencing in October 2018, and continued through the maturity date; monthly principal payments were due and payable. In October 2018, Uncommon used funds from a certain account ("Sinking Fund Account") (see Note 7) and other funds from Uncommon to pay in full the approximate \$2.9 million loan. The remaining loans were extended through February 2019. At which time, \$164,620 of the \$1.3 million loan was forgiven and is included in gain on unwind in the accompanying fiscal year 2019 consolidated statement of activities and changes in net assets. The remaining amount of the loan was paid off with proceeds from TN Tyler's replacement reserve (see Note 7), and other funds from Uncommon. Uncommon then exercised its option (see below) to purchase the remaining \$1.2 million loan. This loan is now an intercompany note and has been eliminated in the accompanying fiscal year 2019 consolidated statement of financial position.

Commencing on the later of July 15, 2018, or the maturity dates of the above loan and through February 2019, Uncommon had the option to purchase the debt for \$1,000. On February 12, 2019, Uncommon exercised its right to purchase the debt for \$1,000 (see above). As a result of this transaction, Uncommon recorded a gain of \$1,164,640 which is included in the gain on unwind accompanying fiscal year 2019 consolidated statement of activities and changes in net assets.

The \$5.3 million loans were secured by first, second and third mortgages on the property and all assets of TN Tyler. Uncommon was a guarantor of the loan. Uncommon was required to make certain deposits into a Sinking Fund Account and to grant the lender a security interest in the Sinking Fund Account. At June 30, 2018, the account balance totaled \$1,043,706 and was included in restricted deposits (see Note 7) in the accompanying fiscal year 2018 consolidated statement of financial position. There was no balance of the sinking fund as of June 30, 2019, as these funds were used to repay the loan in October 2018 as described above.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

Minimum future principal payments and amortization of debt issuance costs relating to the notes and bonds payable for the next five years at June 30, 2019, are as follows:

	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>
2020	\$ 98,280,530	\$ 348,356
2021	\$ 25,995,084	\$ 348,256
2022	\$ 4,523,963	\$ 348,256
2023	\$ 11,770,817	\$ 326,199
2024	\$ 7,325,770	\$ 272,630

The Organization intends to refinance certain debt maturing in fiscal year 2020 and is in discussions with the lenders. Management believes that it is probable that refinancing will be secured during fiscal year 2020.

The notes listed in paragraphs (a) through (ii) have certain financial covenants with which the Organization must comply. As of June 30, 2019, the Organization was not in compliance with certain covenants. The Organization obtained a waiver for any covenants which they were not in compliance with at June 30, 2019.

Included in notes and bonds payable in the accompanying consolidated statements of financial position are unamortized debt issuance costs associated with the Organization's notes and bonds payable. Amortization expense for fiscal years 2019 and 2018 was \$408,849 and \$178,041, respectively, which is included as amortization of debt issuance costs in the accompanying consolidated statements of functional expenses. In addition, for the year ended June 30, 2018, \$114,429 of amortization expense was capitalized and is included in construction in process (see Note 5) in the accompanying fiscal year 2018 consolidated statement of financial position, which was transferred to property and equipment during fiscal year 2019. There was no capitalized amortization cost for the year ended June 30, 2019.

9. FINANCING OBLIGATION

In connection with an agreement with the New York City Department of Education ("DOE"), the Organization agreed to sell a building located in Brooklyn, New York to the DOE for 80% of the construction costs or \$25.92 million. The full amount of the purchase price was paid and is reflected as financing obligation in the accompanying consolidated statements of financial position.

In October 2014, the Organization entered into a sale-leaseback transaction with DOE upon transfer of the property. Obligations under the lease agreement are \$1 per year for twenty-two years, with an option to extend for another sixty-nine years for an additional lump-sum payment of \$4.2 million. In October 2019, the Organization exercised their option to extend this lease and paid DOE the additional lump-sum resulting in an extension of the expiration date to June 2105. In accordance with ASC Topic, *Leases*, this transaction is being accounted for under the financing method due to the Organization's continued involvement in the property. The net book value of the property remains in the accompanying consolidated statements of financial position of the Organization and continues to depreciate.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

9. FINANCING OBLIGATION (Continued)

The value of the use of the facility over the twenty-two-year lease period is reflected as pledge receivable - property. During fiscal years 2019 and 2018, \$1,178,183 of this pledge receivable has been recognized. The remaining balance of the pledge receivable was \$20,409,760 and \$21,587,943 as of June 30, 2019 and 2018, respectively. The decrease of this pledge receivable will mirror the decrease of the financing obligation (see below).

The original financing obligation was treated as a gain from sale of the property and is reflected as a financing obligation in the accompanying consolidated statements of financial position. The liability will decrease over time to the extent of future lease payments on the property or the recognition of in-kind rent (see page 17). The financing obligation as of June 30, 2019 and 2018, was \$20,409,760 and \$21,587,943, respectively.

10. RETIREMENT PLAN

Uncommon has a tax-qualified Section 403(b) defined contribution retirement and savings plan (the "Plan") under which individual contracts with an investment manager are maintained for all qualified employees. All employees meeting the service requirements are vested after one and a half years. Uncommon has the option to make a discretionary matching contribution to qualified employees who make salary deferrals based on the percentage of salary deferrals made during the Plan year or as a uniform dollar amount. The expense related to the Plan for June 30, 2019 and 2018, was \$416,864 and \$375,718, respectively, and is included in payroll taxes and employee benefits in the accompanying consolidated statements of functional expenses.

11. MANAGEMENT FEES

Uncommon has entered into management contracts with a number of charter schools. The schools operate under six charters. Terms provide for management fees to be paid by the schools to Uncommon. Renewals will be negotiated based on the respective expiration dates ranging from one to five years or as needed. During the years ended June 30, 2019 and 2018, Uncommon earned revenues of \$27,825,261 and \$24,877,667, respectively. Management fees charged to schools under two charters represent approximately 25% and 27% of total consolidated operating revenues for the years ended June 30, 2019 and 2018, respectively.

12. LEASES

Operating Leases

The Organization leases certain public school facilities under operating lease agreements. The terms of several lease agreements automatically renew in five-year increments, contingent upon the renewal of the charter schools' (the tenants) charters to operate public charter schools in the states of New York and New Jersey. The Organization also leases certain properties under operating lease agreements to unrelated organizations. Rental income under these leases was \$12,748,944 and \$7,167,099 for the years ended June 30, 2019 and 2018, respectively.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

12. LEASES (Continued)

Operating Leases (Continued)

Future minimum rents, excluding future payments contingent upon charter renewal, to be received under non-terminable leases over the remaining years of the lease terms are as follows:

2020	\$ 13,019,672
2021	\$ 12,998,415
2022	\$ 1,685,375
2023	\$ 1,391,736
2024	\$ 1,345,200

Capital Lease

The Organization entered into a seventy-five-year capital lease agreement for real property which the Organization subleased to a school, with monthly payments of \$31,667 due through February 1, 2040. Beginning on August 1, 2040, annual payments of \$1 are due through August 1, 2089, at which point the lease expires. The total appraised value of the real property was \$5,340,000, of which management determined that \$3,114,954 is attributed to the value of the building and the remaining \$2,225,046 is attributed to land. In accordance with ASC Topic 840, *Leases*, because the value of the land exceeds 25% of the total value of the leased property, the \$3,114,954 building value is treated as a capital lease obligation and the \$2,225,046 land value is treated as an operating lease. Based on the property valuation noted above, lease payments are proportionally allocated to the capital and operating portions of the lease.

The minimum annual lease payments for the non-cancellable portions of the lease are as follows as of June 30:

<u>Fiscal Year</u>	<u>Capital</u>	<u>Operating</u>
2020	\$ 221,663	\$ 158,337
2021	221,663	158,337
2022	221,663	158,337
2023	221,663	158,337
2024	221,663	158,337
Thereafter	<u>3,472,758</u>	<u>2,448,911</u>
Total future minimum payments	4,581,073	<u>\$ 3,240,596</u>
Less - amount representing interest	1,755,461	
Less - current portion	<u>79,105</u>	
	<u>\$ 2,746,507</u>	

13. RELATED PARTY TRANSACTIONS

The former Chief Financial Officer of Uncommon, who left in April 2018, is the principal of a consulting firm that provided consulting services to the Organization. For the year ended June 30, 2018, total consulting fees incurred by the Organization to the consulting firm were \$147,576.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

13. RELATED PARTY TRANSACTIONS (Continued)

A Board member of the Organization also sits on the Board of two of foundations that made donations to the Organization. The two foundations donated a total of \$1,750,000 during the years ended June 30, 2019 and 2018, which are included in contributions in the consolidated statements of activities and changes in net assets. This Board member abstains from voting on matters relating to these transactions.

14. CONCENTRATIONS

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, contributions, pledges and loans receivable, and debt from lenders. The Organization places its cash with high credit quality financial institutions. At times, such amounts exceed the current insured amount under the Federal Deposit Insurance Corporation. The Organization monitors the financial condition of the banking institutions, along with its cash balances, to minimize this risk.

15. SUBSEQUENT EVENT

The Organization evaluated subsequent events occurring after the consolidated statement of financial position date through the date of November 19, 2019, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Organization determined that the following subsequent event should be disclosed:

- In August 2019, TN Rochester Mark (see Note 1) purchased land and a building for \$5,530,000 that was funded with working capital of Uncommon that is expected to be reimbursed once third-party financing is obtained. This building will be renovated at a total cost of approximately \$23 million and will be leased to Rochester Prep once construction is completed.

16. COMMITMENT

Uncommon has entered into a line of credit agreement with North Star. Under the agreement, North Star may borrow up to \$5,000,000. There is no stated interest rate and the borrowings are unsecured. Borrowings under this agreement are due on demand. As of June 30, 2019 and 2018, North Star has not drawn down this line of credit. This line is automatically renewed annually in June unless notice is given by Uncommon or if North Star fails to pay down the note to zero for a ten-day period as of June 30 through July 10 on each year.

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the 2019 consolidated statement of financial position date for general operating expenses are as follows:

Cash and cash equivalents	\$ 36,203,717
Current portion of grants and pledges receivable	4,181,351
Accounts and other receivable	12,621,179
Interest receivable	<u>1,591,158</u>
Total financial assets	54,597,405
Less - cash held for construction advance	(946,471)
Less - funds restricted by donors for programs and perpetually restricted - endowments (see page 16)	<u>(8,193,531)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 45,457,403</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Organization is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The financial resources available to the Organization at June 30, 2019, represent approximately eight months of operating expenses, less depreciation and donated space. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

18. RECLASSIFICATION

Certain amounts in the fiscal year 2018 consolidated financial statements were reclassified to conform with the fiscal year 2019 presentation.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position
June 30, 2019

Assets	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Current Assets:									
Cash and cash equivalents	\$ 24,518,499	\$ 1,407,062	\$ 6,495,112	\$ 279,639	\$ 1,342,885	\$ 1,213,675	\$ 946,845	\$ -	\$ 36,203,717
Current portion of grants and pledges receivable	4,181,351	-	-	-	-	-	-	-	4,181,351
Accounts and other receivables	10,216,553	-	501,368	114,679	1,096	5,085	1,782,398	-	12,621,179
Interest receivable	384,203	2,025,689	-	-	-	-	-	(818,734)	1,591,158
Current portion of loans receivable	891,444	383,486	-	-	-	-	-	(1,274,930)	-
Current portion of restricted deposits	2,113,250	-	3,846,609	8,273,290	-	-	-	-	14,233,149
Current portion of due from related parties	8,836,471	92,774	-	-	-	-	-	(8,929,245)	-
Prepaid expenses and other	831,906	131,538	40,787	-	-	5,820	-	-	1,010,051
Total current assets	51,973,677	4,040,549	10,883,876	8,667,608	1,343,981	1,224,580	2,729,243	(11,022,909)	69,840,605
Other Assets:									
Restricted deposits, net of current portion	-	-	3,612,395	9,476,023	25,671	-	-	-	13,114,089
Due from related parties, net of current portion	13,123,269	-	-	-	-	-	-	(13,123,269)	-
Grants and pledges receivable, net of current portion	2,234,000	-	-	-	-	-	-	-	2,234,000
Bonds receivable, net	-	125,797,077	-	-	-	-	-	-	125,797,077
Loans receivable, net of current portion	154,964,181	31,182,754	-	-	-	-	-	(171,217,685)	14,929,250
Property and equipment, net	644,920	-	170,532,305	35,420,374	8,279,703	6,050,472	22,812,987	(912,303)	242,828,458
Construction in process	6,239,877	-	-	26,060,184	7,895,451	-	-	-	40,195,512
Pledge receivable - property	-	-	-	-	-	-	20,409,760	-	20,409,760
Total assets	\$ 229,179,924	\$ 161,020,380	\$ 185,028,576	\$ 79,624,189	\$ 17,544,806	\$ 7,275,052	\$ 45,951,990	\$ (196,276,166)	\$ 529,348,751
Liabilities and Net Assets									
Current Liabilities:									
Current portion of notes and bonds payable	\$ 4,083,486	\$ 62,176,155	\$ 33,160,385	\$ -	\$ 105,465	\$ 29,969	\$ -	\$ (1,274,930)	\$ 98,280,530
Current portion of capital lease obligation	-	-	79,105	-	-	-	-	-	79,105
Accounts payable and accrued expenses	3,406,367	41,441	100,431	93	18,973	7,192	123,267	-	3,697,764
Accounts payable - construction	-	-	3,341,995	8,273,290	2,446,840	-	-	-	14,062,125
Grants payable	3,640,251	-	-	-	-	-	-	-	3,640,251
Deferred rental revenue	-	-	-	-	188,026	209,025	-	-	397,051
Accrued interest	1,932,715	1,637,738	784,963	145,359	-	-	-	(818,734)	3,682,041
Current portion of due to related parties	92,774	6,676,716	1,653,490	198,615	161,009	95,296	51,345	(8,929,245)	-
Total current liabilities	13,155,593	70,532,050	39,120,369	8,617,357	2,920,313	341,482	174,612	(11,022,909)	123,838,867
Other Liabilities:									
Construction advances	-	-	946,471	-	-	-	-	-	946,471
Notes and bonds payable, net	173,655,263	59,278,827	143,812,523	71,587,007	4,794,338	1,124,690	-	(171,217,685)	283,034,963
Capital lease obligation, net of current portion	-	-	2,746,507	-	-	-	-	-	2,746,507
Due to related parties, net of current portion	-	2,831,332	-	-	4,263,596	6,028,341	-	(13,123,269)	-
Financing obligation	-	-	-	-	-	-	20,409,760	-	20,409,760
Total liabilities	186,810,856	132,642,209	186,625,870	80,204,364	11,978,247	7,494,513	20,584,372	(195,363,863)	430,976,568
Net Assets:									
Without donor restrictions:									
Operating	22,031,918	1,174,241	6,049,700	(14,981)	975,973	913,067	2,554,631	-	33,684,549
Development	6,689,699	27,203,930	(14,364,955)	(134,890)	2,539,588	-	-	-	21,933,372
Property and equipment	644,920	-	6,717,961	(430,304)	2,050,998	(1,132,528)	22,812,987	(912,303)	29,751,731
Total without donor restrictions	29,366,537	28,378,171	(1,597,294)	(580,175)	5,566,559	(219,461)	25,367,618	(912,303)	85,369,652
With donor restrictions									
	13,002,531	-	-	-	-	-	-	-	13,002,531
Total net assets	42,369,068	28,378,171	(1,597,294)	(580,175)	5,566,559	(219,461)	25,367,618	(912,303)	98,372,183
Total liabilities and net assets	\$ 229,179,924	\$ 161,020,380	\$ 185,028,576	\$ 79,624,189	\$ 17,544,806	\$ 7,275,052	\$ 45,951,990	\$ (196,276,166)	\$ 529,348,751

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position
June 30, 2018

Assets	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Current Assets:									
Cash and cash equivalents	\$ 25,382,385	\$ 3,736,677	\$ 3,314,539	\$ 35,687	\$ 1,830,754	\$ 601,905	\$ 2,196,757	\$ -	\$ 37,098,704
Current portion of grants and pledges receivable	3,903,531	-	-	-	-	-	-	-	3,903,531
Accounts and other receivables	6,545,989	-	-	-	391,895	-	272,665	-	7,210,549
Interest receivable	107,990	1,911,084	-	-	-	-	-	(443,684)	1,575,390
Current portion of loans receivable	2,638,477	972,812	-	-	-	-	-	(3,611,289)	-
Current portion of restricted deposits	6,283,590	-	685,409	-	-	16,448	-	-	6,985,447
Current portion of due from related parties	12,187,684	92,774	3,102,360	-	948,248	-	500,000	(16,831,066)	-
Prepaid expenses and other	909,039	94,006	91,264	-	-	-	-	-	1,094,309
Total current assets	<u>57,958,685</u>	<u>6,807,353</u>	<u>7,193,572</u>	<u>35,687</u>	<u>3,170,897</u>	<u>618,353</u>	<u>2,969,422</u>	<u>(20,886,039)</u>	<u>57,867,930</u>
Other Assets:									
Restricted deposits, net of current portion	34,628,387	-	19,040,552	1,766,791	22,652	121,127	-	-	55,579,509
Due from related parties, net of current portion	5,659,654	-	-	-	-	-	-	(5,659,654)	-
Grants and pledges receivable, net of current portion	350,000	-	-	-	-	-	-	-	350,000
Bonds receivable, net	-	124,873,215	-	-	-	-	-	-	124,873,215
Loans receivable, net of current portion	118,116,127	28,966,290	-	-	-	-	-	(132,153,167)	14,929,250
Property and equipment, net	425,329	-	83,241,582	14,213,055	8,486,193	6,227,955	23,662,444	(471,021)	135,785,537
Construction in process	1,416,740	-	85,047,032	22,343,905	1,059,335	-	-	(465,644)	109,401,368
Pledge receivable - property	-	-	-	-	-	-	21,587,943	-	21,587,943
Total assets	<u>\$ 218,554,922</u>	<u>\$ 160,646,858</u>	<u>\$ 194,522,738</u>	<u>\$ 38,359,438</u>	<u>\$ 12,739,077</u>	<u>\$ 6,967,435</u>	<u>\$ 48,219,809</u>	<u>\$ (159,635,525)</u>	<u>\$ 520,374,752</u>
Liabilities and Net Assets									
Current Liabilities:									
Current portion of notes and bonds payable	\$ 972,812	\$ 61,492,243	\$ 24,848,827	\$ -	\$ 2,349,585	\$ 4,196,233	\$ -	\$ (3,611,289)	\$ 90,248,411
Current portion of capital lease obligation	-	-	75,172	-	-	-	-	-	75,172
Accounts payable and accrued expenses	3,482,613	1,405	2,576	200	4,144	3,630	330	-	3,494,898
Current portion of accounts payable - construction	-	-	-	-	274,700	-	291,275	-	565,975
Grants payable	-	-	1,128,045	-	-	-	-	-	1,128,045
Deferred rental revenue	-	-	-	-	255,043	209,025	-	-	464,068
Accrued interest	1,812,294	1,620,249	739,350	-	-	-	-	(443,684)	3,728,209
Current portion of due to related parties	4,647,540	4,610,310	1,410,496	2,095,903	1,925,559	2,141,258	-	(16,831,066)	-
Total current liabilities	<u>10,915,259</u>	<u>67,724,207</u>	<u>28,204,466</u>	<u>2,096,103</u>	<u>4,809,031</u>	<u>6,550,146</u>	<u>291,605</u>	<u>(20,886,039)</u>	<u>99,704,778</u>
Other Liabilities:									
Construction advances	-	-	5,393,293	-	-	-	-	-	5,393,293
Notes and bonds payable, net	170,450,139	61,286,356	146,037,157	35,388,338	5,003,128	1,139,767	-	(132,153,167)	287,151,718
Accounts payable - construction, net of current portion	425,329	-	11,928,826	1,113,457	-	-	-	-	13,042,283
Capital lease obligation, net of current portion	-	-	2,825,611	-	-	-	-	-	2,825,611
Due to related parties, net of current portion	-	5,659,654	-	-	-	-	-	(5,659,654)	-
Financing obligation	-	-	-	-	-	-	21,587,943	-	21,587,943
Total liabilities	<u>181,365,398</u>	<u>134,670,217</u>	<u>194,389,353</u>	<u>38,597,898</u>	<u>9,812,159</u>	<u>7,689,913</u>	<u>21,879,548</u>	<u>(158,698,860)</u>	<u>429,705,626</u>
Net Assets:									
Without donor restrictions:									
Operating	23,738,692	1,518,344	2,213,263	29,849	496,153	399,174	2,677,817	-	31,073,292
Development	(525,296)	24,458,297	(8,808,672)	(157,399)	171,269	-	-	(465,644)	14,672,555
Property and equipment	425,329	-	6,728,794	(110,910)	2,259,496	(1,121,652)	23,662,444	(471,021)	31,372,480
Total without donor restrictions	<u>23,638,725</u>	<u>25,976,641</u>	<u>133,385</u>	<u>(238,460)</u>	<u>2,926,918</u>	<u>(722,478)</u>	<u>26,340,261</u>	<u>(936,665)</u>	<u>77,118,327</u>
With donor restrictions	<u>13,550,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,550,799</u>
Total net assets	<u>37,189,524</u>	<u>25,976,641</u>	<u>133,385</u>	<u>(238,460)</u>	<u>2,926,918</u>	<u>(722,478)</u>	<u>26,340,261</u>	<u>(936,665)</u>	<u>90,669,126</u>
Total liabilities and net assets	<u>\$ 218,554,922</u>	<u>\$ 160,646,858</u>	<u>\$ 194,522,738</u>	<u>\$ 38,359,438</u>	<u>\$ 12,739,077</u>	<u>\$ 6,967,435</u>	<u>\$ 48,219,809</u>	<u>\$ (159,635,525)</u>	<u>\$ 520,374,752</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Net Assets Without Donor Restrictions:									
Operating revenues:									
Management fees	\$ 28,285,621	\$ -	\$ 501,368	\$ 104,059	\$ -	\$ -	\$ -	\$ (1,065,427)	\$ 27,825,621
Rental income	-	-	10,083,741	1,015,200	813,903	836,100	-	-	12,748,944
Interest and other	2,879,670	10,574,064	376,028	84,826	220	40,853	-	(4,179,987)	9,775,674
Contributions	8,070,780	-	-	-	-	-	-	-	8,070,780
Subsidy income	6,781,492	-	-	-	-	-	-	-	6,781,492
Training and program fees	4,309,154	-	-	-	-	-	-	-	4,309,154
Grants	3,351,765	-	-	-	-	-	-	-	3,351,765
Real estate reimbursements	2,010,331	-	-	-	-	-	-	-	2,010,331
Real estate development income	191,500	-	-	-	-	-	-	-	191,500
Net assets released from time restrictions	179,515	-	-	-	-	-	-	-	179,515
Net assets released from purpose restrictions	5,259,851	-	-	-	-	-	-	-	5,259,851
Total operating revenues	<u>61,319,679</u>	<u>10,574,064</u>	<u>10,961,137</u>	<u>1,204,085</u>	<u>814,123</u>	<u>876,953</u>	<u>-</u>	<u>(5,245,414)</u>	<u>80,504,627</u>
Operating expenses:									
Personnel and related	25,841,392	-	-	-	-	-	-	-	25,841,392
Interest	10,148,392	7,783,134	6,515,269	555,759	365,466	151,228	-	(4,081,218)	21,438,030
Program and grant expenses	12,153,742	-	542,342	104,059	-	-	-	(605,427)	12,194,716
Depreciation	233,687	-	3,809,987	849,243	218,678	177,253	824,658	(24,362)	6,089,144
Administrative	3,059,124	389,400	259,855	36,739	171,309	210,075	132,101	(558,769)	3,699,834
Occupancy	2,856,531	-	403,400	-	24,431	-	15,884	-	3,300,246
System and technology	2,238,690	-	-	-	-	-	-	-	2,238,690
Total operating expenses	<u>56,531,558</u>	<u>8,172,534</u>	<u>11,530,853</u>	<u>1,545,800</u>	<u>779,884</u>	<u>538,556</u>	<u>972,643</u>	<u>(5,269,776)</u>	<u>74,802,052</u>
Changes in net assets without donor restrictions from operations	<u>4,788,121</u>	<u>2,401,530</u>	<u>(569,716)</u>	<u>(341,715)</u>	<u>34,239</u>	<u>338,397</u>	<u>(972,643)</u>	<u>24,362</u>	<u>5,702,575</u>
Other revenue (expense):									
Gain on unwind	1,164,640	-	-	-	-	164,620	-	-	1,329,260
Forgiveness of debt	-	-	-	-	114,286	-	-	-	114,286
Grant from (to) affiliate for new initiatives	(2,491,116)	-	-	-	2,491,116	-	-	-	-
Loss on disposal of property and equipment	-	-	(536,675)	-	-	-	-	-	(536,675)
Loan extension fees	-	-	(624,288)	-	-	-	-	-	(624,288)
Net assets released from capital restrictions	2,266,167	-	-	-	-	-	-	-	2,266,167
Total other revenue (expense)	<u>939,691</u>	<u>-</u>	<u>(1,160,963)</u>	<u>-</u>	<u>2,605,402</u>	<u>164,620</u>	<u>-</u>	<u>-</u>	<u>2,548,750</u>
Changes in net assets without donor restrictions	<u>5,727,812</u>	<u>2,401,530</u>	<u>(1,730,679)</u>	<u>(341,715)</u>	<u>2,639,641</u>	<u>503,017</u>	<u>(972,643)</u>	<u>24,362</u>	<u>8,251,325</u>
Net Assets With Donor Restrictions:									
Grants and contributions	7,157,265	-	-	-	-	-	-	-	7,157,265
Net assets released from restrictions	(7,705,533)	-	-	-	-	-	-	-	(7,705,533)
Changes in net assets with donor restrictions	<u>(548,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(548,268)</u>
Changes in net assets	5,179,544	2,401,530	(1,730,679)	(341,715)	2,639,641	503,017	(972,643)	24,362	7,703,057
Net Assets:									
Beginning of year	37,189,524	25,976,641	133,385	(238,460)	2,926,918	(722,478)	26,340,261	(936,665)	90,669,126
End of year	<u>\$ 42,369,068</u>	<u>\$ 28,378,171</u>	<u>\$ (1,597,294)</u>	<u>\$ (580,175)</u>	<u>\$ 5,566,559</u>	<u>\$ (219,461)</u>	<u>\$ 25,367,618</u>	<u>\$ (912,303)</u>	<u>\$ 98,372,183</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Net Assets Without Donor Restrictions:									
Operating revenues:									
Management fees	\$ 25,337,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (460,000)	\$ 24,877,667
Rental income	-	-	5,563,312	259,672	792,257	551,858	-	-	7,167,099
Interest and other	1,766,638	9,487,406	311,714	63,259	28	4,833	-	(3,125,216)	8,508,662
Contributions	6,611,164	-	-	-	-	-	500,000	-	7,111,164
Subsidy income	6,272,260	-	-	-	-	-	-	-	6,272,260
Training and program fees	3,897,306	-	-	-	-	-	-	-	3,897,306
Grants	5,159,678	-	-	-	-	-	-	-	5,159,678
Real estate reimbursements	1,917,398	-	-	-	-	-	-	-	1,917,398
Real estate development income	159,500	-	-	-	-	-	-	-	159,500
Net assets released from time restrictions	762,151	-	-	-	-	-	-	-	762,151
Net assets released from purpose restrictions	1,642,257	-	-	-	-	-	-	-	1,642,257
Total operating revenues	<u>53,526,019</u>	<u>9,487,406</u>	<u>5,875,026</u>	<u>322,931</u>	<u>792,285</u>	<u>556,691</u>	<u>500,000</u>	<u>(3,585,216)</u>	<u>67,475,142</u>
Operating expenses:									
Personnel and related	22,542,499	-	-	-	-	-	-	-	22,542,499
Interest	9,138,106	7,043,213	2,817,266	219,325	427,972	255,790	-	(2,741,466)	17,160,206
Program and grant expenses	12,182,921	-	9,828,045	-	-	-	-	-	22,010,966
Depreciation	500,365	-	2,386,545	307,720	220,852	172,977	824,658	(14,273)	4,398,844
Administrative	2,079,476	419,640	278,463	9,259	161,379	249,266	163,074	(608,153)	2,752,404
Occupancy	2,640,759	-	504,743	-	9,042	40,314	2,687	-	3,197,545
System and technology	1,387,301	-	-	-	-	-	-	-	1,387,301
Total operating expenses	<u>50,471,427</u>	<u>7,462,853</u>	<u>15,815,062</u>	<u>536,304</u>	<u>819,245</u>	<u>718,347</u>	<u>990,419</u>	<u>(3,363,892)</u>	<u>73,449,765</u>
Changes in net assets without donor restrictions from operations	<u>3,054,592</u>	<u>2,024,553</u>	<u>(9,940,036)</u>	<u>(213,373)</u>	<u>(26,960)</u>	<u>(161,656)</u>	<u>(490,419)</u>	<u>(221,324)</u>	<u>(5,974,623)</u>
Other revenue (expense):									
Forgiveness of debt	-	-	-	-	114,286	-	-	-	114,286
Write-off of debt issuance costs	-	(131,285)	-	-	-	-	-	-	(131,285)
Grants from (to) affiliates for new initiatives	(848,172)	-	-	-	848,172	-	-	-	-
Net assets released from capital restrictions	137,532	-	-	-	-	-	-	-	137,532
Total other revenue (expense)	<u>(710,640)</u>	<u>(131,285)</u>	<u>-</u>	<u>-</u>	<u>962,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,533</u>
Changes in net assets without donor restrictions	<u>2,343,952</u>	<u>1,893,268</u>	<u>(9,940,036)</u>	<u>(213,373)</u>	<u>935,498</u>	<u>(161,656)</u>	<u>(490,419)</u>	<u>(221,324)</u>	<u>(5,854,090)</u>
Net Assets With Donor Restrictions:									
Grants and contributions	1,514,048	-	-	-	-	-	-	-	1,514,048
Capital grants	1,061,930	-	-	-	-	-	-	-	1,061,930
Net assets released from restrictions	(2,541,940)	-	-	-	-	-	-	-	(2,541,940)
Changes in net assets with donor restrictions	<u>34,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,038</u>
Changes in net assets	<u>2,377,990</u>	<u>1,893,268</u>	<u>(9,940,036)</u>	<u>(213,373)</u>	<u>935,498</u>	<u>(161,656)</u>	<u>(490,419)</u>	<u>(221,324)</u>	<u>(5,820,052)</u>
Net Assets:									
Beginning of year	<u>34,811,534</u>	<u>24,083,373</u>	<u>10,073,421</u>	<u>(25,087)</u>	<u>1,991,420</u>	<u>(560,822)</u>	<u>26,830,680</u>	<u>(715,341)</u>	<u>96,489,178</u>
End of year	<u>\$ 37,189,524</u>	<u>\$ 25,976,641</u>	<u>\$ 133,385</u>	<u>\$ (238,460)</u>	<u>\$ 2,926,918</u>	<u>\$ (722,478)</u>	<u>\$ 26,340,261</u>	<u>\$ (936,665)</u>	<u>\$ 90,669,126</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Uncommon Schools, Inc.
June 30, 2019

Assets	Uncommon Schools, Inc.	Uncommon Crown Heights, LLC (Brooklyn, NY)	Roxbury Prep Belgrade Avenue, LLC (Boston, MA)	10 Vale Street, LLC (Boston, MA)	Uncommon Properties, LLC	Uncommon Properties II, LLC	Uncommon Properties III, LLC	Uncommon Properties IV, LLC	Uncommon Properties V, LLC	Uncommon Properties VI, LLC	Uncommon Properties VII, LLC	Uncommon CP Properties I, LLC	Uncommon CP Properties II, LLC	Uncommon CP Properties III, LLC	Eliminations	Total
Current Assets:																
Cash and cash equivalents	\$ 22,840,594	\$ 107,847	\$ -	\$ -	\$ 1,514,342	\$ 803	\$ -	\$ -	\$ 54,913	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,518,499
Current portion of grants and pledges receivable	4,181,351	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,181,351
Accounts and other receivables	10,123,962	92,591	-	-	-	-	-	-	-	-	-	-	-	-	-	10,216,553
Interest receivable	85,241	-	-	-	-	52,601	-	-	-	-	101,002	104,877	40,482	-	-	384,203
Current portion of loans receivable	29,969	-	-	-	-	12,958	671,014	-	-	-	177,503	-	-	-	-	891,444
Restricted deposits	-	-	-	-	-	92,081	671,343	-	-	698	540,617	490,489	311,341	6,681	-	2,113,250
Current portion of due from related parties	8,852,057	-	-	-	555,578	-	-	-	-	-	-	-	-	-	(571,164)	8,836,471
Prepaid expenses and other	318,358	-	513,548	-	-	-	-	-	-	-	-	-	-	-	-	831,906
Total current assets	46,431,532	200,438	513,548	-	2,069,920	158,443	1,342,357	-	54,913	698	819,122	595,366	351,823	6,681	(571,164)	51,973,677
Other Assets:																
Due from related parties, net of current portion	19,281,022	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,157,753)	13,123,269
Grants and pledges receivable, net of current portion	2,234,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,234,000
Investment in affiliates	-	-	-	-	65,745	-	-	-	-	-	-	-	-	-	(65,745)	-
Loans receivable, net of current portion	3,124,690	-	-	-	-	8,653,498	32,128,308	4,495,936	3,658,887	3,996,499	26,038,144	36,240,000	32,434,770	4,193,449	-	154,964,181
Property and equipment, net	644,920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	644,920
Construction in process	480,341	-	1,715,706	4,043,830	-	-	-	-	-	-	-	-	-	-	-	6,239,877
Total assets	\$ 72,196,505	\$ 200,438	\$ 2,229,254	\$ 4,043,830	\$ 2,135,665	\$ 8,811,941	\$ 33,470,665	\$ 4,495,936	\$ 3,713,800	\$ 3,997,197	\$ 26,857,266	\$ 36,835,366	\$ 32,786,593	\$ 4,200,130	\$ (6,794,662)	\$ 229,179,924
Liabilities and Net Assets																
Current Liabilities:																
Current portion of notes and bonds payable	\$ 3,700,000	\$ -	\$ -	\$ -	\$ -	\$ 113,975	\$ 172,929	\$ -	\$ -	\$ -	\$ 36,709	\$ -	\$ 59,873	\$ -	\$ -	\$ 4,083,486
Accounts payable and accrued expenses	3,118,224	150,869	129,195	216	400	1,865	1,866	-	-	1,866	1,866	-	-	-	-	3,406,367
Grants payable	3,640,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,640,251
Accrued interest	-	-	-	-	-	96,928	605,994	-	-	-	486,138	484,156	259,499	-	-	1,932,715
Current portion of due to related parties	13,996	-	-	-	300	118,255	125,953	118,443	16,834	117,652	127,857	6,564	6,064	12,020	(571,164)	92,774
Total current liabilities	10,472,471	150,869	129,195	216	700	331,023	906,742	118,443	16,834	119,518	652,570	490,720	325,436	12,020	(571,164)	13,155,593
Other Liabilities:																
Notes and bonds payable, net	10,850,000	-	-	-	-	8,711,268	36,622,599	4,770,906	3,858,198	4,072,121	32,252,887	36,535,503	31,907,102	4,074,679	-	173,655,263
Due to related parties, net of current portion	-	-	2,100,059	4,057,694	-	-	-	-	-	-	-	-	-	-	(6,157,753)	-
Total liabilities	21,322,471	150,869	2,229,254	4,057,910	700	9,042,291	37,529,341	4,889,349	3,875,032	4,191,639	32,905,457	37,026,223	32,232,538	4,086,699	(6,728,917)	186,810,856
Net Assets:																
Without donor restrictions:																
Operating	19,913,129	49,569	-	-	2,069,220	-	-	-	-	-	-	-	-	-	-	22,031,918
Development	17,313,454	-	-	(14,080)	65,745	(230,350)	(4,058,676)	(393,413)	(161,232)	(194,442)	(6,048,191)	(190,857)	554,055	113,431	(65,745)	6,689,699
Property and equipment	644,920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	644,920
Total without donor restrictions	37,871,503	49,569	-	(14,080)	2,134,965	(230,350)	(4,058,676)	(393,413)	(161,232)	(194,442)	(6,048,191)	(190,857)	554,055	113,431	(65,745)	29,366,537
With donor restrictions	13,002,531	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,002,531
Total net assets	50,874,034	49,569	-	(14,080)	2,134,965	(230,350)	(4,058,676)	(393,413)	(161,232)	(194,442)	(6,048,191)	(190,857)	554,055	113,431	(65,745)	42,369,068
Total liabilities and net assets	\$ 72,196,505	\$ 200,438	\$ 2,229,254	\$ 4,043,830	\$ 2,135,665	\$ 8,811,941	\$ 33,470,665	\$ 4,495,936	\$ 3,713,800	\$ 3,997,197	\$ 26,857,266	\$ 36,835,366	\$ 32,786,593	\$ 4,200,130	\$ (6,794,662)	\$ 229,179,924

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Uncommon Schools, Inc.
For the Year Ended June 30, 2019

	Uncommon Schools, Inc.	Uncommon Crown Heights, LLC (Brooklyn, NY)	10 Vale Street, LLC (Boston, MA)	Uncommon Properties, LLC	Uncommon Properties II, LLC	Uncommon Properties III, LLC	Uncommon Properties IV, LLC	Uncommon Properties V, LLC	Uncommon Properties VI, LLC	Uncommon Properties VII, LLC	Uncommon CP Properties I, LLC	Uncommon CP Properties II, LLC	Uncommon CP Properties III, LLC	Eliminations	Total
Net Assets Without Donor Restrictions:															
Operating revenues:															
Management fees	\$ 28,276,032	\$ 9,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,285,621
Interest and other	426,893	-	-	-	210,129	653,827	-	23,353	19,993	399,446	486,152	583,450	76,427	-	2,879,670
Contributions	8,070,780	-	-	-	-	-	-	-	-	-	-	-	-	-	8,070,780
Subsidy income	-	-	-	-	321,826	1,776,244	-	-	-	1,718,196	1,847,061	1,118,165	-	-	6,781,492
Training and program fees	4,309,154	-	-	-	-	-	-	-	-	-	-	-	-	-	4,309,154
Grants	3,351,765	-	-	-	-	-	-	-	-	-	-	-	-	-	3,351,765
Real estate reimbursements	-	2,010,331	-	-	-	-	-	-	-	-	-	-	-	-	2,010,331
Real estate development income	191,500	-	-	-	-	-	-	-	-	-	-	-	-	-	191,500
Net assets released from time restrictions	179,515	-	-	-	-	-	-	-	-	-	-	-	-	-	179,515
Net assets released from purpose restrictions	5,259,851	-	-	-	-	-	-	-	-	-	-	-	-	-	5,259,851
Total operating revenues	50,065,490	2,019,920	-	-	531,955	2,430,071	-	23,353	19,993	2,117,642	2,333,213	1,701,615	76,427	-	61,319,679
Operating expenses:															
Personnel and related	25,841,392	-	-	-	-	-	-	-	-	-	-	-	-	-	25,841,392
Interest	240,008	-	-	-	517,959	3,149,961	79,700	61,191	46,677	2,365,186	2,391,024	1,280,364	16,322	-	10,148,392
Program and grant expenses	12,153,742	-	-	-	-	-	-	-	-	-	-	-	-	-	12,153,742
Depreciation	233,687	-	-	-	-	-	-	-	-	-	-	-	-	-	233,687
Administrative	2,500,643	-	5,974	725	119,955	165,005	6,146	4,000	119,354	120,159	6,000	5,499	5,664	-	3,059,124
Occupancy	838,095	2,010,330	8,106	-	-	-	-	-	-	-	-	-	-	-	2,856,531
System and technology	2,238,690	-	-	-	-	-	-	-	-	-	-	-	-	-	2,238,690
Total operating expenses	44,046,257	2,010,330	14,080	725	637,914	3,314,966	85,846	65,191	166,031	2,485,345	2,397,024	1,285,863	21,986	-	56,531,558
Changes in net assets without donor restrictions from operations	6,019,233	9,590	(14,080)	(725)	(105,959)	(884,895)	(85,846)	(41,838)	(146,038)	(367,703)	(63,811)	415,752	54,441	-	4,788,121
Other revenue (expense):															
Gain on unwind	1,164,640	-	-	-	-	-	-	-	-	-	-	-	-	-	1,164,640
Grant from (to) affiliate for new initiatives	(2,491,116)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,491,116)
Net assets released from capital restrictions	2,266,167	-	-	-	-	-	-	-	-	-	-	-	-	-	2,266,167
Total other revenue (expense)	939,691	-	-	-	-	-	-	-	-	-	-	-	-	-	939,691
Changes in net assets without donor restrictions	6,958,924	9,590	(14,080)	(725)	(105,959)	(884,895)	(85,846)	(41,838)	(146,038)	(367,703)	(63,811)	415,752	54,441	-	5,727,812
Net Assets With Donor Restrictions:															
Grants and contributions	7,157,265	-	-	-	-	-	-	-	-	-	-	-	-	-	7,157,265
Net assets released from restrictions	(7,705,533)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,705,533)
Changes in net assets with donor restrictions	(548,268)	-	-	-	-	-	-	-	-	-	-	-	-	-	(548,268)
Changes in net assets	6,410,656	9,590	(14,080)	(725)	(105,959)	(884,895)	(85,846)	(41,838)	(146,038)	(367,703)	(63,811)	415,752	54,441	-	5,179,544
Net Assets:															
Beginning of year	44,463,378	39,979	-	2,135,690	(124,391)	(3,173,781)	(307,567)	(119,394)	(48,404)	(5,680,488)	(127,046)	138,303	58,990	(65,745)	37,189,524
End of year	\$ 50,874,034	\$ 49,569	\$ (14,080)	\$ 2,134,965	\$ (230,350)	\$ (4,058,676)	\$ (393,413)	\$ (161,232)	\$ (194,442)	\$ (6,048,191)	\$ (190,857)	\$ 554,055	\$ 113,431	\$ (65,745)	\$ 42,369,068

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Uncommon Lender, Inc.
June 30, 2019

Assets	Uncommon Lender, Inc.	Uncommon NSA Lender, LLC	Uncommon NSA Lender II, LLC	Uncommon NSA Lender III, LLC	Uncommon NSA Lender IV, LLC	Uncommon NSA Lender V, LLC	Uncommon NSA Lender VI, LLC	Uncommon CP Lender I, LLC	Uncommon CP Lender II, LLC	Uncommon CP Lender III, LLC	Eliminations	Total
Current Assets:												
Cash and cash equivalents	\$ 1,124,846	\$ 23,784	\$ 13,198	\$ -	\$ -	\$ -	\$ 40,082	\$ 166,226	\$ 38,926	\$ -	\$ -	\$ 1,407,062
Interest receivable	110,506	96,928	605,994	-	-	-	486,138	484,156	259,499	-	(17,532)	2,025,689
Current portion of loans receivable	4,650,000	113,975	172,929	-	-	-	36,709	-	59,873	-	(4,650,000)	383,486
Due from related parties	1,608,645	-	-	-	-	-	-	-	-	-	(1,515,871)	92,774
Prepaid expenses and other	-	-	-	-	23,048	28,941	-	31,520	9,920	38,109	-	131,538
Total current assets	7,493,997	234,687	792,121	-	23,048	28,941	562,929	681,902	368,218	38,109	(6,183,403)	4,040,549
Other Assets:												
Bonds receivable, net	-	6,258,578	29,389,278	2,131,540	1,143,325	915,206	27,601,219	28,425,122	29,833,624	99,185	-	125,797,077
Investment in affiliates	5,500,000	-	-	-	-	-	-	-	-	-	(5,500,000)	-
Loans receivable, net of current portion	12,450,000	2,630,881	7,233,321	-	-	-	4,651,668	8,110,381	2,556,503	-	(6,450,000)	31,182,754
Total assets	\$ 25,443,997	\$ 9,124,146	\$ 37,414,720	\$ 2,131,540	\$ 1,166,373	\$ 944,147	\$ 32,815,816	\$ 37,217,405	\$ 32,758,345	\$ 137,294	\$ (18,133,403)	\$ 161,020,380
Liabilities and Net Assets												
Current Liabilities:												
Current portion of notes and bonds payable	\$ -	\$ 163,223	\$ 1,114,883	\$ -	\$ -	\$ -	\$ 508,049	\$ 32,590,000	\$ 32,450,000	\$ -	\$ (4,650,000)	\$ 62,176,155
Accounts payable and accrued expenses	-	-	-	-	-	-	-	31,521	9,920	-	-	41,441
Accrued interest	61,111	82,237	386,337	-	-	-	377,259	485,434	262,892	-	(17,532)	1,637,738
Current portion of due to related parties	6,433,645	237,507	66,040	1,374,897	21,470	16,170	15,968	9,575	3,590	13,725	(1,515,871)	6,676,716
Total current liabilities	6,494,756	482,967	1,567,260	1,374,897	21,470	16,170	901,276	33,116,530	32,726,402	13,725	(6,183,403)	70,532,050
Other Liabilities:												
Notes and bonds payable, net	2,000,000	7,731,957	26,795,653	-	-	-	25,551,217	3,650,000	-	-	(6,450,000)	59,278,827
Due to related parties, net of current portion	2,831,332	-	-	-	-	-	-	-	-	-	-	2,831,332
Total liabilities	11,326,088	8,214,924	28,362,913	1,374,897	21,470	16,170	26,452,493	36,766,530	32,726,402	13,725	(12,633,403)	132,642,209
Net Assets:												
Without donor restrictions:												
Operating	1,174,241	-	-	-	-	-	-	-	-	-	-	1,174,241
Development	12,943,668	909,222	9,051,807	756,643	1,144,903	927,977	6,363,323	450,875	31,943	123,569	(5,500,000)	27,203,930
Total net assets without donor restrictions	14,117,909	909,222	9,051,807	756,643	1,144,903	927,977	6,363,323	450,875	31,943	123,569	(5,500,000)	28,378,171
Total liabilities and net assets	\$ 25,443,997	\$ 9,124,146	\$ 37,414,720	\$ 2,131,540	\$ 1,166,373	\$ 944,147	\$ 32,815,816	\$ 37,217,405	\$ 32,758,345	\$ 137,294	\$ (18,133,403)	\$ 161,020,380

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Uncommon Lender, Inc.
For the Year Ended June 30, 2019

	Uncommon Lender, Inc.	Uncommon NSA Lender, LLC	Uncommon NSA Lender II, LLC	Uncommon NSA Lender III, LLC	Uncommon NSA Lender IV, LLC	Uncommon NSA Lender V, LLC	Uncommon NSA Lender VI, LLC	Uncommon CP Lender I, LLC	Uncommon CP Lender II, LLC	Uncommon CP Lender III, LLC	Eliminations	Total
Net Assets Without Donor Restrictions:												
Operating revenues:												
Interest and other	\$ 556,454	\$ 506,586	\$ 3,160,229	\$ 169,917	\$ 102,355	\$ 83,295	\$ 2,365,186	\$ 2,391,024	\$ 1,287,487	\$ 11,488	\$ (59,957)	\$ 10,574,064
Operating expenses:												
Interest	61,111	354,868	2,045,279	-	1,487	1,346	1,872,530	2,249,469	1,255,927	1,074	(59,957)	7,783,134
Administrative	186,124	1,239	2,118	4,969	5,019	2,766	5,416	171,859	3,590	6,300	-	389,400
Total operating expenses	247,235	356,107	2,047,397	4,969	6,506	4,112	1,877,946	2,421,328	1,259,517	7,374	(59,957)	8,172,534
Changes in net assets without donor restrictions	309,219	150,479	1,112,832	164,948	95,849	79,183	487,240	(30,304)	27,970	4,114	-	2,401,530
Net Assets:												
Beginning of year	13,808,690	758,743	7,938,975	591,695	1,049,054	848,794	5,876,083	481,179	3,973	119,455	(5,500,000)	25,976,641
End of year	\$ 14,117,909	\$ 909,222	\$ 9,051,807	\$ 756,643	\$ 1,144,903	\$ 927,977	\$ 6,363,323	\$ 450,875	\$ 31,943	\$ 123,569	\$ (5,500,000)	\$ 28,378,171

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - North Star Academy Foundation, Inc.
June 30, 2019

	North Star Academy Foundation, Inc.	NSA 559 Broad Street, LLC (Newark, NJ)	NSA 10 Washington, LLC (Newark, NJ)	NSA Clinton Ave, LLC (Newark, NJ)	NSA Central Ave, LLC (Newark, NJ)	NSA Hazelwood Ave, LLC (Newark, NJ)	NSA 377 Washington, LLC (Newark, NJ)	NSA S. 9th Street & Alexander, LLC (Newark, NJ)	72 Central, LLC (Newark, NJ)	NSA Livingston Street, LLC (Newark, NJ)	NSA 18th Ave, LLC (Newark, NJ)	NSA 18 Washington Place, LLC (Newark, NJ)	Eliminations	Total
Assets														
Current Assets:														
Cash and cash equivalents	\$ 133,400	\$ 482,173	\$ 308,787	\$ 381,544	\$ 626,987	\$ 53,284	\$ 1,187,833	\$ -	\$ 327,593	\$ 23,891	\$ 2,417,477	\$ 552,143	\$ -	\$ 6,495,112
Accounts and other receivables	-	71,624	71,624	-	71,624	71,624	71,624	-	-	-	71,624	71,624	-	501,368
Current portion of restricted deposits	-	-	-	-	-	-	1,034,489	-	-	-	2,812,120	-	-	3,846,609
Prepaid expenses and other	-	-	-	-	40,787	-	-	-	-	-	-	-	-	40,787
Total current assets	133,400	553,797	380,411	381,544	739,398	124,908	2,293,946	-	327,593	23,891	5,301,221	623,767	-	10,883,876
Other Assets:														
Restricted deposits, net of current portion	-	-	92,548	60,598	299,009	-	1,165,130	-	-	-	1,994,953	157	-	3,612,395
Investment in affiliates	600,000	-	-	-	-	-	-	-	-	-	-	-	(600,000)	-
Property and equipment, net	-	7,816,890	5,691,082	7,551,571	18,879,057	26,571,925	64,489,310	-	3,761,887	-	25,495,855	10,274,728	-	170,532,305
Total assets	\$ 733,400	\$ 8,370,687	\$ 6,164,041	\$ 7,993,713	\$ 19,917,464	\$ 26,696,833	\$ 67,948,386	\$ -	\$ 4,089,480	\$ 23,891	\$ 32,792,029	\$ 10,898,652	\$ (600,000)	\$ 185,028,576
Liabilities and Net Assets														
Current Liabilities:														
Current portion of notes and bonds payable	\$ -	\$ -	\$ 88,512	\$ 135,540	\$ 651,667	\$ 671,014	\$ 30,948,323	\$ -	\$ 111,006	\$ -	\$ 412,958	\$ 141,365	\$ -	\$ 33,160,385
Current portion of capital lease obligation	-	-	-	-	-	-	-	-	79,105	-	-	-	-	79,105
Accounts payable and accrued expenses	-	1,374	160	318	280	8,481	14,500	480	210	-	-	74,628	-	100,431
Accounts payable - construction	-	-	-	-	-	-	529,875	-	-	-	2,812,120	-	-	3,341,995
Accrued interest	-	-	-	-	81,333	-	106,210	-	-	-	597,420	-	-	784,963
Due to related parties	11,143	73,172	71,624	-	72,329	71,624	1,118,327	23,462	-	103	138,518	73,188	-	1,653,490
Total current liabilities	11,143	74,546	160,296	135,858	805,609	751,119	32,717,235	23,942	190,321	103	3,961,016	289,181	-	39,120,369
Other Liabilities:														
Construction advances	-	-	27,186	-	-	-	-	-	47,854	-	871,431	-	-	946,471
Notes and bonds payable, net	-	5,228,624	3,481,204	5,341,773	17,147,000	26,326,784	31,385,135	14,364,955	2,930,376	-	27,525,646	10,081,026	-	143,812,523
Capital lease obligation, net of current portion	-	-	-	-	-	-	-	-	2,746,507	-	-	-	-	2,746,507
Total liabilities	11,143	5,303,170	3,668,686	5,477,631	17,952,609	27,077,903	64,102,370	14,388,897	5,915,058	103	32,358,093	10,370,207	-	186,625,870
Net Assets:														
Without donor restrictions:														
Operating	122,257	479,251	308,627	381,226	585,456	44,803	1,571,737	(23,942)	327,383	23,788	1,753,163	475,951	-	6,049,700
Development	600,000	-	-	-	-	-	-	(14,364,955)	-	-	-	-	(600,000)	(14,364,955)
Property and equipment	-	2,588,266	2,186,728	2,134,856	1,379,399	(425,873)	2,274,279	-	(2,152,961)	-	(1,319,227)	52,494	-	6,717,961
Total net assets without donor restrictions	722,257	3,067,517	2,495,355	2,516,082	1,964,855	(381,070)	3,846,016	(14,388,897)	(1,825,578)	23,788	433,936	528,445	(600,000)	(1,597,294)
Total liabilities and net assets	\$ 733,400	\$ 8,370,687	\$ 6,164,041	\$ 7,993,713	\$ 19,917,464	\$ 26,696,833	\$ 67,948,386	\$ -	\$ 4,089,480	\$ 23,891	\$ 32,792,029	\$ 10,898,652	\$ (600,000)	\$ 185,028,576

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - North Star Academy Foundation, Inc.
For the Year Ended June 30, 2019

	North Star Academy Foundation, Inc.	NSA 559 Broad Street, LLC (Newark, NJ)	NSA 10 Washington, LLC (Newark, NJ)	NSA Clinton Ave, LLC (Newark, NJ)	NSA Central Ave, LLC (Newark, NJ)	NSA Hazelwood Ave, LLC (Newark, NJ)	NSA 377 Washington, LLC (Newark, NJ)	NSA S. 9th Street & Alexander, LLC (Newark, NJ)	72 Central, LLC (Newark, NJ)	NSA Livingston Street, LLC (Newark, NJ)	NSA 18th Ave, LLC (Newark, NJ)	NSA 18th Washington Place, LLC (Newark, NJ)	Eliminations	Total
Net Assets Without Donor Restrictions:														
Operating revenues:														
Management fees	\$ -	\$ 71,624	\$ 71,624	\$ -	\$ 71,624	\$ 71,624	\$ 71,624	\$ -	\$ -	\$ -	\$ 71,624	\$ 71,624	\$ -	\$ 501,368
Rental income	-	205,079	345,384	528,890	1,600,000	1,210,058	2,976,890	-	777,108	223,303	1,613,333	603,696	-	10,083,741
Interest and other	-	-	1,342	1,050	951	-	28,908	-	-	-	307,363	36,414	-	376,028
Total operating revenues	-	276,703	418,350	529,940	1,672,575	1,281,682	3,077,422	-	777,108	223,303	1,992,320	711,734	-	10,961,137
Operating expenses:														
Interest	-	110,198	222,570	340,313	737,816	594,566	2,376,883	-	342,950	-	1,398,963	391,010	-	6,515,269
Program and grant expenses	-	71,624	71,624	-	71,624	71,624	71,624	40,974	-	-	71,624	71,624	-	542,342
Depreciation	-	204,325	157,338	251,359	550,102	694,142	1,219,744	-	123,082	-	353,977	255,918	-	3,809,987
Administrative	5,228	2,550	1,318	1,142	12,650	14,289	177,536	3,960	1,320	118	15,979	23,765	-	259,855
Occupancy	-	21,760	-	-	-	-	-	-	158,337	223,303	-	-	-	403,400
Total operating expenses	5,228	410,457	452,850	592,814	1,372,192	1,374,621	3,845,787	44,934	625,689	223,421	1,840,543	742,317	-	11,530,853
Changes in net assets without donor restrictions from operations	(5,228)	(133,754)	(34,500)	(62,874)	300,383	(92,939)	(768,365)	(44,934)	151,419	(118)	151,777	(30,583)	-	(569,716)
Other expense:														
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	(536,675)	-	-	-	(536,675)
Loan extension fees	-	-	-	-	-	-	(624,288)	-	-	-	-	-	-	(624,288)
Total other expense	-	-	-	-	-	-	(624,288)	-	-	(536,675)	-	-	-	(1,160,963)
Changes in net assets without donor restrictions	(5,228)	(133,754)	(34,500)	(62,874)	300,383	(92,939)	(1,392,653)	(44,934)	151,419	(536,793)	151,777	(30,583)	-	(1,730,679)
Net Assets:														
Beginning of year	727,485	3,201,271	2,529,855	2,578,956	1,664,472	(288,131)	5,238,669	(14,343,963)	(1,976,997)	560,581	282,159	559,028	(600,000)	133,385
End of year	\$ 722,257	\$ 3,067,517	\$ 2,495,355	\$ 2,516,082	\$ 1,964,855	\$ (381,070)	\$ 3,846,016	\$ (14,388,897)	\$ (1,825,578)	\$ 23,788	\$ 433,936	\$ 528,445	\$ (600,000)	\$ (1,597,294)

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Camden Prep Foundation, Inc.
June 30, 2019

Assets	Camden Prep Foundation, Inc.	CP Haddon & Copewood, LLC (Camden, NJ)	CP Mt. Ephraim, LLC (Camden, NJ)	Total
Current Assets:				
Cash and cash equivalents	\$ -	\$ 92,467	\$ 187,172	\$ 279,639
Accounts and other receivables	-	114,679	-	114,679
Current portion of restricted deposits	-	140,409	8,132,881	8,273,290
Total current assets	-	347,555	8,320,053	8,667,608
Other Assets:				
Restricted deposits, net of current portion	-	454,214	9,021,809	9,476,023
Property and equipment, net	-	34,537,342	883,032	35,420,374
Construction in process	-	-	26,060,184	26,060,184
Total assets	<u>\$ -</u>	<u>\$ 35,339,111</u>	<u>\$ 44,285,078</u>	<u>\$ 79,624,189</u>
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 93	\$ -	\$ -	\$ 93
Accounts payable - construction	-	140,409	8,132,881	8,273,290
Accrued interest	-	104,877	40,482	145,359
Due to related parties	10,654	106,503	81,458	198,615
Total current liabilities	10,747	351,789	8,254,821	8,617,357
Other Liabilities:				
Notes and bonds payable, net	-	35,417,289	36,169,718	71,587,007
Total liabilities	<u>10,747</u>	<u>35,769,078</u>	<u>44,424,539</u>	<u>80,204,364</u>
Net Assets:				
Without donor restrictions:				
Operating	(10,747)	(4,234)	-	(14,981)
Development	-	-	(134,890)	(134,890)
Property and equipment	-	(425,733)	(4,571)	(430,304)
Total net assets without donor restrictions	<u>(10,747)</u>	<u>(429,967)</u>	<u>(139,461)</u>	<u>(580,175)</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 35,339,111</u>	<u>\$ 44,285,078</u>	<u>\$ 79,624,189</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Camden Prep Foundation, Inc.
For the Year Ended June 30, 2019

	<u>Camden Prep Foundation, Inc.</u>	<u>CP Haddon & Copewood, LLC (Camden, NJ)</u>	<u>CP Mt. Ephraim, LLC (Camden, NJ)</u>	<u>Total</u>
Net Assets Without Donor Restrictions:				
Operating revenues:				
Management fees	\$ -	\$ 104,059	\$ -	\$ 104,059
Rental income	-	1,015,200	-	1,015,200
Interest and other	-	46,453	38,373	84,826
	<u>-</u>	<u>1,165,712</u>	<u>38,373</u>	<u>1,204,085</u>
Total operating revenues				
Operating expenses:				
Interest	-	515,278	40,481	555,759
Program and grant expenses	-	104,059	-	104,059
Depreciation	-	824,771	24,472	849,243
Administrative	4,909	23,825	8,005	36,739
	<u>4,909</u>	<u>1,467,933</u>	<u>72,958</u>	<u>1,545,800</u>
Total operating expenses				
Changes in net assets without donor restrictions				
	(4,909)	(302,221)	(34,585)	(341,715)
Net Assets:				
Beginning of year	<u>(5,838)</u>	<u>(127,746)</u>	<u>(104,876)</u>	<u>(238,460)</u>
End of year	<u>\$ (10,747)</u>	<u>\$ (429,967)</u>	<u>\$ (139,461)</u>	<u>\$ (580,175)</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Rochester Prep Foundation, Inc.
June 30, 2019

Assets	Rochester Prep Foundation, Inc.	True North Parking, LLC (Rochester, NY)	True North Rochester Real Estate, LLC (Rochester, NY)	True North Rochester Real Estate Ames Street, LLC (Rochester, NY)	Rochester Chili Ave, LLC (Rochester, NY)	True North Andrews Street, LLC (Rochester, NY)	True North St. Jacob Street, LLC (Rochester, NY)	Eliminations	Total
Current Assets:									
Cash and cash equivalents	\$ -	\$ -	\$ 41,692	\$ 371,883	\$ 400,189	\$ 206,753	\$ 322,368	\$ -	\$ 1,342,885
Accounts and other receivables	-	-	1,096	-	-	-	-	-	1,096
Total current assets	-	-	42,788	371,883	400,189	206,753	322,368	-	1,343,981
Other Assets:									
Restricted deposits	-	-	-	14,185	11,486	-	-	-	25,671
Investment in affiliates	188,873	-	-	-	-	-	-	(188,873)	-
Property and equipment, net	-	10,000	781,741	1,114,034	4,115,645	-	2,258,283	-	8,279,703
Construction in process	-	-	-	-	-	7,895,451	-	-	7,895,451
Total assets	<u>\$ 188,873</u>	<u>\$ 10,000</u>	<u>\$ 824,529</u>	<u>\$ 1,500,102</u>	<u>\$ 4,527,320</u>	<u>\$ 8,102,204</u>	<u>\$ 2,580,651</u>	<u>\$ (188,873)</u>	<u>\$ 17,544,806</u>
Liabilities and Net Assets									
Current Liabilities:									
Current portion of notes and bonds payable	\$ -	\$ -	\$ -	\$ 59,158	\$ 46,307	\$ -	\$ -	\$ -	\$ 105,465
Accounts payable and accrued expenses	3,185	-	15,188	300	300	-	-	-	18,973
Accounts payable - construction	-	-	-	-	-	2,446,840	-	-	2,446,840
Deferred rental revenue	-	-	-	69,804	61,182	24,455	32,585	-	188,026
Current portion of due to related parties	10,409	-	30,600	30,000	30,000	30,000	30,000	-	161,009
Total current liabilities	13,594	-	45,788	159,262	137,789	2,501,295	62,585	-	2,920,313
Other Liabilities:									
Notes and bonds payable, net	-	-	-	2,449,369	2,344,969	-	-	-	4,794,338
Due to related parties, net of current portion	-	-	-	-	-	2,909,023	1,354,573	-	4,263,596
Total liabilities	<u>13,594</u>	<u>-</u>	<u>45,788</u>	<u>2,608,631</u>	<u>2,482,758</u>	<u>5,410,318</u>	<u>1,417,158</u>	<u>-</u>	<u>11,978,247</u>
Net Assets:									
Without donor restrictions:									
Operating	(13,594)	-	(3,000)	271,779	308,707	152,298	259,783	-	975,973
Development	188,873	-	-	-	-	2,539,588	-	(188,873)	2,539,588
Property and equipment	-	10,000	781,741	(1,380,308)	1,735,855	-	903,710	-	2,050,998
Total net assets without donor restrictions	<u>175,279</u>	<u>10,000</u>	<u>778,741</u>	<u>(1,108,529)</u>	<u>2,044,562</u>	<u>2,691,886</u>	<u>1,163,493</u>	<u>(188,873)</u>	<u>5,566,559</u>
Total liabilities and net assets	<u>\$ 188,873</u>	<u>\$ 10,000</u>	<u>\$ 824,529</u>	<u>\$ 1,500,102</u>	<u>\$ 4,527,320</u>	<u>\$ 8,102,204</u>	<u>\$ 2,580,651</u>	<u>\$ (188,873)</u>	<u>\$ 17,544,806</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Rochester Prep Foundation, Inc.
For the Year Ended June 30, 2019

	Rochester Prep Foundation, Inc.	True North Parking, LLC (Rochester, NY)	True North Rochester Real Estate, LLC (Rochester, NY)	True North Rochester Real Estate Ames Street, LLC (Rochester, NY)	Rochester Chili Ave, LLC (Rochester, NY)	True North Andrews Street, LLC (Rochester, NY)	True North St. Jacob Street, LLC (Rochester, NY)	Eliminations	Total
Net Assets Without Donor Restrictions:									
Operating revenues:									
Rental income	\$ -	\$ -	\$ 68,443	\$ 279,216	\$ 244,728	\$ 94,972	\$ 126,544	\$ -	\$ 813,903
Interest and other	-	-	-	130	90	-	-	-	220
Total operating revenues	-	-	68,443	279,346	244,818	94,972	126,544	-	814,123
Operating expenses:									
Interest	-	-	-	157,992	135,365	28,939	43,170	-	365,466
Depreciation	-	-	22,088	34,169	108,238	-	54,183	-	218,678
Administrative	8,495	-	30,769	30,995	32,990	36,532	31,528	-	171,309
Occupancy	-	-	24,431	-	-	-	-	-	24,431
Total operating expenses	8,495	-	77,288	223,156	276,593	65,471	128,881	-	779,884
Changes in net assets without donor restrictions from operations	(8,495)	-	(8,845)	56,190	(31,775)	29,501	(2,337)	-	34,239
Other revenue:									
Forgiveness of debt	-	-	-	-	114,286	-	-	-	114,286
Grant from (to) affiliate for new initiatives	-	-	-	-	-	2,491,116	-	-	2,491,116
Total other revenue	-	-	-	-	114,286	2,491,116	-	-	2,605,402
Changes in net assets without donor restrictions	(8,495)	-	(8,845)	56,190	82,511	2,520,617	(2,337)	-	2,639,641
Net Assets:									
Beginning of year	183,774	10,000	787,586	(1,164,719)	1,962,051	171,269	1,165,830	(188,873)	2,926,918
End of year	\$ 175,279	\$ 10,000	\$ 778,741	\$ (1,108,529)	\$ 2,044,562	\$ 2,691,886	\$ 1,163,493	\$ (188,873)	\$ 5,566,559

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Troy Prep Foundation, Inc.
June 30, 2019

Assets	Troy Prep Foundation, Inc.	True North Troy Real Estate, LLC (Troy, NY)	True North Tyler Street, LLC (Troy, NY)	True North River Street, LLC (Troy, NY)	Total
Current Assets:					
Cash and cash equivalents	\$ -	\$ 6,784	\$ 425,696	\$ 781,195	\$ 1,213,675
Accounts and other receivables	-	-	-	5,085	5,085
Prepaid expenses and other	-	-	5,820	-	5,820
Total current assets	-	6,784	431,516	786,280	1,224,580
Other Assets:					
Property and equipment, net	-	31,477	4,338,175	1,680,820	6,050,472
Total assets	<u>\$ -</u>	<u>\$ 38,261</u>	<u>\$ 4,769,691</u>	<u>\$ 2,467,100</u>	<u>\$ 7,275,052</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of notes and bonds payable	\$ -	\$ -	\$ 29,969	\$ -	\$ 29,969
Accounts payable and accrued expenses	-	-	6,330	862	7,192
Deferred rental revenue	-	-	126,525	82,500	209,025
Current portion of due to related parties	10,296	-	60,000	25,000	95,296
Total current liabilities	10,296	-	222,824	108,362	341,482
Other Liabilities:					
Notes and bonds payable, net	-	-	1,124,690	-	1,124,690
Due to related parties, net of current portion	-	-	3,893,607	2,134,734	6,028,341
Total liabilities	10,296	-	5,241,121	2,243,096	7,494,513
Net Assets:					
Without donor restrictions:					
Operating	(10,296)	6,784	238,661	677,918	913,067
Property and equipment	-	31,477	(710,091)	(453,914)	(1,132,528)
Total net assets without donor restrictions	(10,296)	38,261	(471,430)	224,004	(219,461)
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 38,261</u>	<u>\$ 4,769,691</u>	<u>\$ 2,467,100</u>	<u>\$ 7,275,052</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Troy Prep Foundation, Inc.
For the Year Ended June 30, 2019

	<u>Troy Prep Foundation, Inc.</u>	<u>True North Troy Real Estate, LLC (Troy, NY)</u>	<u>True North Tyler Street, LLC (Troy, NY)</u>	<u>True North River Street, LLC (Troy, NY)</u>	<u>Total</u>
Net Assets Without Donor Restrictions:					
Operating revenues:					
Rental income	\$ -	\$ -	\$ 506,100	\$ 330,000	\$ 836,100
Interest and other	-	1	538	40,314	40,853
	<u>-</u>	<u>1</u>	<u>506,638</u>	<u>370,314</u>	<u>876,953</u>
Total operating revenues					
Operating expenses:					
Interest	-	-	151,228	-	151,228
Depreciation	-	-	133,133	44,120	177,253
Administrative	3,606	184	173,848	32,437	210,075
	<u>3,606</u>	<u>184</u>	<u>458,209</u>	<u>76,557</u>	<u>538,556</u>
Total operating expenses					
Changes in net assets without donor restrictions from operations					
	(3,606)	(183)	48,429	293,757	338,397
Other revenue:					
Gain on unwind	-	-	164,620	-	164,620
	<u>-</u>	<u>-</u>	<u>164,620</u>	<u>-</u>	<u>164,620</u>
Changes in net assets without donor restrictions					
	(3,606)	(183)	213,049	293,757	503,017
Net Assets:					
Beginning of year	<u>(6,690)</u>	<u>38,444</u>	<u>(684,479)</u>	<u>(69,753)</u>	<u>(722,478)</u>
End of year	<u>\$ (10,296)</u>	<u>\$ 38,261</u>	<u>\$ (471,430)</u>	<u>\$ 224,004</u>	<u>\$ (219,461)</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Parent Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program		General and Administrative			Fundraising	Total
	Charter Management Program	Charter School Support	CMO Support	Total General and Administrative			
Personnel and Related Costs:							
Salaries	\$ 13,543,063	\$ 1,715,780	\$ 5,860,055	\$ 7,575,835	\$ 908,338	\$ 22,027,236	
Payroll taxes and employee benefits	2,345,068	297,098	1,014,706	1,311,804	157,284	3,814,156	
Total payroll and related costs	15,888,131	2,012,878	6,874,761	8,887,639	1,065,622	25,841,392	
Interest:							
Interest on notes and bonds payable	240,008	-	-	-	-	240,008	
Program and Grant Expenses:							
Grants to schools	7,606,823	-	-	-	-	7,606,823	
Other school support	2,641,462	66,991	262,429	329,420	112,291	3,083,173	
Professional development	1,008,041	92,672	363,033	455,705	-	1,463,746	
Total program and grant expenses	11,256,326	159,663	625,462	785,125	112,291	12,153,742	
Depreciation	186,950	37,390	9,347	46,737	-	233,687	
Administrative:							
Office and other	1,522,883	247,468	57,108	304,576	76,144	1,903,603	
Professional services	477,632	77,615	17,911	95,526	23,882	597,040	
Total administrative	2,000,515	325,083	75,019	400,102	100,026	2,500,643	
Occupancy:							
Rent, utilities and maintenance	188,975	30,709	7,087	37,796	9,449	236,220	
Donated space	481,500	78,244	18,056	96,300	24,075	601,875	
Total occupancy	670,475	108,953	25,143	134,096	33,524	838,095	
System and Technology	1,790,951	291,030	67,161	358,191	89,548	2,238,690	
Total operating expenses	\$ 32,033,356	\$ 2,934,997	\$ 7,676,893	\$ 10,611,890	\$ 1,401,011	\$ 44,046,257	

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APPENDIX C

CHARTER SCHOOLS IN NEW YORK

This Appendix is intended to provide a general overview of certain provisions of the New York State Charter Schools Act of 1998, as amended (the “Charter School Act”) and other provisions of law affecting charter schools in the State of New York (the “State”). 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 also note that the provisions summarized below are subject to change, and this summary only pertains to certain aspects of currently existing law. The State may enact changes to the laws governing charter schools, such as the Schools, at any time. Neither the Borrowers nor Rochester Prep can predict the nature, scope or timing of any such changes, and neither of them makes any representation with respect thereto.

Purpose (New York Education Law § 2850)

The purpose of this article is to authorize a system of charter schools to provide opportunities for teachers, parents, and community members to establish and maintain schools that operate independently of existing schools and school districts in order to accomplish the following objectives:

- (a) Improve student learning and achievement;
- (b) Increase learning opportunities for all students, with special emphasis on expanded learning experiences for students who are at-risk of academic failure;
- (c) Encourage the use of different and innovative teaching methods;
- (d) Create new professional opportunities for teachers, school administrators and other school personnel;
- (e) Provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; and
- (f) Provide schools with a method to change from rule-based to performance- based accountability systems by holding the schools established under this article accountable for meeting measurable student achievement results.

Eligible Applicants; Applications; Submission (New York Education Law § 2851-1-3)

An application to establish a charter school may be submitted by teachers, parents, school administrators, community residents or any combination thereof. Such application may be filed in conjunction with a college, university, museum, educational institution, not-for-profit corporation exempt from taxation under paragraph 3 of subsection (c) of section 501 of the internal revenue code or for-profit business or corporate entity authorized to do business in New York state. Provided however, for-profit business or corporate entities shall not be eligible to submit an application to establish a charter school pursuant to subdivision nine-a of section twenty-eight hundred fifty-two of this article, or operate or manage a charter school for a charter issued pursuant to subdivision nine-a of section twenty-eight hundred fifty-two of this article. For charter schools established in conjunction with a for-profit business or corporate entity, the charter shall specify the extent of the entity’s participation in the management and operation of the school.

The information provided on the application shall be consistent with the provisions of this article and other applicable laws, rules and regulations.

An applicant shall submit the application to a charter entity for approval. For purposes of this article, a charter entity shall be:

- (a) The board of education of a school district eligible for an apportionment of aid under subdivision four of section thirty-six hundred two (apportionment of public moneys to school districts employing eight or more teachers) of this chapter, provided that a board of education shall not approve an application for a school to be operated outside the school district's geographic boundaries and further provided that in a city having a population of one million or more, the chancellor of any such city school district shall be the charter entity established by this paragraph;
- (b) The board of trustees of the state university of New York; or
- (c) The board of regents. The board of regents shall be the only entity authorized to issue a charter pursuant to this article.

The board of regents shall be the only entity authorized to issue a charter pursuant to this article. Notwithstanding any provision of this subdivision to the contrary, an application for the conversion of an existing public school to a charter school shall be submitted to, and may only be approved by, the charter entity set forth in paragraph (a) of this subdivision. Notwithstanding any law, rule or regulation to the contrary, any such application for conversion shall be consistent with this section but shall not be subject to the process pursuant to subdivision nine-a of section twenty-eight hundred fifty-two of this article, and the charter entity shall require that the parents or guardians of a majority of the students then enrolled in the existing public school vote in favor of converting the school to a charter school.

Charter Renewal (New York Education Law § 2851-4)

Charters may be renewed, upon application, for a term of up to five years in accordance with the provisions of this article for the issuance of such charters pursuant to section twenty-eight hundred fifty- two of this article;

Such renewal application shall be submitted to the charter entity no later than six months prior to the expiration of the charter; provided, however, that the charter entity may waive such deadline for good cause shown.

Charter School Organization (New York Education Law § 2853-1)

(a) Upon the approval of a charter by the board of regents, the board of regents shall incorporate the charter school as an education corporation for a term not to exceed five years, provided however in the case of charters issued pursuant to subdivision nine-a of section twenty-eight hundred fifty- two of this article the board of regents shall incorporate the charter school as an education corporation for a term not to exceed five years in which instruction is provided to pupils plus the period commencing with the effective date of the charter and ending with the opening of the school for instruction. Such certificate of incorporation shall not modify or limit any terms of the charter approved by the board of regents. Upon approval of an application to renew a charter, the board of regents shall extend the certificate of incorporation for a term not to exceed five years. Upon termination or nonrenewal of the charter of a charter school pursuant to section twenty-eight hundred fifty-five of this article, the certificate of incorporation of the charter school shall be revoked by the board of regents pursuant to section two hundred nineteen of this chapter (change of charter), provided that compliance with the notice and hearing requirements of such section twenty-eight hundred fifty-five of this article shall be deemed to satisfy the notice and hearing requirements of such section two hundred nineteen. It shall be the duty of the trustees of the charter school to obtain federal tax-exempt status no later than one year following approval of a charter school by the board of regents. For purposes of this article, "certificate of incorporation" shall mean the provisional charter issued by the board of regents to form the charter school as an educational corporation

pursuant to sections two hundred sixteen (charters) and two hundred seventeen (provisional charters) of this chapter.

(b) An education corporation organized to operate a charter school shall have all corporate powers necessary and desirable for carrying out a charter school program in accordance with the provisions of this article, other applicable laws and regulations and the terms of the charter, including all of the powers of an education corporation formed to operate an elementary or secondary school and those powers granted under the provisions of the not-for-profit corporation law that are made applicable to charter schools by section two hundred sixteen-a (applicability of not-for-profit corporation law) of this chapter. The powers of the trustees of the charter school shall include those powers specified in section two hundred twenty-six (powers of trustees of institutions) of this chapter.

(b-1) An education corporation operating a charter school shall be authorized to operate more than one school or house any grade at more than one site, provided that a charter must be issued for each such additional school or site in accordance with the requirements for the issuance of a charter pursuant to this article and that each such additional school or site shall count as a charter issued pursuant to subdivision nine of section twenty eight hundred fifty-two of this article; and provided further that:

(i) a charter school may operate in more than one building at a single site; and

(ii) a charter school which provides instruction to its students at different locations for a portion of their school day shall be deemed to be operating at a single site.

(c) A charter school shall be deemed an independent and autonomous public school, except as otherwise provided in this article and a political subdivision having boundaries coterminous with the school district or community school district in which the charter school is located. The charter entity and the board of regents shall be deemed to be the public agents authorized to supervise and oversee the charter school.

(d) The powers granted to a charter school under this article constitute the performance of essential public purposes and governmental purposes of this state. A charter school shall be exempt to the same extent as other public schools from all taxation, fees, assessments or special ad valorem levies on its earnings and its property, including property leased by the charter school. Instruments of conveyance to or from a charter school and any bonds or notes issued by a charter school, together with the income therefrom, shall at all times be exempt from taxation.

(e) A charter school shall not have the power to levy taxes or to acquire property by eminent domain.

(f) The board of trustees of the charter school shall have final authority for policy and operational decisions of the school. Nothing herein shall prohibit the board of trustees of a charter school from delegating decision-making authority to officers and employees of the school in accordance with the provisions of the charter.

(g) Notwithstanding any provision of law to the contrary, no civil liability shall attach to any charter entity, the board of regents, or to any of their members or employees, individually or collectively, for any acts or omissions of the charter school. Neither the local school district, the charter entity nor the state shall be liable for the debts or financial obligations of a charter school or any person or corporate entity who operates a charter school.

Public and Private Assistance to Charter Schools (New York Education Law § 2853-4)

(a) For purposes of sections seven hundred one (power to designate text-books; purchase and loan of text-books; purchase of supplies), seven hundred eleven (aid for purchase of school library materials),

seven hundred fifty-one (aid for computer software purchases) and nine hundred twelve (health and welfare services to all children) of this chapter, a charter school shall be deemed a nonpublic school in the school district within which the charter school is located. Special education programs and services shall be provided to students with a disability attending a charter school in accordance with the individualized education program recommended by the committee or subcommittee on special education of the student's school district of residence. The charter school may arrange to have such services provided by such school district of residence or by the charter school directly or by contract with another provider.

(b) For purposes of section thirty-six hundred thirty-five (transportation) of this chapter, a charter school shall be deemed a nonpublic school. The charter and application therefor shall set forth the manner in which students ineligible for transportation pursuant to section thirty-six hundred thirty-five of this chapter shall be transported to and from school. Any supplemental transportation provided by a charter school shall comply with all transportation safety laws and regulations applicable to other public schools. A school district may enter into a contract for the provision of supplemental transportation services to a charter school, and any such services shall be provided by the school district at cost.

(c) A charter school may contract with the governing body of a public college or university for the use of a school building and grounds, the operation and maintenance thereof. Any such contract shall provide such services or facilities at cost. A school district shall permit any charter school granted approval to co-locate, to use such services and facilities without cost.

(d) Private persons and organizations are encouraged to provide funding and other assistance to the establishment or operation of charter schools. The school district of residence of children attending a charter school may, but is not required to, allow such children to participate in athletic and extra-curricular activities of the district's schools.

Applicability of Other Laws (New York Education Law § 2854-1)

(a) Notwithstanding any provision of law to the contrary, to the extent that any provision of this article is inconsistent with any other state or local law, rule or regulation, the provisions of this article shall govern and be controlling.

(b) A charter school shall meet the same health and safety, civil rights, and student assessment requirements applicable to other public schools, except as otherwise specifically provided in this article. A charter school shall be exempt from all other state and local laws, rules, regulations or policies governing public or private schools, boards of education, school districts and political subdivisions, including those relating to school personnel and students, except as specifically provided in the school's charter or in this article. Nothing in this subdivision shall affect the requirements of compulsory education of minors established by part one of article sixty-five (compulsory education and school census) of this chapter.

(c) A charter school shall be subject to the financial audits, the audit procedures, and the audit requirements set forth in the charter, and shall be subject to audits of the comptroller of the city school district of the city of New York for charter schools located in New York city, and to the audits of the comptroller of the state of New York for charter schools located in the rest of the state, at his or her discretion, with respect to the school's financial operations. Such procedures and standards shall be consistent with generally accepted accounting and audit standards. Independent fiscal audits shall be required at least once annually.

(d) A charter school shall design its educational programs to meet or exceed the student performance standards adopted by the board of regents and the student performance standards contained in the charter. Students attending charter school shall be required to take regents examinations to the same extent such examinations are required of other public school students. A charter school offering instruction in the high school grades may grant regents diplomas and local diplomas to the same extent as other public schools, and such other certificates and honors as are specifically authorized by their charter, and in testimony thereof give

suitable certificates, honors and diplomas under its seal; and every certificate and diploma so granted shall entitle the conferee to all privileges and immunities which by usage or statute are allowed for similar diplomas of corresponding grade granted by any other public school.

(e) A charter school shall be subject to the provisions of articles six (freedom of information law) and seven of the public officers (open meetings law) law.

(f) A charter school shall be subject to the provisions of sections eight hundred (definitions), eight hundred one (conflicts of interest prohibited), eight hundred two (exceptions), eight hundred three (disclosure of interest), eight hundred four (contracts void), eight hundred four-a (certain interests prohibited), eight hundred five (violations), eight hundred five-a (certain action prohibited), eight hundred five-b (solemnization of marriages) and eight hundred six (code of ethics) of the general municipal law to the same extent such sections apply to school districts.

Admission; Enrollment; Students (New York Education Law § 2854-2)

(a) A charter school shall be nonsectarian in its programs, admission policies, employment practices, and all other operations and shall not charge tuition or fees; provided that a charter school may require the payment of fees on the same basis and to the same extent as other public schools. A charter school shall not discriminate against any student, employee or any other person on the basis of ethnicity, national origin, gender, or disability or any other ground that would be unlawful if done by a school. Admission of students shall not be limited on the basis of intellectual ability, measures of achievement or aptitude, athletic ability, disability, race, creed, gender, national origin, religion, or ancestry; provided, however, that nothing in this article shall be construed to prevent the establishment of a single-sex charter school or a charter school designed to provide expanded learning opportunities for students at-risk of academic failure or students with disabilities and English language learners; and provided, further, that the charter school shall demonstrate good faith efforts to attract and retain a comparable or greater enrollment of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program when compared to the enrollment figures for such students in the school district in which the charter school is located. A charter shall not be issued to any school that would be wholly or in part under the control or direction of any religious denomination, or in which any denominational tenet or doctrine would be taught.

(b) Any child who is qualified under the laws of this state for admission to a public school is qualified for admission to a charter school. Applications for admission to a charter school shall be submitted on a uniform application form created by the department and shall be made available by a charter school in languages predominately spoken in the community in which such charter school is located. The school shall enroll each eligible student who submits a timely application by the first day of April each year, unless the number of applications exceeds the capacity of the grade level or building. In such cases, students shall be accepted from among applicants by a random selection process, provided, however, that an enrollment preference shall be provided to pupils returning to the charter school in the second or any subsequent year of operation and pupils residing in the school district in which the charter school is located, and siblings of pupils already enrolled in the charter school. Preference may also be provided to children of employees of the charter school or charter management organization, provided that such children of employees may constitute no more than fifteen percent of the charter school's total enrollment.

The commissioner shall establish regulations to require that the random selection process conducted pursuant to this paragraph be performed in a transparent and equitable manner and to require that the time and place of the random selection process be publicized in a manner consistent with the requirements of section one hundred four of the public officers law and be open to the public.

(c) A charter school shall serve one or more of the grades one through twelve, and shall limit admission to pupils within the grade levels served. Nothing herein shall prohibit a charter school from establishing a kindergarten program.

(d) A student may withdraw from a charter school at any time and enroll in a public school. A charter school may refuse admission to any student who has been expelled or suspended from a public school until the period of suspension or expulsion from the public school has expired, consistent with the requirements of due process.

Causes for Revocation or Termination (New York Education Law § 2855)

The charter entity, or the board of regents, may terminate a charter upon any of the following grounds:

(a) When a charter school's outcome on student assessment measures adopted by the board of regents falls below the level that would allow the commissioner to revoke the registration of another public school, and student achievement on such measures has not shown improvement over the preceding three school years;

(b) Serious violations of law;

(c) Material and substantial violation of the charter, including fiscal mismanagement;

(d) When the public employment relations board makes a determination that the charter school demonstrates a practice and pattern of egregious and intentional violations of subdivision one of section two hundred nine-a (improper employer practices) of the civil service law involving interference with or discrimination against employee rights under article fourteen (Public Employees' Fair Employment Act) of the civil service law; or

(e) Repeated failure to comply with the requirement to meet or exceed enrollment and retention targets of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program pursuant to targets established by the board of regents or the board of trustees of the state university of New York, as applicable. Provided, however, if no grounds for terminating a charter are established pursuant to this section other than pursuant to this paragraph, and the charter school demonstrates that it has made extensive efforts to recruit and retain such students, including outreach to parents and families in the surrounding communities, widely publicizing the lottery for such school, and efforts to academically support such students in such charter school, then the charter entity or board of regents may retain such charter.

Notice of intent to revoke a charter shall be provided to the board of trustees of a charter school at least thirty days prior to the effective date of the proposed revocation. Such notice shall include a statement of reasons for the proposed revocation. The charter school shall be allowed at least thirty days to correct the problems associated with the proposed revocation. Prior to revocation of the charter, a charter school shall be provided an opportunity to be heard, consistent with the requirements of due process. Upon the termination of a charter, the charter school shall proceed with dissolution pursuant to the procedures of the charter and direction of the charter entity and the board of regents.

In addition to the provisions of subdivision two of this section, the charter entity or the board of regents may place a charter school falling within the provisions of subdivision one of this section on probationary status to allow the implementation of a remedial action plan. The failure of a charter school to comply with the terms and conditions of a remedial action plan may result in summary revocation of the school's charter.

Any individual or group may bring a complaint to the board of trustees of a charter school alleging a violation of the provisions of this article, the charter, or any other provision of law relating to the management or operation of the charter school. If, after presentation of the complaint to the board of trustees of a charter school, the individual or group determines that such board has not adequately addressed the complaint, they may present that complaint to the charter entity, which shall investigate and respond. If, after presentation of

the complaint to the charter entity, the individual or group determines that the charter entity has not adequately addressed the complaint, they may present that complaint to the board of regents, which shall investigate and respond. The charter entity and the board of regents shall have the power and the duty to issue appropriate remedial orders to charter schools under their jurisdiction to effectuate the provisions of this section.

The regulatory power of the board of regents and the commissioner shall not extend to charter schools except as otherwise specifically provided in this article.

Review and Assessment (New York Education Law § 2857-2-5)

Each charter school shall submit to the charter entity and to the board of regents an annual report. Such report shall be issued no later than the first day of August of each year for the preceding school year and shall be made publicly available by such date and shall be posted on the charter school's website. The annual report shall be in such form as shall be prescribed by the commissioner and shall include at least the following components:

(a) a charter school report card, which shall include measures of the comparative academic and fiscal performance of the school, as prescribed by the commissioner in regulations adopted for such purpose. Such measures shall include, but not be limited to, graduation rates, dropout rates, performance of students on standardized tests, college entry rates, total spending per pupil and administrative spending per pupil. Such measures shall be presented in a format that is easily comparable to similar public schools. In addition, the charter school shall ensure that such information is easily accessible to the community including making it publicly available by transmitting it to local newspapers of general circulation and making it available for distribution at board of trustee meetings.

(b) discussion of the progress made towards achievement of the goals set forth in the charter.

(c) a certified financial statement setting forth, by appropriate categories, the revenues and expenditures for the preceding school year, including a copy of the most recent independent fiscal audit of the school and any audit conducted by the comptroller of the state of New York.

(d) efforts taken by the charter school in the existing school year, and a plan for efforts to be taken in the succeeding school year, to meet or exceed enrollment and retention targets set by the board of regents or the board of trustees of the state university of New York, as applicable, of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program established pursuant to paragraph (e) of subdivision four of section twenty-eight hundred fifty-one of this article.

The board of regents shall report annually to the governor, the temporary president of the senate, and the speaker of the assembly the following information:

(a) The number, distribution, and a brief description of new charter schools established during the preceding year;

(a-1) A list including the number of charter schools closed during the preceding year, and a brief description of the reasons therefor including, but not limited to, non-renewal of the charter or revocation of the charter;

(b) The department's assessment of the current and projected programmatic and fiscal impact of charter schools on the delivery of services by school districts;

(c) The academic progress of students attending charter schools, as measured against comparable public and nonpublic schools with similar student population characteristics wherever practicable;

(d) A list of all actions taken by a charter entity on charter application and the rationale for the renewal or revocation of any charters; and

(e) Any other information regarding charter schools that the board of regents deems necessary. The format for this annual report shall be developed in consultation with representatives of school districts and charter school officials.

The board of regents shall review the educational effectiveness of the charter school approach authorized by this article and the effect of charter schools on the public and nonpublic school systems. Not later than December thirty-first, two thousand three, the board of regents shall report to the governor, the temporary president of the senate, the speaker of the assembly and the board of regents with recommendations to modify, expand, or terminate that approach. Such report shall include, for each charter school, a copy of the school's mission statement, attendance statistics and dropout rates, student performance on standardized assessment tests, projections of financial stability, and, wherever practicable, comparisons to other public schools.

The board of regents shall on an annual basis review and make available to school districts best educational practices employed by charter schools.

CHARTER SCHOOL FUNDING

Under the Charter Schools Act, the Schools are entitled to receive public education aid from the school districts for each student enrolled in the Schools. Such aid is payable on a per student basis by each of the school districts in which students of the Schools are resident. The amount of aid for each student is determined on the basis of the "expense per pupil" as calculated under the State's Education Law for the respective School District. The amount of aid to which the Schools are entitled for each student will vary among school districts based on the actual expense per pupil of the respective School District and the actual FTE (full time equivalent) of the student.

The Charter Schools Act defines "expense per pupil" as the product of the approved operating expense for the applicable period, established by the State's Education Department for the respective School District and the sum of the total aidable pupil units in the respective School District and weighted pupils with handicapping conditions. The aid for weighted pupils with handicapping conditions is called Public Excess Cost Aid and is included on the bi-monthly billings where applicable.

The Charter Schools Act also requires that each school district pay to the Schools any State or federal aid that is attributable to students with disabilities receiving special education services from the Schools, based upon the enrollment of such students in the Schools' programs and the special education services provided.

The Charter Schools Act provides that any aid payable to the Schools may be reduced pursuant to an agreement between the Schools and the Board of Trustees of the State University of New York. No such agreement is currently in effect. There can be no assurance that in connection with the Schools' applications for renewal of their charters or otherwise, the Schools and the Board of Trustees will not enter into such agreement in the future.

Each School District is required to make payments to the Schools in six substantially equal installments on the first business day of the month of July, September, November, January, March and May in the amounts determined in accordance with the Charter Schools Act.

In the event a School District fails to make any of the required payments to the Schools, including those for services provided to pupils with disabilities, the Schools will notify the State Education Department and the State's Education Department will calculate and certify the amount of any delinquent payment due and owing to the Schools to the State Comptroller. Upon such certification, the State Comptroller will deduct the certified amount from State funds otherwise due to such School District and pay the amount withheld directly to the Schools.

Sources of Aid to Public Education in New York State

Local Aid. The major source of local revenue for education in most New York public school districts is the tax levied by the local board of education on taxable residential and commercial real property located within the boundaries of such school district. However, the board of education for the Rochester City School District does not have the authority to levy school taxes on real property or otherwise to raise revenues.

State Aid. State aid for public schools comes primarily from the State's general fund wherein the major revenue source is State income and sales taxes. The balance of State aid for public schools comes from a special revenue fund account supported by lottery receipts.

State aid is allocated among public school districts on the basis of a complex set of components and formulas. The various components and formulas provide for aid to be allocated on a per pupil basis as well on the basis of percentages of the wealth of the State's school districts as measured by real property assessments and income levels of school district residents. The distribution of most State aid is based on wealth equalizing formulas which are intended to distribute State aid in inverse proportion to the wealth of school districts and their concomitant ability to raise local revenues through real property assessment and taxation.

Additionally, the School Tax Relief ("STAR") program provides to homeowners in the State a State-funded exemption from a portion of school taxes payable with respect to their primary residences. School districts are reimbursed by the State for school taxes exempted pursuant to the STAR program. The amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2011 to 2016 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. The State's 2015-16 Enacted Budget provided for school aid of approximately \$23.5 billion, an increase of \$1.3 billion in school aid spending from the 2014-15 school year. The State's 2016-17 Enacted Budget provided for school aid of approximately \$24.8 billion, an increase of \$1.3 billion in school aid spending from the 2015-16 school year. The State's 2017-18 Enacted Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-17 school year. The State's 2018-19 Enacted Budget provided for school aid of approximately \$26.7 billion, an increase of roughly \$1 billion in school aid spending from the 2017-18 school year. The State's 2019-20 Enacted Budget provided for school aid of approximately \$27.9 billion, an increase of roughly \$1.2 billion in school aid spending from the 2018-19 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice.

The State's Enacted 2019-20 Budget continues to allow the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by \$850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

The State's Enacted 2019-20 Budget legislation was signed into law on April 12, 2019, a delay of approximately 11 days. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed

payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State, including the Schools.

The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

Even though the State is obligated under the New York Constitution to provide for the maintenance and support of a system of free common schools, the State is not obligated either to continue to authorize the operation of charter schools or to continue its current system of State Education Operating Aid and State-funded Disability Aid. Any change in the Charter Schools Act or in the provisions of the New York Education Law relating to the appropriation of State Education Operating Aid or of Disability Aid funded by the State or failure by the New York Legislature to appropriate funds sufficient to fund the operation of charter schools could have a material adverse effect on the ability of Rochester Prep to make the rent payments required under the Leases, which would impact the ability of the Borrowers to make interest and principal payments on the Series 2020 Bonds.

Historical Funding Amounts

For historical per-pupil funding rates for the Schools, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWERS, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL AND UNCOMMON SCHOOLS, INC. – ROCHESTER PREP FINANCIAL SUMMERY – Primary Source of Revenues" attached to this Limited Offering Memorandum.

Number of Charter Schools

The Charter School Act limits the number of charter schools that can be authorized in the State to 460. Currently, there are 316 charter schools operating in the State. Additionally, 34 additional charter schools have been approved to operate and are expected to begin operations in fall 2020 (21 schools), fall 2021 (8 schools), fall 2022 (4 schools) or fall 2023 (1 school). The following table indicates the number of charter schools, charter school enrollment and the percentage of all New York students enrolled in charter schools in 2009-10 through 2018-19.

TABLE 2
NEW YORK CHARTER SCHOOLS AND ENROLLMENT
2009-10 through 2018-19

<i>Year</i>	<i>Number of Charter Schools</i>	<i>Charter School Enrollment</i>	<i>Percent of Students Enrolled in Charter Schools</i>
2018-19	291	147,428	5.6%
2017-18	281	139,566	5.2
2016-17	267	128,784	4.8
2015-16	256	117,619	4.4
2014-15	248	106,353	3.9
2013-14	233	91,927	3.4
2012-13	209	77,956	2.9
2011-12	185	65,595	2.4
2010-11	177	56,236	2.0
2009-10	148	46,522	1.7

Source: Borrowers.

Financing of Charter Schools (New York Education Law §2856)

(a) The enrollment of students attending charter schools shall be included in the enrollment, attendance and, if applicable, count of students with disabilities of the school district in which the pupil resides. The charter school shall report all such data to the school districts of residence in a timely manner. Each school district shall report such enrollment, attendance and count of students with disabilities to the department. The school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the school district the charter school basic tuition which shall be:

(i) for school years prior to the two thousand nine--two thousand ten school year, an amount equal to one hundred percent of the amount calculated pursuant to paragraph f of subdivision one of section thirty-six hundred two of this chapter for the school district for the year prior to the base year increased by the percentage change in the state total approved operating expense calculated pursuant to paragraph t of subdivision one of section thirty-six hundred two of this chapter from two years prior to the base year to the base year;

(ii) for the two thousand nine--two thousand ten school year, the charter school basic tuition shall be the amount payable by such district as charter school basic tuition for the two thousand eight--two thousand nine school year;

(iii) for the two thousand ten--two thousand eleven through two thousand thirteen-- two thousand fourteen school years, the charter school basic tuition shall be the basic tuition computed for the two thousand ten--two thousand eleven school year pursuant to the provisions of subparagraph (i) of this paragraph;

(iv) for the two thousand fourteen--two thousand fifteen, two thousand fifteen--two thousand sixteen and two thousand sixteen--two thousand seventeen school years, the charter school basic tuition shall be the sum of the lesser of the charter school basic tuition computed for the two thousand ten--two thousand eleven school year pursuant to the provisions of subparagraph (i) of this paragraph or the charter school basic tuition computed for the current year pursuant to the provisions of subparagraph (i) of this paragraph plus the supplemental basic tuition;

(v) for the two thousand seventeen--two thousand eighteen school year, the charter school basic tuition shall be the sum of (A) the charter school basic tuition for the two thousand sixteen--two thousand seventeen school year plus (B) five hundred dollars;

(vi) for the two thousand eighteen--two thousand nineteen school year, the charter school basic tuition shall be the lesser of (A) the product of (i) the charter school basic tuition calculated for the base year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year five years prior to the base year and finishing with the year prior to the base year of the total approved operating expense for such school district calculated pursuant to paragraph t of subdivision one of section thirty-six hundred two of this chapter for each such year divided by the total approved operating expense for such district for the immediately preceding year, provided that the highest and lowest annual quotients shall be excluded from the calculation of such average or (B) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with paragraph b of subdivision twenty-one of section three hundred five of this chapter published annually on May fifteenth for the year prior to the base year divided by the total estimated public enrollment for the school district pursuant to paragraph n of subdivision one of section thirty-six hundred two of this chapter for the year prior to the base year.

(vii) for the two thousand nineteen--two thousand twenty school year the charter school basic tuition shall be the lesser of (A) the product of (i) the charter school basic tuition calculated for the base year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year three years prior to the base year and finishing with the year prior to the base year of the total approved operating expense for such school district calculated pursuant to paragraph t of subdivision one of section thirty-six hundred two of this chapter for each such year divided by the total approved operating expense for such district for the immediately preceding year provided that the highest annual quotient calculated pursuant to this subparagraph shall be replaced by the average quotient calculated pursuant to subparagraph (vi) of this paragraph or (B) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with paragraph b of subdivision twenty- one of section three hundred five of this chapter published annually on May fifteenth for the year prior to the base year divided by the total estimated public enrollment for the school district pursuant to paragraph n of subdivision one of section thirty-six hundred two of this chapter for the year prior to the base year.

(viii) for the two thousand twenty--two thousand twenty-one school year and thereafter, the charter school basic tuition shall be the lesser of (A) the product of (i) the charter school basic tuition calculated for the base year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year three years prior to the base year and finishing with the year prior to the base year of the total approved operating expense for such school district calculated pursuant to paragraph t of subdivision one of section thirty-six hundred two of this chapter for each such year divided by the total approved operating expense for such district for the immediately preceding year or (B) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with paragraph b of subdivision twenty-one of section three hundred five of this chapter published annually on May fifteenth for the year prior to the base year divided by the total estimated public enrollment for the school district pursuant to paragraph n of subdivision one of section thirty-six hundred two of this chapter for the year prior to the base year.

For the purposes of this subdivision, the “supplemental basic tuition” shall be (A) for a school district for which the charter school basic tuition computed for the current year is greater than or equal to the charter school basic tuition for the two thousand ten--two thousand eleven school year pursuant to the provisions of subparagraph (i) of this paragraph, (1) for the two thousand fourteen--two thousand fifteen school year two hundred and fifty dollars, and (2) for the two thousand fifteen--two thousand sixteen school year three hundred

and fifty dollars, and (3) for the two thousand sixteen--two thousand seventeen school year five hundred dollars, and (4) for the two thousand seventeen--two thousand eighteen school year and thereafter, the sum of (i) the supplemental basic tuition calculated for the two thousand sixteen--two thousand seventeen school year plus (ii) five hundred dollars, and (B) for school years prior to the two thousand seventeen--two thousand eighteen school year, for a school district for which the charter school basic tuition for the two thousand ten--two thousand eleven school year is greater than the charter school basic tuition for the current year pursuant to the provisions of subparagraph (i) of this paragraph, the positive difference of the charter school basic tuition for the two thousand ten--two thousand eleven school year minus the charter school basic tuition for the current year pursuant to the provisions of subparagraph (i) of this paragraph and (C) for school years following the two thousand sixteen--two thousand seventeen school years, for a school district for which the charter school basic tuition for the two thousand ten--two thousand eleven school year is greater than the charter school basic tuition for the current year pursuant to the provisions of subparagraph (i) of this paragraph, the sum of (i) the supplemental basic tuition calculated for the two thousand sixteen--two thousand seventeen school year plus (ii) five hundred dollars.

(b) The school district shall also pay directly to the charter school any federal or state aid attributable to a student with a disability attending charter school in proportion to the level of services for such student with a disability that the charter school provides directly or indirectly. Notwithstanding anything in this section to the contrary, amounts payable pursuant to this subdivision may be reduced pursuant to an agreement between the school and the charter entity set forth in the charter. Payments made pursuant to this subdivision shall be made by the school district in six substantially equal installments each year beginning on the first business day of July and every two months thereafter. Amounts payable under this subdivision shall be determined by the commissioner. Amounts payable to a charter school in its first year of operation shall be based on the projections of initial-year enrollment set forth in the charter. Such projections shall be reconciled with the actual enrollment at the end of the school's first year of operation, and any necessary adjustments shall be made to payments during the school's second year of operation.

(c) School districts shall be eligible for an annual apportionment equal to the amount of the supplemental basic tuition for the charter school in the base year for the expenses incurred in the two thousand fourteen--two thousand fifteen, two thousand fifteen--two thousand sixteen, two thousand sixteen--two thousand seventeen school years and thereafter.

In the event of the failure of the school district to make payments required by this section, the state comptroller shall deduct from any state funds which become due to such school district an amount equal to the unpaid obligation. The comptroller shall pay over such sum to the charter school upon certification of the commissioner. The commissioner shall promulgate regulations to implement the provisions of this subdivision.

Nothing in this article shall be construed to prohibit any person or organization from providing funding or other assistance to the establishment or operation of a charter school. The board of trustees of a charter school is authorized to accept gifts, donations or grants of any kind made to the charter school and to expend or use such gifts, donations or grants in accordance with the conditions prescribed by the donor; provided, however, that no gift, donation or grant may be accepted if subject to a condition that is contrary to any provision of law or term of the charter.

Charter School Basic Tuition (New York Education Law § 3602)

As referenced in the New York Education Law § 2856, "expense per pupil" shall mean approved operating expense for the year prior to the base year divided by the sum, computed using year prior to the base year pupil counts, of the total aidable pupil units plus weighted pupils with disabilities. Expense per pupil for each borough in the city school district of the city of New York shall be the expense per pupil of the entire city school district.

“Base year” shall mean the school year immediately preceding the current year.

“Weighted pupils with disabilities” shall mean the attendance, as defined in the regulations of the commissioner, of pupils with disabilities who have been determined by a school district committee on special education to require any of the following types and levels of programs or services specified in this subparagraph, and who receive such programs and services from the school district of attendance during the base year, multiplied by a special services weighting determined as follows:

(i) for placement for sixty per centum or more of the school day in a special class, or home or hospital instruction for a period of more than sixty days, or special services or programs for more than sixty per centum of the school day, the special services weighting shall be one hundred seventy percent;

(ii) for placement for twenty per centum or more of the school week in a resource room or special services or programs including related services required for twenty per centum or more of the school week, or in the case of pupils in grades seven through twelve or a multi-level middle school program as defined by the commissioner or in the case of pupils in grades four through six in an elementary school operating on a period basis, the equivalent of five periods per week, but not less than the equivalent of one hundred eighty minutes in a resource room or in other special services or programs including related services, or for at least two hours per week of direct or indirect consultant teacher services, in accordance with regulations of the commissioner adopted for such purpose, the special services weighting shall be ninety percent.

Computation of pupil counts and related factors.

a. Computation of resident weighted average daily attendance. For purposes of this section weighted average daily attendance of a school district for any school year shall be computed as follows:

(a) For purposes of this section weighted average daily attendance of a school district for any school year shall be computed as follows:

(1) Weighted average daily attendance shall be determined by using the average daily attendance of public school pupils in a full-day kindergarten and grades one through six as the basic unit, with the attendance of such pupils in one-half day kindergartens measured at one-half of such basic unit and the attendance of such pupils in grades seven through twelve measured at one and one-quarter of such basic unit. The sum of all such units of attendance shall be the weighted average daily attendance.

(2) In computing such attendance, the school district shall (i) determine the number of religious holidays which fall on a school day within a school year according to regulations established by the commissioner, such religious holidays to be duly recognized as such for purposes of this section by duly adopted resolution of the board of education; (ii) deduct the aggregate attendance on such religious holidays from the total aggregate attendance, by grade level; (iii) deduct such religious holidays from the total number of days of session, by grade level; (iv) compute the weighted average daily attendance for the school year.

(3) In any instance where a pupil is a resident of another state or an Indian pupil is a resident of any portion of a reservation located wholly or partly within the borders of the state pursuant to subdivision four of section forty-one hundred one (duties of commissioner regarding Indian children) of this chapter or a pupil is living on federally owned land or

property, such pupil's attendance shall be counted as part of the weighted average daily attendance of the school district in which such pupil is enrolled.

(4) Resident weighted average daily attendance for purposes of determining the aid ratio of a school district for any school year shall be the weighted average daily attendance for the school year immediately preceding the base year, less the weighted average daily attendance of nonresident pupils attending public schools in the district for such school year, plus the weighted average daily attendance of pupils resident in the district but attending public schools in another district or state plus the weighted average daily attendance of pupils resident in the district but attending full-time a school operated by a board of cooperative educational services or a county vocational education and extension board for such school year. The attendance of nonresident pupils attending public school in the district and resident pupils attending such schools outside of the district shall be determined by applying to the number of such pupils registered during the school year in each case the ratio of aggregate days attendance to the possible aggregate days attendance of all pupils in attendance in the district. Indian pupils of a reservation attending public school, or pupils living on the United States military reservation at West Point attending public school, shall be deemed to be resident pupils of the district providing such school, for purposes of this paragraph. Where a school district has entered into a contract with the state university pursuant to subdivision two of section three hundred fifty-five (powers and duties of trustees — administrative and fiscal functions) of this chapter under which the school district makes payments in the nature of tuition for the education of certain children residing in the district, such children for whom such tuition payments are made shall be deemed to be resident pupils of such district for the purposes of this paragraph.

(5) In determining the resident weighted average daily attendance of a component school district of a central high school district for computing the aid ratio the weighted average daily attendance of high school pupils residing in such component district and attending the central high school shall be included. The resident weighted average daily attendance of a central high school district itself shall be the sum of the resident weighted average daily attendance of each component school district computed as provided in the first sentence of this paragraph.

(6) Notwithstanding the provisions of subparagraphs four and five of this paragraph, when a school district shall experience an increase in resident weighted average daily attendance during the current year because of the closing in whole, or in part, of a non-public school or a campus school, or a school previously operated by the United States government on the United States military reservation at West Point, the commissioner, in computing any aid ratio of such district, shall permit the use of such additional resident weighted average daily attendance for aid ratio purposes during the current year and the next succeeding year, provided that such additional resident weighted average daily attendance attributable to such closing, or part thereof, shall be in excess of one hundred students; provided, however, that such district which qualifies for an increase in total wealth pupil units pursuant to paragraph f of this subdivision, shall use the increase in resident weighted average daily attendance, even if such increase in resident weighted average daily attendance is less than one hundred.

Computation of adjusted average daily attendance:

(b) For purposes of this section adjusted average daily attendance of a school district for any school year shall be computed as follows:

(1) Adjusted average daily attendance shall be determined by using the average daily attendance of public school pupils in a full-day kindergarten and grades one through twelve as the basic unit, with the attendance of such pupils in one-half day kindergartens measured at one-half of such basic unit. The sum of all such units of attendance shall be the adjusted average daily attendance.

(2) In computing such attendance, the school district shall (i) determine the number of religious holidays which fall on a school day within a school year according to regulations established by the commissioner, such religious holidays to be duly recognized as such for purposes of this section by duly adopted resolution of the board of education; (ii) deduct the aggregate attendance on such religious holidays from the total aggregate attendance, by grade level; (iii) deduct such religious holidays from the total number of days of session, by grade level; (iv) compute the adjusted average daily attendance for the school year.

(3) In any instance where a pupil is a resident of another state or an Indian pupil is a resident of any portion of a reservation located wholly or partly within the borders of the state pursuant to subdivision four of section forty-one hundred one (duties of commissioner regarding Indian children) of this chapter or a pupil is living on federally owned land or property, such pupil's attendance shall be counted as part of the adjusted average daily attendance of the school district in which such pupil is enrolled.

(c) Computation of additional aidable pupil units. The additional aidable pupil units used to compute total aidable pupil units pursuant to paragraph e of this subdivision shall be the sum of the attendance of summer session pupils multiplied by twelve per centum and the weighted pupils with special educational needs. The additional aidable pupil units used to compute total wealth pupil units pursuant to paragraph f of this subdivision shall be the sum of the year prior to the base year resident weighted pupils with special educational needs and resident weighted pupils with handicapping conditions. Nothing contained in this paragraph shall be construed to result in the inclusion of the attendance of summer session pupils in the computation of weighted or adjusted average daily attendance pursuant to this subdivision.

“Enrollment index” shall be computed by dividing the public school enrollment for the current year by public school enrollment for the base year, both as defined in paragraph n of this subdivision, with the result carried to three places without rounding.

(a) “Enrollment” shall mean the unduplicated count of all children registered to receive educational services in grades kindergarten through twelve, including children in ungraded programs, as registered on the date prior to November first that is specified by the commissioner as the enrollment reporting date for the school district or nonpublic school, as reported to the commissioner.

(b) “Public school district enrollment” shall mean the sum of: (1) the number of children on a regular enrollment register of a public school district on such date; (2) the number of children eligible to receive home instruction in the school district on such date; (3) the number of children for whom equivalent attendance must be computed pursuant to this subdivision on such date; (4) the number of children with disabilities who are residents of such district who are registered on such date to attend programs under the provisions of paragraph c of subdivision two of section forty-four hundred one (children with handicapping conditions definitions) of this chapter; (5) the number of children eligible to receive educational services on such date but not claimed for aid pursuant to subdivision seven of section thirty-two hundred two (public schools free to resident pupils; tuition from nonresident pupils) of this chapter; and (6) the number of children registered on such date to attend programs (i) pursuant to subdivision two of section three hundred fifty-five (powers and duties of trustees — administrative and fiscal functions) of this chapter or (ii) pursuant to an

agreement between the city school district of the city of New York and Hunter College pursuant to section sixty-two hundred sixteen of this chapter.

(c) Equivalent attendance shall mean the quotient of the total number of student hours of instruction in programs in a public school of a school district or a board of cooperative educational services leading to a high school diploma or a high school equivalency diploma as defined in regulations of the commissioner for pupils under the age of twenty-one not on a regular day school register of the district, divided by one thousand. Average daily attendance shall include the “equivalent attendance” of the school district. For the purposes of secondary school weighting, such “equivalent attendance” shall be considered as average daily attendance in grades seven through twelve.

The “approved operating expense” for the apportionments to any school district hereunder shall mean the amount computed as follows: The apportionment to any school district for operating expense shall be based upon the total expenditures from its general fund and from its capital fund and from its risk retention fund for purposes of employee benefit claims related to salaries paid from the general fund, and for any city school districts with a population of more than one hundred twenty-five thousand inhabitants its expenditures from the special aid fund of grant moneys for improving pupil performance and categorical aid for special reading programs as provided in the aid to localities budget during the applicable year as approved by the commissioner, and in accordance with the classification of expenditures in use by the commissioner for the reporting by school districts of receipts, expenditures and other financial data. For the purpose of this paragraph operating expense shall be defined as total cash expenditures during the applicable year, but shall exclude:

- (1) any balances and transfers;
- (2) any payments for transportation of pupils to and from school during the regular school year inclusive of capital outlays and debt service therefor;
 - (2-a) a portion of any payments for transportation of pupils to and from district operated summer school programs pursuant to subdivision six of section thirty-six hundred twenty-two-a (aidable regular transportation) of this article, inclusive of capital outlays and debt service therefor, equal to the product of such expenditures multiplied by the quotient of the total apportionment after the proration, if any, required by such subdivision six of such section divided by the total apportionment prior to such proration;
- (3) any payments for capital outlay and debt service for school building purposes, provided, however, that in the case of a school district which has entered into a contract with state university pursuant to paragraph o of subdivision two of section three hundred fifty-five (conduct of research and experiments) of this chapter, under which the school district makes payment to state university on account of capital outlay relating to certain children residing in such school district, such payments shall not be so excluded;
- (4) any payments for cafeteria or school lunch programs;
- (5) any proceeds of short term borrowings in the general fund and any payments from the proceeds of the sale of obligations in the capital fund;
- (6) any cash receipts which reduce the cost of an item when applied against the expenditure therefor, except gifts, donations and earned interest and any refunds made;
- (7) any payments made to boards of cooperative educational services for purposes or programs for which an apportionment is paid pursuant to other sections of this

chapter, except that payments attributable to eligible pupils with disabilities and ineligible pupils residing in noncomponent districts shall be included in operating expense;

(8) any tuition payments made to other school districts inclusive of payments made to a central high school district by one of its component school districts;

(9) any apportionment or payment received from the state for experimental or special programs paid under provisions other than those found in this section and other than any apportionments or payments received from the state by the city school district of the city of Yonkers for the purpose of funding an educational improvement program pursuant to a court order and other than any other state grants in aid identified by the commissioner for general use as specified by the board of education pursuant to subdivision two of section seventeen hundred eighteen (limitation upon expenditures) of this chapter;

(10) any funds received from the federal government except the federal share of Medicaid subject to the provisions of section thirty-six hundred nine-a (moneys apportioned, when and how payable commencing July first, two thousand seven) of this part and except Impact Aid funds received pursuant to sections two and six of Public Law eighty-one-eight hundred seventy-four (PL 81-874) or any law superseding such law in any such district which received aid pursuant to both such sections; provided further, however, that there shall be excluded from such federal funds or other apportionments any payments from such funds already deducted pursuant to this paragraph;

(11) any payments made for which an apportionment is disallowed pursuant to regulations of the commissioner;

(12) any expenditures made for accounting, tabulation, or computer equipment, in excess of ten thousand dollars unless such expenditures shall have been specifically approved by the commissioner;

(13) any rentals received payments received pursuant to the provisions of section four hundred three-a (Leasing of school property) of this chapter;

(14) any rentals or other annual payments received pursuant to the provisions of section four hundred three-b (Leasing of school buildings and facilities) of this chapter;

(15) any expenditures made for persons twenty-one years of age or over attending employment preparation education programs pursuant to subdivision eleven of this section;

(16) any tuition payments made pursuant to a contract under the provisions of paragraphs e, f, g, h, i and l of subdivision two of section forty-four hundred one (“special services or programs” definition) of this chapter or any tuition payments on behalf of pupils attending a state school under paragraph d of such subdivision;

(17) in any year in which expenditures are made to the New York state teachers’ retirement system or the New York state and local employees’ retirement system for both the prior school year and the current school year, any expenditures made to such retirement systems and recorded in the school year prior to the school year in which such obligations are paid; and

(18) any payments to the commissioner of taxation and finance pursuant to article twenty-three (metropolitan commuter transportation mobility tax) of the tax law.

Transitional Aid for Charter School Payments (New York Education Law § 3602)

In addition to any other apportionment under this section, for the two thousand seven - two thousand eight school year and thereafter, a school district other than a city school district in a city having a population of one million or more shall be eligible for an apportionment in an amount equal to the sum of:

(a) the product of (i) the product of eighty percent multiplied by the charter school basic tuition computed for such school district for the base year pursuant to section twenty-eight hundred fifty-six of this chapter, multiplied by (ii) the positive difference, if any, of the number of resident pupils enrolled in the charter school in the base year less the number of resident pupils enrolled in a charter school in the year prior to the base year, provided, however, that a school district shall be eligible for an apportionment pursuant to this paragraph only if the number of its resident pupils enrolled in charter schools in the base year exceeds two percent of the total resident public school district enrollment of such school district in the base year or the total general fund payments made by such district to charter schools in the base year for resident pupils enrolled in charter schools exceeds two percent of total general fund expenditures of such district in the base year, plus

(b) the product of (i) the product of sixty percent multiplied by the charter school basic tuition computed for such school district for the base year pursuant to section twenty-eight hundred fifty-six of this chapter, multiplied by (ii) the positive difference, if any, of the number of resident pupils enrolled in the charter school in the year prior to the base year less the number of resident pupils enrolled in a charter school in the year two years prior to the base year, provided, however, that a school district shall be eligible for an apportionment pursuant to this paragraph only if the number of its resident pupils enrolled in charter schools in the year prior to the base year exceeds two percent of the total resident public school district enrollment of such school district in the year prior to the base year or the total general fund payments made by such district to charter schools in the year prior to the base year for resident pupils enrolled in charter schools exceeds two percent of the total general fund expenditures of such district in the year prior to the base year, plus

(c) the product of (i) the product of forty percent multiplied by the charter school basic tuition computed for such school district for the base year pursuant to section twenty-eight hundred fifty-six of this chapter, multiplied by (ii) the positive difference, if any, of the number of resident pupils enrolled in the charter school in the year two years prior to the base year less the number of resident pupils enrolled in a charter school in the year three years prior to the base year, provided, however, that a school district shall be eligible for an apportionment pursuant to this paragraph only if the number of its resident pupils enrolled in charter schools in the year two years prior to the base year exceeds two percent of the total resident public school district enrollment of such school district in the year two years prior to the base year or the total general fund payments made by such district to charter schools in the year two years prior to the base year for resident pupils enrolled in charter schools exceeds two percent of the total general fund expenditures of such district in the year two years prior to the base year.

(d) For purposes of this subdivision the number of pupils enrolled in a charter school shall not include pupils enrolled in a charter school for which the charter was approved by a charter entity contained in paragraph a of subdivision three of section twenty-eight hundred fifty- one of this chapter.

Public School District Payments to Charter Schools (N.Y. Comp. Codes & Regs. Title 8, § 119.1(a), (b))

In the event of the failure of a school district to make payments to a charter school as required by section 2856 of the Education Law, the commissioner shall certify the amount of the unpaid obligation to the comptroller to be deducted from any State aid payments which become due to such school district. The amount of each school district's obligation shall be calculated in accordance with this section.

For the purposes of this section:

(a) Legally absent means to be absent for: personal illness, illness or death in the family, impassable roads or weather, religious observance, quarantine, required court appearances, attendance at health clinics, approved college visits, military obligations, disciplinary detention of an incarcerated youth, or for such other reasons as may be approved by the commissioner.

(b) Period of enrollment means that period commencing on the first day of the school year that a pupil is enrolled in and is physically present at, or legally absent from, an educational program or service of a charter school and ending on the last day of the school year that such pupil is so enrolled and physically present at, or legally absent from, such program or service.

(c) Enrollment for each charter school student shall mean the quotient, calculated to three decimals without rounding, obtained when the total number of weeks of the period of enrollment of such student is divided by the total number of weeks in the full school year of the educational program or service of the charter school. For the purposes of this section, three consecutive days of enrollment within the same week and within the same month shall be the equivalent of one week of enrollment, provided that no more than four weeks of enrollment may be counted in any calendar month.

(d) Levels of service shall mean the categories of programs for students with disabilities specified in section 3602(19)(b)(1)-(4) of the Education Law.

(e) Approved operating expense shall mean the amount calculated pursuant to section 3602(11) of the Education Law.

(f) Expense per pupil shall mean the amount calculated pursuant to section 3602(1)(f) of the Education Law for the school district using year prior to the base year expenditures and pupils, as established by the commissioner based on the electronic data file prepared by the commissioner on May 15th of the base year pursuant to section 305(21)(b) of the Education Law. Where the expense per pupil is not available for a school district, the expense per pupil shall be deemed to be the average expense per pupil for the county in which the school district is located.

(g) Adjusted expense per pupil shall be the district's expense per pupil increased by the percent change in the State total approved operating expense calculated pursuant to section 3602(11) of the Education Law from two years prior to the base year to the base year, as established by the commissioner based on the electronic data file prepared by the commissioner on May 15th of the base year pursuant to section 305(21)(b) of the Education Law.

(h) State aid attributable to a student with a disability attending a charter school shall mean the sum of excess cost aid payable to a public school district pursuant to section 3602(19)(4) of the Education Law based on the resident weighted enrollment in the charter school of pupils with disabilities receiving special services or programs provided directly or indirectly by the charter school in the current school year and any apportionment payable to such public school district pursuant to paragraph 5 of such subdivision 19 of the Education Law that is based on the cost of special services or programs provided directly or indirectly by the charter school to such pupil in the current school year. Excess cost aid for the purposes of this section shall equal the product of excess cost aid per pupil calculated pursuant to section 3602(19)(3) of the Education Law, the proportion of the weighting attributable to the student's level of service provided directly or indirectly by the charter school pursuant to section 3602(19)(b)(1)-(4) of the Education Law, and the student's enrollment in such charter school in the current school year.

(i) Federal aid attributable to a student with a disability attending a charter school, and receiving special education services or programs provided directly or indirectly by the charter school, shall mean:

(i) for the first year of operation of the charter school, the allocation that would be attributable to the charter school pursuant to 20 U.S.C. 1411 and 1419 (United States Code, 1994 edition, Supplement III, Volume 2; Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402-9328; 1998 - available at the Office of Vocational and Educational Services for Individuals with Disabilities, Room 1624, One Commerce Plaza, Albany, NY 12234) for a pupil who is identified as a student with a disability, as such term is defined in section 200.1 of this Title, who is included in a report to the commissioner of pupils so identified as of December 1st of the current school year, or for such other pupil count as specified by the Federal government for the current school year, provided that the enrollment of such students in the charter school during the current school year shall be used for this purpose until such report, or a report of such other pupil count, has been received by the commissioner; and

(ii) for the second year of operation of the charter school and thereafter, the allocation that would be attributable to the charter school pursuant to 20 U.S.C. 1411 and 1419 (United States Code, 1994 edition, Supplement III, Volume 2; Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402-9328; 1998 - available at the Office of Vocational and Educational Services for Individuals with Disabilities, Room 1624, One Commerce Plaza, Albany, NY 12234) for a pupil who is identified as a student with a disability, as such term is defined in section 200.1 of this Title, who is included in a report to the commissioner of pupils so identified as of December 1st of the base year, or for such other pupil count as specified by the Federal government.

Financial Obligations of Charter Schools, Public School Districts and Education Department (N.Y. Comp. Codes & Regs. Title 8, § 119.1(c)-(e))

Charter school obligations:

(a) No later than 30 days prior to the first business day of July, September, November, January, March and May, each charter school shall report to each public school district with resident pupils attending the charter school and to the department an updated estimate of the enrollment of students attending the charter school in the current school year who are residents of such public school district and any reduced amounts per pupil that shall be payable to the charter school for such students pursuant to subdivision one of section 2856 of the Education Law that has been established pursuant to an agreement between the charter school and the charter school entity as set forth in the charter. For each student with a disability attending such charter school, such report shall also indicate the level of special programs or services to be provided directly or indirectly to such student by the charter school and an estimated annual cost to be incurred by the charter school in providing such special programs or services.

(b) On or before the last day of July, each charter school shall provide a final report of actual enrollment to the department and to each school district with resident pupils attending the charter school in the prior school year. For each student with a disability attending such charter school, such report shall also indicate the level of special programs or services actually provided directly or indirectly to such student by the charter school and the annual cost incurred by the charter school in providing such special programs or services.

(c) In the event of the failure of a school district to fulfill the financial obligation required by section 2856 of the Education Law equal to the amounts calculated pursuant to this section, the charter school shall notify the commissioner no later than May 31st of the school year in which the payments were due.

Public school district of residence obligations:

(a) No later than the first business day of July, September, November, January, March and May of the current school year, each public school district with resident pupils attending a charter school shall pay directly to such charter school the appropriate payment amounts as specified in subdivision one of section 2856 of the Education Law that are attributable to the enrollment of such pupils as reported to the public school district by the charter school no later than 30 days prior to each such payment date.

(b) The total amount of payments due and payable to a charter school for the current school year by a public school district shall be paid as follows:

(i) on or before the first business day of July, one sixth of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year;

(ii) on or before the first business day of September, two sixths of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraph (i) of this paragraph;

(iii) on or before the first business day of November, three sixths of the total amount due, as adjusted for any supplemental payments due on overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i) and of this paragraph;

(iv) on or before the first business day of January, four sixths of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i), (ii) and of this paragraph;

(v) on or before the first business day of March, five sixths of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i), (ii), (iii) and (iv) of this paragraph; and

(vi) on or before the first business day of May, the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i), (ii), (iii), (iv) and (v) of this paragraph.

(c) The school district financial obligation per resident student enrolled in a charter school shall equal the sum of:

(i) the product of the school district's adjusted expense per pupil and the current year enrollment of the pupil in the charter school as defined in paragraph b(3) of this section; and

(ii) the amounts of State and Federal aid, if any, that may be attributable to such pupil as defined in paragraphs (b)(8) and (9) of this section, or the amount established pursuant to an agreement between the charter school and the charter entity as set forth in the charter.

(d) The total annual obligation due to a charter school by a public school district shall be the sum of the annual financial obligations for all resident students enrolled at any time during the current school year in the charter school.

(e) School districts shall include the enrollment of resident students attending charter schools in the enrollment, attendance and, if applicable, count of students with disabilities reported to the department for the purposes of claiming State aid.

Department obligations:

(a) On or before the first day of June of each year, or as soon as practicable upon the receipt of Federal notice of the estimated State appropriation for the next school year, the commissioner shall notify all school districts and all charter schools of the adjusted expense per pupil of each public school district and the estimated per pupil allocation under part B of the Federal Individuals with Disabilities Education Act to be used in the calculation of payments due to charter schools in next school year. Notice of final Federal per pupil allocation will be issued as soon as practicable upon the State's receipt of the notice of final allocation from the Federal government.

(b) In the event of the failure of a school district to fulfill the financial obligation required by section 2956 of the Education Law equal to the amounts calculated pursuant to this section, upon notification by the charter school, the commissioner shall certify the amounts of the unpaid obligations to the comptroller to be deducted from State aid due the school district and paid to the applicable charter schools.

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APPENDIX D

SUMMARY OF PRINCIPAL BOND DOCUMENTS

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

The following is a brief summary of certain provisions of the Trust Indenture and should not be considered a full statement thereof. Reference is made to the Trust Indenture for complete details of the terms thereof.

Granting Clauses

The Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts created by the Indenture and of the purchase and acceptance of the Bonds by the holders and owners thereof, and for other good and valuable consideration, and in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds, does unto the Trustee and its successors and assigns, for the benefit of the holders and all future holders of the Bonds, grant a security interest in, pledge and assign the following Trust Estate (subject to Permitted Encumbrances and excepting therefrom the Issuer's Reserved Rights): (I) All right, title and interest of the Issuer in and to the Trust Revenues; (II) Any and all moneys and securities from time to time held by the Trustee under the terms of the Indenture, except (A) moneys deposited with or paid to the Trustee for the redemption of the Bonds, notice of which has been duly given, and (B) moneys on deposit in the Rebate Fund; (III) Any and all contract rights of the Issuer under the Project Documents; and (IV) Any and all other Property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security under the Indenture, by the Issuer or by anyone in its behalf or with its written consent in favor of the Trustee. (Granting Clauses)

Definitions

The following terms shall have the respective meanings in the Indenture, except as the context otherwise requires: **Accredited Investor** means an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

Additional Bonds shall mean one or more Series of additional bonds issued, executed, authenticated and delivered under the Indenture.

Additional Indebtedness means any additional Indebtedness incurred by the Borrowers, including Indebtedness represented by Additional Bonds, subsequent to the issuance of the Initial Bonds.

An **Affiliate** of a Person shall mean a Person that directly or indirectly through one or more intermediaries Controls, or is under common Control with, or is Controlled by, such Person.

Ames Street LLC shall mean True North Rochester Real Estate Ames Street, LLC, a New York limited liability company, the sole member of which is the Foundation, and its successors and/or assigns.

Ames Street Facility shall have the meaning ascribed to such term in the recitals to the Indenture.

Ames Street Lease shall mean that certain Amended and Restated Lease Agreement, dated as of July 1, 2020, between Ames Street LLC and the Lessee, as the same may be amended or supplemented from time to time.

Ames Street Loan shall have the meaning ascribed to such term in the recitals to the Indenture.

Ames Street Project shall have the meaning ascribed to such term in the recitals to the Indenture.

Andrews Street LLC shall mean True North Andrews Street, LLC, a New York limited liability company, the sole member of which is the Foundation, and its successors and/or assigns.

Andrews Street Facility shall have the meaning ascribed to such term in the recitals to the Indenture.

Andrews Street Lease shall have the meaning ascribed to such term in the recitals to the Indenture.

Andrews Street Project shall have the meaning ascribed to such term in the recitals to the Indenture.

Approved Facility shall mean each Facility as occupied, used and operated by the Lessee substantially for the Approved Project Operations, including such other activities as may be substantially related to or substantially in support of such operations, all to be effected in accordance with the Loan Agreement and the Leases.

Approved Investor means (i) a Qualified Institutional Buyer and/or (ii) an Accredited Investor.

Approved Project Operations shall mean, subject to the Loan Agreement, those uses and operations relating to the education of elementary, middle or high school students in accordance with the Schools' charters and pursuant to the Charter School Act.

Assignment of Leases and Rents shall mean the Absolute Assignment of Leases and Rents, dated as of the Closing Date, from each Borrower to the Issuer.

Assignment of Assignment of Leases and Rents shall mean the Assignment of Absolute Assignment of Leases and Rents, dated as of the Closing Date, from the Issuer to the Trustee.

Assignment of Mortgage shall mean the Assignment of Mortgage, dated as of the Closing Date, from the Issuer to the Trustee.

Authorized Denomination shall mean, in the case of the Initial Bonds, \$25,000 or any integral multiple of \$5,000 in excess thereof.

Authorized Principal Amount shall mean, in the case of the Initial Bonds, \$29,955,000.

Authorized Representative shall mean: (i) in the case of the Issuer, the President, Vice President or Executive Director, or any other officer or employee of the Issuer who is authorized to perform specific acts or to discharge specific duties; and (ii) in the case of the Borrowers, the

President or any Vice President of the Foundation, or any other person designated as an Authorized Representative of the Borrowers by a statement of the Foundation signed by the President or any Vice President of the Foundation and filed with the Trustee.

Beneficial Owner shall mean, whenever used with respect to an Initial Bond, the Person in whose name such Initial Bond is recorded as the Beneficial Owner of such Initial Bond by the respective systems of DTC and each of the Participants of DTC. If at any time the Initial Bonds are not held in the Book-Entry System, Beneficial Owner shall mean "Holder" for purposes of the Project Documents.

Bond Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Bondholder, Holder of Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bond Payment Date shall mean, with respect to a Series of Bonds, each date upon which interest, principal and/or Sinking Fund Installments shall be scheduled to be paid under such Series of Bonds.

Bond Purchase Agreement means that certain Bond Purchase Agreement, dated July 8, 2020, by and among the Issuer, the Borrowers and the Underwriter, relating to the underwriting of the Initial Bonds by the Underwriter.

Bond Resolution shall mean the resolution of the Issuer adopted on March 25, 2020, authorizing the issuance of the Initial Bonds.

Bonds shall mean the Initial Bonds and any Additional Bonds.

Bond Year means a period of twelve (12) consecutive months, beginning on July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Borrower individually shall mean, and **Borrowers** collectively shall mean, each of Mark Street LLC, Chili Avenue LLC, Ames Street LLC, Andrews Street LLC and St. Jacob Street LLC, and their respective successors and assigns, along with any additional entities that may become party to the Loan Agreement in the future.

Business Day shall mean any day other than: (i) a Saturday or Sunday or a legal holiday; (ii) a day on which the Trustee is required or authorized by law or executive order to be closed; (iii) a day on which banking institutions in New York City are authorized by law or executive order to remain closed; or (iv) a day on which The New York Stock Exchange or DTC is closed.

Charter School Act means the New York State Charter Schools Act, constituting Article 56 of Title 2 of the Education Law of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

Chili Avenue LLC shall mean Rochester Chili Avenue, LLC, a New York limited liability company, the sole member of which is the Foundation, and its successors and/or assigns.

Chili Avenue Loan shall have the meaning ascribed to such term in the recitals to the Indenture.

Chili Avenue Facility shall have the meaning ascribed to such term in the recitals to the Indenture.

Chili Avenue Lease shall mean that certain Amended and Restated Lease Agreement, dated as of July 1, 2020, between Chili Avenue LLC and the Lessee, as the same may be amended or supplemented from time to time.

Chili Avenue Project shall have the meaning ascribed to such term in the recitals to the Indenture.

Closing Date shall mean July 22, 2020, the date of the initial issuance and delivery of the Initial Bonds.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder. All references to Sections of the Code or regulations thereunder shall be deemed to include any such Sections or regulations as they may hereafter be renumbered in any subsequent amendments to the Code or such regulations.

Commencement Date shall mean July 22, 2020, on which date the Loan Agreement was executed and delivered.

Completion Date shall mean the date of delivery of the Project Completion Certificate in accordance with Section 3.2(f) of the Loan Agreement.

Computation Date shall have the meaning assigned to that term in the Tax Compliance Agreement.

Computation Period shall have the meaning assigned to that term in the Tax Compliance Agreement.

Continuing Disclosure Agreement means each continuing disclosure agreement dated the Closing Date for the Initial Bonds and each series of Additional Bonds by and among the Borrowers, the Lessee and the Trustee, as said continuing disclosure agreement may be amended or supplemented from time to time.

Control or **Controls**, including the related terms "controlled by" and "under common control with", shall mean the power to direct the management and policies of a Person (x) through the ownership, directly or indirectly, of not less than a majority of its voting securities, (y) through the right to designate or elect not less than a majority of the members of its board of directors or trustees or other Governing Body, or (z) by contract or otherwise.

County shall mean the County of Monroe, New York.

Costs of Issuance shall mean issuance costs with respect to the Initial Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following: fees of the Underwriter; counsel fees (including bond counsel to the Issuer, counsel to the Underwriter, Trustee's counsel, Issuer's counsel, Borrowers' counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Issuer or the Borrowers incurred in connection with the issuance of the Initial Bonds; engineering and feasibility study costs; guarantee fees (other than Qualified Guarantee Fees, as defined in the Tax Compliance Agreement); Rating Agency fees; Trustee fees; accountant fees and other expenses related to issuance of

the Initial Bonds; printing costs (for the Initial Bonds and of the Preliminary Limited Offering Memorandum and Limited Offering Memorandum relating to the Initial Bonds); printing costs for the Initial Bonds and offering documents; public approval and process costs; fees and expenses of the Issuer incurred in connection with the issuance of the Initial Bonds; and Blue Sky fees and expenses; and similar costs.

Debt Service Payment means, with respect to any Bond Payment Date, (A) the interest payable on the Bonds on such Bond Payment Date, plus (B) the principal, if any, payable on the Bonds on such Bond Payment Date, plus (C) the premium, if any, payable on the Bonds on such Bond Payment Date, plus (D) the Sinking Fund Installments, if any, payable on the Bonds on such Bond Payment Date.

Debt Service Requirement means, for any Fiscal Year for which such determination is made, the aggregate of the scheduled payments to be made with respect to principal (or mandatory sinking fund or installment purchase price or lease rental or similar payments) and interest on the Bonds and any Outstanding Long-Term Indebtedness of the Borrowers during such period.

Defaulted Interest shall have the meaning specified in Section 2.02(c).

Defeasance Obligations shall mean Government Obligations that are not subject to redemption prior to maturity.

DTC shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

Earnings Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Electronic Means shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

Entity shall mean any of a corporation, general partnership, limited liability company, limited liability partnership, joint stock company, trust, estate, unincorporated organization, business association, tribe, firm, joint venture, governmental authority or governmental instrumentality, but shall not include an individual.

Equipment means all machinery, equipment and other tangible personal property used and to be used in connection with the Facilities and/or refinanced with the Series 2020 Bonds with such additions thereto and substitutions therefor as may exist from time to time.

Event of Default shall have the meaning specified in Section 8.01(a).

Facility shall have the meaning ascribed to such term in the recitals to the Indenture.

Facility Redemption Amount shall mean, with respect to any Facility, an amount in Authorized Denominations not less than eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the applicable Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds.

Facilities shall mean, collectively, the Mark Street Facility, the Chili Avenue Facility, the Ames Street Facility, the Andrews Street Facility and the St. Jacob Street Facility, and any additional charter school facilities which may be financed with proceeds of Additional Bonds.

Favorable Opinion of Bond Counsel shall mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Nationally Recognized Bond Counsel, to the effect that such action is permitted under the Indenture and will not adversely affect the exclusion of interest on a Series of Bonds from gross income for purposes of Federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of such Series of Bonds).

Final Maturity Date shall mean, with respect to any particular Bond, the final Stated Maturity of the principal due on such Bond, unless such Bond is called for redemption in whole prior to such date, in which case any such term shall mean the redemption date relating to such Bond.

Fitch shall mean Fitch, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrowers, by notice to the other Notice Parties.

Foundation shall mean Rochester Prep Foundation, Inc. a New Jersey nonprofit corporation and an organization described in Section 501(c)(3) of the Code.

GAAP shall mean those generally accepted accounting principles and practices that are recognized as such by the American Institute of Certified Public Accountants or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, and that are consistently applied for all periods, after the Commencement Date, so as to properly reflect the financial position of the Borrowers, except that any accounting principle or practice required to be changed by the Financial Accounting Standards Board (or other appropriate board or committee of the said Board) in order to continue as a generally accepted accounting principle or practice may be so changed.

Governing Body shall mean, when used with respect to any Person, its board of directors, board of trustees or individual or group of individuals by, or under the authority of which, the powers of such Person are exercised.

Government Obligations shall mean the following: (i) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America; (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof; or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (i) or (ii) above.

Improvements shall mean: (i) all buildings, structures, foundations, related facilities, fixtures and other improvements existing on the Commencement Date and erected or situated on the Facilities; (ii) any other buildings, structures, foundations, related facilities, fixtures and other improvements constructed or erected on the Facilities throughout the term of the Loan Agreement (including any improvements or demolitions made as part of the Project Work pursuant to Section 3.2 of the Loan Agreement); and (iii) all replacements, improvements, additions, extensions, substitutions, restorations and repairs to any of the foregoing.

Indenture shall mean the Trust Indenture, dated as of July 1, 2020, between the Issuer and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI.

Independent Consultant means a Person that does not have any direct financial interest or any material indirect financial interest in any Borrower, the Foundation or the Lessee and is not connected with any Borrower, the Foundation or Lessee as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Borrowers, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Borrowers and having a favorable reputation for skill and experience in the financial affairs of such facilities.

Initial Bonds means collectively, the Series 2020A Bonds and the Series 2020B Bonds.

Initial Tax-Exempt Bonds means the Series 2020A Bonds.

Initial Taxable Bonds means the Series 2020B Bonds.

Interest Payment Date shall mean, with respect to the Initial Bonds, June 1 and December 1, commencing December 1, 2020, and with respect to any Series of Additional Bonds, the dates set forth therefor in the Supplemental Indenture pursuant to which such Series of Additional Bonds are issued.

Investment Grade Notice means any official notice released by any Rating Agency that the Bonds have been given an Investment Grade Rating.

Investment Grade Rating means a rating by S&P or Fitch of "A-" or higher, or by Moody's of "A3" or higher.

Issuer shall mean the Monroe County Industrial Development Corporation, a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York, and its successors and assigns.

Issuer's Reserved Rights shall mean, collectively, (i) the right of the Issuer in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Loan Agreement; (ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Loan Agreement; (iii) the right of the Issuer to enforce in its own behalf the obligation of the Borrowers to complete the Project; (iv) the right of the Issuer in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.2, 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 4.4, 4.5, 4.7, 5.1, 5.2, 5.3, 5.4, 6.1, 6.3, 7.1, 7.2, 7.3, 7.5, 7.8, 7.9, 7.10, 7.11, 7.12, 7.16, 7.17, 7.18, 7.19, 7.21, 7.22, 7.23, 7.26, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 9.1, 9.2, 9.3, 10.1, 10.6, 11.1, 11.3, 11.4, 11.5, 11.11, 11.13 and 11.14 of the Loan Agreement, and (v) the right of the Issuer in its own behalf to declare a default with respect to any of the Issuer's Reserved Rights and exercise the remedies set forth in Section 8.2(b) of the Loan Agreement.

Land shall have the meaning ascribed to such term in the recitals to the Indenture and as more particularly described in the Mortgage.

Lease shall mean, individually, and **Leases** shall mean, collectively, the Mark Street Lease, the Chili Avenue Lease, the Ames Street Lease, the Andrews Street Lease and the St. Jacob Street Lease, and any leases which may be entered into with respect to any Facilities financed with proceeds of Additional Bonds.

Legal Requirements shall mean the Constitutions of the United States and the State of New York and all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, certificates of occupancy, directions and requirements (including zoning, land use, planning, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, including those of the County, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter to (i) any Borrower, (ii) any Facility or any part thereof, or (iii) any use or condition of any Facility or any part thereof.

Lessee shall mean True North Rochester Preparatory Charter School, a New York education corporation.

Liens shall have the meaning specified in Section 7.10(a) of the Loan Agreement.

Loan shall mean the loan made by the Issuer to the Borrowers pursuant to the Loan Agreement as described in Section 4.1 of the Loan Agreement.

Loan Agreement shall mean the Loan Agreement, dated as of July 1, 2020, by and between the Issuer and the Borrowers.

Loan Payment Date shall mean the fifteenth day of each February, May, August and November of each calendar year for so long as the Bonds are Outstanding under the Indenture.

Long-Term Indebtedness shall mean all obligations for the payment of money (including, without limitation, all Bonds), incurred, assumed or guaranteed by any Borrower, whether due and payable in all events, or upon the performance of work, the possession of property as lessee or the rendering of services by others, except (i) Short-Term Indebtedness, (ii) current obligations payable out of current revenues, (iii) obligations under contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid and (iv) rentals payable in future years under leases not required to be capitalized under GAAP.

Loss Event shall have the meaning specified in Section 5.1 of the Loan Agreement.

Majority Holders shall mean the Beneficial Owners of at least a majority in aggregate principal amount of the Bonds Outstanding, or, if the Bonds shall cease to be in book-entry form, the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding.

Mark Street LLC shall mean True North Rochester Mark Street, LLC, a New York limited liability company, the sole member of which is the Foundation, and its successors and/or assigns.

Mark Street Facility shall have the meaning ascribed to such term in the recitals to the Indenture.

Mark Street Lease shall mean that certain Lease Agreement, dated as of July 1, 2020, between Mark Street LLC and the Lessee, as the same may be amended or supplemented from time to time.

Moody's shall mean Moody's Investors Service Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrowers, by notice to the other Notice Parties.

Mortgage shall mean that certain Mortgage and Security Agreement, dated as of July 1, 2020, executed by each of the Borrowers, as Mortgagors, in favor of the Issuer, as Mortgagee, and any additional Mortgage and Security Agreements, executed by a Borrower that may be delivered in connection with the issuance of any Additional Bonds, together with any amendment or supplement thereto, granting the Issuer a first lien on the Borrowers fee interests in the "Mortgaged Property" as defined in the Mortgage, and all the improvements on the land and any buildings located on the Mortgaged Property.

Nationally Recognized Bond Counsel shall mean the law firm of Harris Beach PLLC or an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

Net Proceeds shall mean, when used with respect to any insurance proceeds or condemnation award, compensation or damages, the gross amount of any such proceeds, award, compensation or damages less all expenses (including reasonable attorneys' fees and any extraordinary expenses of the Issuer or the Trustee) incurred in the collection thereof.

Notice Parties shall mean the Issuer, the Borrowers, the Foundation, the Lessee, the Trustee and the Underwriter.

Opinion of Counsel shall mean a written opinion of counsel for the Borrowers or any other Person (which counsel shall be reasonably acceptable to the Issuer and the Trustee) with respect to such matters as required under any Project Document or as the Issuer or the Trustee may otherwise reasonably require, and which shall be in form and substance reasonably acceptable to the Issuer and the Trustee.

Organizational Documents shall mean, (i) in the case of an Entity constituting a limited liability company, the articles of organization or certificate of formation, and the operating agreement of such Entity, (ii) in the case of an Entity constituting a corporation, the articles of incorporation or certificate of incorporation, and the by-laws of such Entity, and (iii) in the case of an Entity constituting a general or limited partnership, the partnership agreement of such Entity.

Outstanding, when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except: (i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation; (ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Article X, there has been separately set aside and held in the Redemption Account of the Bond Fund either: (A) moneys, and/or (B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys, in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in exchange for or in lieu of which

other Bonds shall have been authenticated and delivered under Article III, provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any other Project Document, Bonds owned by any Borrower or any Affiliate of a Borrower shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee actually knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith may be regarded as Outstanding for such purposes 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 a Borrower or any Affiliate of a Borrower.

Participants shall mean those financial institutions for whom the Securities Depository effects book entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

Permitted Encumbrances shall mean:

(i) Liens arising by reason of good faith deposits by any Borrower or the Lessee, as applicable, in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Borrower or the Lessee, as applicable, to maintain self insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security benefits, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) any judgment lien against any Borrower or the Lessee, as applicable, so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (i) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent, or the amount or validity of which are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (iii) easements, rights of way, servitudes, restrictions, oil, gas or other mineral reservation and other minor defects, encumbrances and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; and (iv) the rights of the Issuer or the Trustee, as applicable, under the Indenture, the Loan Agreement and the Mortgage, and (v) landlords' liens;

(v) any Lien which is existing on the date of delivery of the Initial Bonds, as identified in the title policy delivered to the Trustee on the Closing Date; provided that no such

Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of the Borrowers not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified (i) otherwise qualifies as a Permitted Encumbrance under the Indenture, or (ii) the maturity date of the Indebtedness secured by such Lien is not extended and either the total principal and interest requirements or the maximum annual principal and interest requirements (calculated in a manner consistent with the calculation of Debt Service) on such Indebtedness is not increased as a result of the refinancing of such Indebtedness;

(vi) Liens on Property received by any Borrower or the Lessee, as applicable, through gifts, grants or bequests, only to the extent that the fair market value of such property is equal to or exceeds the amount of indebtedness secured by such Lien;

(vii) any Lien arising by reason of any escrow established to pay debt service with respect to the Bonds;

(viii) any Lien securing the obligations of any Borrower under the Loan Agreement, including the Lien of any Mortgage;

(ix) any Lien that constitutes a purchase money security interest or the interests of a lessor under a lease required to be capitalized under Generally Accepted Accounting Principles; or

(x) any lien or other matter consented to by the Trustee.

Person shall mean an individual or any Entity.

Plans and Specifications shall mean the plans and specifications prepared for the Project by or on behalf of any Borrower, as amended from time to time by or on behalf of the Borrowers to reflect any remodeling or relocating of the Project or substitutions, additions, modifications and improvements to the Project made by the Borrowers in compliance with the Loan Agreement, said plans and specifications being duly certified by an Authorized Representative of the Borrowers and delivered, at the request of the Trustee, at the designated corporate trust office of the Trustee and available to the Issuer.

Principal Payment Date means (A) with respect to the Initial Bonds, each Interest Payment Date on which a Sinking Fund Installment is due on the Bonds, and each maturity date of the Initial Bonds, which dates occur on June 1 of each year commencing June 1, 2023, and (B) with respect to any Additional Bonds, the Stated Maturity of each installment of principal due on such Additional Bonds.

Project shall mean the Series 2020A Project, the Series 2020B Project, and any other project that may be financed with proceeds of Additional Bonds.

Project Costs shall mean: (i) all costs of engineering and architectural services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction and renovation, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project; (ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and material men in connection with the completion of the Project; (iii) the interest on a portion of the Initial Bonds; (iv) all costs of contract bonds and of insurance that may be required or necessary

during the period of Project construction and renovation; (v) all costs of title insurance as provided in Section 3.7 of the Loan Agreement; (vi) the refinancing of the Chili Avenue Loan and the Ames Street Loan; (vii) the payment of the Costs of Issuance with respect to the Initial Bonds; (viii) the payment of the fees and expenses of the Trustee during the period of construction and renovation of the Project; (ix) all costs which the Borrowers shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Borrowers for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project; and (x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Additional Bonds. "Project Costs" shall not include (i) fees or commissions of real estate brokers; (ii) moving expenses; (iii) amounts payable as rent under the Leases; or (iv) operational costs.

Project Documents shall mean, collectively, the Indenture, the Loan Agreement, the Tax Compliance Agreement, the Leases, the Bond Purchase Agreement and the Security Documents.

Project Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Project Work shall mean the design and construction of the Improvements in accordance with the Plans and Specifications.

Promissory Note shall mean, with respect to the Initial Bonds, that certain Promissory Note in substantially the form of Exhibit B to the Loan Agreement, and, with respect to any Series of Additional Bonds, that certain Promissory Note in substantially the form of any related Exhibit to an amendment to the Loan Agreement, and shall include in each case any and all amendments thereof and supplements thereto made in conformity with the Loan Agreement and herewith.

Property means any and all rights, titles and interests in and to any and all property of any Borrower or the Lessee whether real or personal, tangible or intangible and wherever situated whether currently owned or acquired in the future.

Qualified Institutional Buyer means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended.

Qualified Investments shall mean any of the following obligations as and to the extent that such obligations are at the time legal investments of moneys held hereunder and then proposed to be invested therein and shall be the sole investments in which amounts on deposit in any fund or account created hereunder or under the Loan Agreement shall be invested: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America; (2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself); U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration; (3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage

Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System; (4) Bonds or notes issued by any state or municipality which are rated by S&P, Fitch and Moody's in one of the three highest rating categories assigned by such agencies; (5) repurchase agreements with an entity that is, at the time of execution of the agreement, rated "A-" or better by S&P or any other nationally recognized rating service, provided that (a) the Bond Trustee or third party acting solely as agent for the Bond Trustee has possession of the collateral, (b) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (c) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral, (d) the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States, (e) the repurchase securities are free and clear of any third-party lien or claim; (6) investment agreements, including guaranteed investment contracts ("GICs") with providers, which, at the time of execution of the agreement, is in one of the three highest rating categories at the time of purchase without regard to gradations or modifiers within such category by a nationally recognized rating service; (7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having, at the time of purchase, a rating by S&P of "AAAm-G", "AAA-m", or "AA-m" and if rated by Moody's rated "Aaa", "Aa1" or "Aa2", including such funds advised, managed or sponsored by the Bond Trustee or any of its affiliates; (8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Trustee on behalf of the Bondholders has a perfected first security interest; (9) certificates of deposit, savings accounts, deposit accounts or money market deposits with domestic commercial banks (including the Trustee and its affiliates) which (a) have a rating on the date of purchase in one of the two highest short-term rating categories (without regard to qualifier) of at least two nationally recognized rating agencies or (b) are fully insured by FDIC, including BIF and SAIF, or collateralized by investments described in above; (10) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P; (11) federal funds or bankers acceptances with a maximum term of one year of any bank which have, at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P; and (12) obligations of a bank or other financial institution rated, at the time of purchase, at least "A3" or the equivalent by a nationally recognized rating service;

Rating Agency shall mean any of S&P, Moody's or Fitch and such other nationally recognized securities rating agency as shall have awarded a rating to the Initial Bonds.

Rating Category shall mean one of the generic rating categories of a Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Amount shall have the meaning assigned to that term in the Tax Compliance Agreement.

Rebate Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Redemption Date shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunding Bonds shall have the meaning assigned to that term in Section 2.07(c).

Regular Record Date shall mean, with respect to any Interest Payment Date for the Initial Bonds, the close of business on the fifteenth (15th) day of the month next preceding such Interest Payment Date, or, if such day is not a Business Day, the next preceding Business Day.

Related Project Documents shall mean all Project Documents other than the Indenture.

Renewal Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Repair and Replacement Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Repair and Replacement Fund Requirement initially shall mean \$0.00.

Reserve Fund means the special trust fund so designated, established pursuant to Section 5.01.

Reserve Fund Requirement means (i) with respect to the Initial Bonds on the Closing Date, \$1,788,750, and, as of any other particular date of computation, calculated on a combined basis but attributable to each Series of the Initial Bonds on a pro-rata basis taking into account the original par amount of such Series of the Initial Bonds, which is equal to the least of (a) ten percent (10%) of the original principal amount of the Initial Bonds, or (b) one hundred percent (100%) of the greatest amount required in the then current or any future Bond Year to pay the sum of: (1) interest on the Initial Bonds payable in such Bond Year, excluding accrued interest received upon the issuance of such Bonds and capitalized interest financed by the issuance of such Bonds, and (2) the principal and the Sinking Fund Installments due on the Initial Bonds in such Bond Year, or (c) one hundred twenty-five percent (125%) of the average annual debt service on the respective Series of the Initial Bonds. The Reserve Fund Requirement with respect to any Additional Bonds shall be as set forth in the Supplemental Indenture entered into in connection therewith, provided however, that proceeds of such Additional Bonds deposited in an account of the Reserve Fund established in connection therewith, shall not exceed the amount that may be used to finance a reasonably required reserve or replacement fund under Section 148 of the Code.

Responsible Officer shall mean, with respect to the Trustee, any officer within the corporate trust office of the Trustee, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer or other officer of the corporate trust office of the Trustee customarily performing functions similar to those performed by any of the above designated officers, who has direct responsibility for the administration of the trust granted in the Indenture, and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

S&P shall mean S&P Global Ratings, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities

rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrowers, by notice to the other Notice Parties.

School shall mean, individually, and **Schools** shall mean, collectively, True North Rochester Preparatory Charter School, True North Rochester Preparatory Charter School – West Campus, and Rochester Preparatory Charter School 3, each a public charter school operated by the Lessee pursuant to charters authorized by the Board of Trustees of the State University of New York and pursuant to the Charter School Act.

Securities Depository shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

Security Documents shall mean, collectively, the Promissory Note, the Mortgage, the Assignment of Mortgage, the Assignment of Leases and Rents and the Assignment of Assignment of Leases and Rents.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

Series 2020A Bonds means the Issuer's Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020A in the aggregate principal amount of \$27,275,000 issued pursuant to the Bond Resolution and Article II of the Indenture and sold by the Underwriter pursuant to the Bond Purchase Agreement, in substantially the form attached to the Indenture as **Exhibit A**, and any Tax-Exempt Bonds issued in exchange or substitution therefor.

Series 2020A Capitalized Interest Account means the special trust account so designated within the Project Fund established pursuant to Section 5.01.

Series 2020A Capitalized Interest Period shall have the meaning assigned to such term in Section 5.02(b).

Series 2020A Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020A Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020A Project shall have the meaning ascribed to such term in the recitals to the Indenture.

Series 2020A Project Account means the special trust account so designated within the Project Fund established pursuant to Section 5.01.

Series 2020A Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to Section 5.01.

Series 2020B Bonds means the Issuer's Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020B (Taxable) in the aggregate principal amount

of \$2,680,000 issued pursuant to the Bond Resolution and Article II of the Indenture and sold by the Underwriter pursuant to the Bond Purchase Agreement, in substantially the form attached to the Indenture as **Exhibit A**, and any Taxable Bonds issued in exchange or substitution therefor.

Series 2020B Capitalized Interest Account means the special trust account so designated within the Project Fund established pursuant to Section 5.01.

Series 2020B Capitalized Interest Period shall have the meaning assigned to such term in Section 5.02(b).

Series 2020B Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020B Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020B Project shall have the meaning ascribed to such term in the recitals to the Indenture.

Series 2020B Project Account means the special trust account so designated within the Project Fund established pursuant to Section 5.01.

Series 2020B Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to Section 5.01.

Short-Term Indebtedness shall mean all obligations of any Borrower for the repayment of borrowed money having a final maturity of less than one year from the date incurred, which meets the requirements of Section 7.32(c) of the Loan Agreement, excluding the current portion of any Long-Term Indebtedness.

Sinking Fund Installment shall mean an amount so designated and which is established for mandatory redemption on a date certain of the Bonds of any Series of Bonds pursuant to the Indenture. The portion of any such Sinking Fund Installment of a Series of Bonds remaining after the deduction of any amounts credited pursuant to the Indenture toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments of such Series of Bonds due on a future date.

Special Record Date shall have the meaning specified in Section 2.02(c).

St. Jacob Street LLC shall mean True North St. Jacob Street, LLC, a New York limited liability company, the sole member of which is the Foundation, and its successors and/or assigns.

St. Jacob Street Facility shall mean the land as described in "Exhibit A – St. Jacob Street" of the Mortgage, included as part of the "Mortgaged Property" as defined in the Mortgage, and the buildings, structures, fixtures, equipment, and other real and tangible personal property thereon from time to time.

St. Jacob Street Lease shall mean that certain Amended and Restated Lease Agreement, dated as of July 1, 2020, between St. Jacob Street LLC and the Lessee, as the same may be amended or supplemented from time to time.

St. Jacob Street Project shall have the meaning ascribed to such term in the recitals to the Indenture.

State shall mean the State of New York.

Stated Maturity means, when used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with Article XI.

Taxable Bonds means the Series 2020B Bonds and any Additional Bonds not constituting Tax-Exempt Bonds.

Tax Compliance Agreement shall mean the Tax Compliance Agreement, dated the Closing Date, by and among the Issuer, the Borrowers and the Foundation, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Tax-Exempt Bonds means the Series 2020A Bonds and any Bond issued as an obligation of the Issuer, the interest on which is intended to be excluded from the gross income of the holder thereof pursuant to Section 103 of the Code.

Trustee shall mean Zions Bancorporation, National Association, Boise, Idaho, a national banking corporation organized and existing under the laws of the State, in its capacity as trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Project Documents.

Trust Revenues means (A) all loan repayments made or to be made by or on behalf of the Borrowers under the Loan Agreement (except payments made with respect to the Issuer's Reserved Rights) and the Promissory Note, (B) all other amounts pledged to the Trustee by the Issuer or the Borrowers to secure the Bonds or performance of their respective obligations under the Loan Agreement, the Leases and the Indenture, (C) the Net Proceeds (except proceeds with respect to the Issuer's Reserved Rights) of insurance settlements and Condemnation awards with respect to the Facilities, (D) all payments received or otherwise realized by the Trustee under the Leases paid pursuant to the Loan Agreement, the Mortgage and the Assignment of Leases (subject to the terms of the Depository Account Control Agreement (as defined in the Loan Agreement)), (E) moneys and investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1) moneys, earnings and investments held in the Rebate Fund, (2) moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of which has been duly given, and (3) as specifically otherwise provided, (F) any amounts realized through the exercise of any and all contract rights granted or assigned to the Trustee under the Project Documents and (G) all other moneys received or held by the Trustee for the benefit of the Bondholders pursuant to the Indenture. Notwithstanding anything to the contrary, the following amounts shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and such amounts shall not secure any amount payable on the Bonds: (A) State school or education aid payments received by the Lessee and (B) amounts held in the Rebate Fund.

Underwriter means Stifel, Nicolaus & Company, Incorporated, as underwriter of the Initial Bonds on the Closing Date.

Yield shall have the meaning assigned to such term in the Tax Compliance Agreement. (Section 1.01)

Restriction on Issuance of Bonds

No Bonds may be authenticated and issued under the provisions of the Indenture except in accordance with Article II of the Indenture. The Bonds, together with the premium, if any, and the interest thereon, shall be limited obligations of the Issuer payable, with respect to the Issuer, solely from the Trust Revenues, which Trust Revenues are pledged and assigned pursuant to the Indenture for the equal and ratable payment of all sums due under the Bonds, and shall be used for no other purpose than to pay the principal of, premium, if any, on and interest on the Bonds, except as may be otherwise expressly provided in the Indenture. THE BONDS ARE NOT AND SHALL NOT BE A DEBT OF THE STATE OR OF THE COUNTY OF MONROE, NEW YORK AND NEITHER THE STATE NOR THE COUNTY OF MONROE, NEW YORK SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OR OF THE COUNTY OF MONROE, NEW YORK. No recourse shall be had for the payment of the principal of, or the premium, if any, or the interest on, any Bond or for any claim based thereon or on the Indenture against any past, present or future member, officer, employee or agent (other than the Borrowers), as such, of the Issuer or of any predecessor or successor corporation, either directly or through the Issuer or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise. (Section 2.01)

Delivery of Initial Bonds

Subject to the provisions of the Indenture, the Initial Bonds shall be executed in the form and manner set forth in the Indenture and shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of the Initial Bonds including the interest, if any, accrued on the Initial Bonds to the Closing Date, the Initial Bonds shall be delivered by the Trustee on behalf of the Issuer to or upon the order of the purchaser(s) thereof, but only upon receipt by the Trustee of certain items as described in the Indenture. (Section 2.04)

Additional Bonds

So long as the Leases, the Mortgage, the Loan Agreement and the Promissory Note are each in effect, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) completing the Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facilities, the purpose of which shall be for the Approved Project Operations, or (iv) refunding Outstanding Bonds. Such Additional Bonds shall be payable from the loan payments, receipts and revenues of the Facilities (including the Leases), including such extensions, additions and improvements thereto. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Issuer and the Borrowers shall enter into an amendment to the Loan Agreement, and the Borrowers shall execute a new Promissory Note, which shall provide, among other things, that the loan payments payable under the Loan Agreement and the aggregate amount to be paid under all Promissory Notes, shall be increased and computed so as to amortize in full the principal of and interest on such

Additional Bonds and any other costs in connection therewith. Such amendment to the Loan Agreement may include the addition of one or more additional parties as Borrowers thereunder.

Each such Series of Additional Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of such Series of Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of: (1) a copy of the resolution, duly certified by the Secretary, Assistant Secretary or any other Authorized Representative of the Issuer, authorizing, issuing and awarding the Series of Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Loan Agreement and any other Project Document to which the Issuer shall be a party; (2) original executed counterparts of the Supplemental Indenture and an amendment of or supplement to the Loan Agreement expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, the Loan Agreement and the Mortgage, the Facility referred to therein and the premises subject thereto shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Series of Additional Bonds being issued as well as the Initial Bonds and any Series of Additional Bonds theretofore issued; (3) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Series of Additional Bonds and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled and that the issuance of the Series of Additional Bonds will not cause the interest on any Series of Bonds Outstanding to become includable in gross income for Federal income tax purposes; (4) a certificate of an Authorized Representative of the Borrowers to the effect that no Borrower in default under the Loan Agreement or the Indenture, is not aware of any Events of Default under the Loan Agreement or the Indenture and that such Series of Additional Bonds may be issued under Section 7.32 of the Loan Agreement; (5) an original, executed counterpart of the amendment to each Project Document; and (6) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

Upon the request of the Borrowers, one or more Series of Additional Bonds may be authenticated and made available for pick-up upon original issuance to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

(1) A Series of Refunding Bonds may be authenticated and made available for pick-up only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the Indenture, as may be applicable) of: (A) Irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and (B) Either: (i) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or (ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of Article X of

the Indenture, and any moneys required pursuant to said Section (with respect to all Outstanding Bonds or any part of one or more Series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in Article X of the Indenture.

(2) The Borrowers shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of financing additional projects of the Borrowers, provided that, in addition to the requirements set forth in the Indenture, the Trustee shall have received evidence that the conditions for the incurrence of Additional Indebtedness set forth in the Loan Agreement have been met. Such Additional Bonds shall be payable from the loan payments, receipts and revenues of the Facilities (including the Leases), including such extensions, additions and improvements thereto. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Issuer and the Borrowers shall enter into an amendment to the Loan Agreement, and the Borrowers shall execute a new Promissory Note, which shall provide, among other things, that the loan payments payable under the Loan Agreement and the aggregate amount to be paid under all Promissory Notes, shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. Each Series of Additional Bonds issued pursuant to the Indenture shall be equally and ratably secured under the Indenture with the Initial Bonds and all other Series of Additional Bonds, if any, issued pursuant to the Indenture, without preference, priority or distinction of any Bond over any other Bonds (except with respect to deposits in the applicable accounts of the Reserve Fund, as further set forth in the Indenture) and except as expressly provided in or permitted by the Indenture. No Series of Additional Bonds shall be issued unless the Leases, the Loan Agreement, the Promissory Note, the Indenture, the Assignment of Leases and the Mortgage are in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default. (Section 2.07)

Interchangeability, Transfer and Registry

Each Bond shall be transferable only upon compliance with the restrictions on transfer set forth on such Bond and only upon the books of the Issuer, which shall be kept for the purpose at the designated corporate trust office of the Trustee, by the registered owner thereof in person or by his duly authorized attorney-in-fact, upon compliance with the requirements in the Indenture. Notwithstanding any other provision of the Indenture, the Bonds may not be registered in the name of, or transferred to, any person except an Approved Investor, unless the Issuer and the Trustee have received an Investment Grade Notice, in which case, transfers shall not be restricted to Approved Investors; provided however, Bonds registered in the name of Cede & Co. or its nominee shall be deemed to comply with the Indenture so long as each Beneficial Owner of the Bonds is an Approved Investor. Only (i) Beneficial Owners or (ii) the person(s) in whose name(s) the Initial Bonds are registered under the Indenture shall be treated as Holders and shall have the rights of Holders under the Indenture. (Section 3.06)

Creation of Funds and Accounts

The Issuer establishes and creates the following special trust Funds and Accounts comprising such Funds under the Indenture: (1) Project Fund within which there shall be: (a) Series 2020A Capitalized Interest Account, (b) Series 2020A Capitalized Interest Account, (c) Series 2020A Project

Account and (d) Series 2020B Project Account; (2) Bond Fund within which there shall be: (a) Series 2020A Principal Account, (b) Series 2020B Principal Account, (c) Series 2020A Interest Account, (d) Series 2020B Interest Account, (e) Redemption Account, (f) Series 2020A Sinking Fund Installment Account and (g) Series 2020B Sinking Fund Installment Account; (3) Reserve Fund; (4) Renewal Fund; (5) Repair and Replacement Fund; (6) Earnings Fund; (7) Rebate Fund. All of the Funds and Accounts created under the Indenture shall be held by the Trustee. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate (subject to the granting clauses of the Indenture), other than the Rebate Fund, and be subject to the lien of the Indenture. (Section 5.01)

Project Fund

There shall be deposited in Series 2020A Project Account and the Series 2020B Project Account in the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture or the Loan Agreement. Moneys on deposit in the Series 2020A Project Account shall be disbursed and applied by the Trustee to pay certain Project Costs and moneys on deposit in the Series 2020B Project Account shall be disbursed and applied by the Trustee to pay certain Project Costs pursuant to the provisions of the Loan Agreement and the Indenture. With respect to the Mark Street Project, the Trustee shall apply the amounts in the Series 2020A Capitalized Interest Account of the Project Fund for the payment of interest on the Series 2020A Bonds as the same shall become due until the earlier of the Completion Date (as evidenced in accordance with the provisions of Section 3.2(f) of the Loan Agreement) or the exhaustion of amounts in such Accounts (the "Series 2020A Capitalized Interest Period"). On or prior to the seventh (7th) Business Day immediately preceding each Interest Payment Date during the Series 2020A Capitalized Interest Period, the Trustee shall transfer from the Series 2020A Capitalized Interest Account of the Project Fund to the Series 2020A Interest Account of the Bond Fund an amount which, together with any amounts on deposit in such Series 2020A Interest Account and available therefor, shall be sufficient to pay the interest on the Series 2020A Bonds becoming due on such Interest Payment Date. Upon the Completion Date, the Trustee shall transfer any balance remaining in the Series 2020A Capitalized Interest Account of the Project Fund, first, to the extent of the amount of interest accrued on the Series 2020A Bonds, from the Interest Payment Date immediately preceding the Completion Date through but not including the Completion Date, to the Series 2020A Interest Account of the Bond Fund, and second, the balance to the Series 2020A Project Account of the Project Fund to pay any remaining Project Costs. The Trustee shall apply the amounts in the Series 2020B Capitalized Interest Account of the Project Fund for the payment of interest on the Series 2020B Bonds as the same shall become due until the earlier of the Completion Date (as evidenced in accordance with the provisions of Section 3.2(f) of the Loan Agreement) or the exhaustion of amounts in such Accounts (the "Series 2020B Capitalized Interest Period"). On or prior to the seventh (7th) Business Day immediately preceding each Interest Payment Date during the Series 2020B Capitalized Interest Period, the Trustee shall transfer from the Series 2020B Capitalized Interest Account of the Project Fund to the Series 2020B Interest Account of the Bond Fund an amount which, together with any amounts on deposit in such Series 2020B Interest Account and available therefor, shall be sufficient to pay the interest on the Series 2020B Bonds becoming due on such Interest Payment Date. Upon the Completion Date, the Trustee shall transfer any balance remaining in the Series 2020B Capitalized Interest Account of the Project Fund, first, to the extent of the amount of interest accrued on the Series 2020B Bonds, from the Interest Payment Date immediately preceding the Completion Date through but not including the Completion Date, to the Series 2020B Interest Account of the Bond Fund, and second, the balance to the Series 2020B Project Account of the Project Fund to pay any remaining Project Costs.

In accordance with the Indenture, the Trustee is authorized to disburse from (a) the Series 2020A Project Account of the Project Fund amounts required to pay (in whole or in part) the Project Costs and is directed to issue its checks (or, at the direction of the Borrowers, make wire transfers) for each disbursement from the Series 2020A Project Account of the Project Fund for the Project Costs, upon being furnished certain documents required by the Indenture; provided, however, that the Trustee shall retain in the Series 2020A Project Account of the Project Fund an amount equal to the lesser of (i) one percent (1%) of the original principal amount of the Initial Bonds or (ii) \$100,000, until an Authorized Representative of the Borrowers shall have delivered the completion certificate and other documents required by Section 3.2(f) of the Loan Agreement and (b) the Series 2020B Project Account of the Project Fund amounts required to pay (in whole or in part) the Project Costs and is directed to issue its checks (or, at the direction of the Borrowers, make wire transfers) for each disbursement from the Series 2020B Project Account of the Project Fund for the Project Costs, upon being furnished certain documents required by the Indenture. In the event the Borrowers shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the Loan Agreement, the balance in the Project Fund, in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to Section 7.10 of the Tax Compliance Agreement and the Indenture) shall be deposited in the Redemption Account of the Bond Fund. In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default hereunder, the balance in the Project Fund, in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to Section 7.10 of the Tax Compliance Agreement and the Indenture) shall be deposited in the applicable accounts of the Bond Fund as provided in the Indenture. Except as provided in the Indenture, all earnings on amounts held in the Project Fund shall be transferred by the Trustee and deposited in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from the Earnings Fund prior to drawing any amounts from the Project Fund. (Section 5.02)

Payments into Renewal Fund; Application of Renewal Fund

If any Facility shall be destroyed or damaged in whole or in part by reason of fire or by reason of any other causes, similar or dissimilar (a "Casualty"), all insurance money collected by Borrowers or Lessee from any policy of insurance maintained pursuant to the provisions of the Loan Agreement on account of such Casualty, less the cost, if any, incurred in connection with the adjustment of the loss and the collection thereof (herein sometimes referred to as the "insurance proceeds") plus the amount of any applicable deductible (the "Net Proceeds"), and any and all award received by Borrowers or Lessee in connection with any partial or complete taking of any Facility ("Condemnation Proceeds") shall be paid promptly to the Trustee for deposit in the Renewal Fund. Casualty, condemnation and/or takings shall each be referred to herein as a "Loss Event".

In the event a Loss Event shall occur, the Borrowers shall: (a) utilize the Net Proceeds and/or Condemnation Proceeds on deposit in the Renewal Fund to promptly and diligently rebuild, replace, repair or restore the applicable Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function; or (b) cause the Trustee to transfer such Net Proceeds or Condemnation Proceeds on deposit in the Renewal Account to the Redemption Account to redeem then-Outstanding Bonds in an amount not-to-exceed the Facility Redemption Amount. All remaining funds in the Renewal Account following transfer of the funds required to redeem then-Outstanding Bonds in an amount not-to-exceed the Facility Redemption Amount to the Redemption Account shall be returned to the Borrowers as their property. Not later than one hundred and twenty (120) days after the occurrence of a Loss Event, the Borrowers shall advise the Issuer and the Trustee in writing of the action to be taken by the Borrowers under this Section 5.04(ii).

Before any payment from the Renewal Fund shall be made, the Borrowers shall file or cause to be filed with the Trustee a Request of the Borrowers stating: (A) the item number of such payment; (B) the

name of the Person to whom each such payment is due, which may be a Borrower in the case of reimbursement for costs of such repair or replacement theretofore paid by a Borrower; (C) the respective amounts to be paid; (D) the purpose by general classification for which each obligation to be paid was incurred; (E) that obligations in the stated amounts have been incurred by the Borrowers and are presently due and payable and that each item thereof is a proper charge against the Renewal Fund and has not been previously paid from the Renewal Fund; and (F) that there has not been filed with or served upon a Borrower any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Request, for which adequate security for the payment of such obligation has been posted, or which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law. Within five (5) Business Days of receipt of a Request, the Trustee shall pay the amount set forth in such Request as directed by the terms thereof out of the Renewal Fund. The Trustee may conclusively rely upon such Request and shall have no responsibility or duty to investigate any of the matters set forth therein. The Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment, unless adequate security for the payment of such obligation has been posted. When the repair or replacement of damaged, destroyed or taken property shall have been completed, the Borrowers shall deliver to the Trustee a Certificate of the Borrowers stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Renewal Fund is to be maintained in the full amount of such claims until such dispute is resolved). All earnings on amounts on deposit in the Renewal Fund shall be transferred by the Trustee and deposited in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from the Earnings Fund prior to drawing any amounts from the Renewal Fund. Any surplus remaining in the Renewal Fund after the completion of the rebuilding, replacement, repair and restoration of the Facilities shall be returned to the Borrowers as their property. (Section 5.04)

Payments into Bond Fund

The Trustee shall promptly deposit the following receipts into the Bond Fund: (a) The interest accruing on any Series of Bonds from the date of original issuance thereof to the date of delivery, which shall be credited to the applicable Interest Account of the Bond Fund and applied to the payment of interest on such Series of Bonds; (b) Amounts disbursed from the Series 2020A Capitalized Interest Account of the Project Fund for the payment of interest on the Series 2020A Bonds during the Series 2020A Capitalized Interest Period, which shall be credited to the Series 2020A Interest Account of the Bond Fund and applied to the payment of interest on the Series 2020A Bonds. Amounts disbursed from the Series 2020B Capitalized Interest Account of the Project Fund for the payment of interest on the Series 2020B Bonds during the Series 2020B Capitalized Interest Period, which shall be credited to the Series 2020B Interest Account of the Bond Fund and applied to the payment of interest on the Series 2020B Bonds; (c) Amounts transferred from the Reserve Fund which are in excess of the amount required to be held in the Reserve Fund as of such date, which shall be credited to the applicable Project Account until the Completion Date and thereafter to the applicable Interest Account of the Bond Fund and applied to the payment of interest on the Initial Bonds; (d) Excess or remaining amounts in the Project Fund required to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the Tax Compliance Agreement and the Indenture) (i) in the applicable Account of the Bond Fund pursuant to the Indenture or in the Redemption Account of the Bond Fund pursuant to the Indenture, which shall be kept segregated from any other moneys within such Account, or (ii) in the applicable account of the Bond Fund in accordance with the requirements of the Indenture; (e) Loan payments received by the Trustee pursuant to Section 4.3 of the Loan Agreement, which shall be deposited in and credited, to the applicable Interest Account, the applicable Principal

Account, and the applicable Sinking Fund Installment Account of the Bond Fund, as applicable; (f) Advance loan payments received by the Trustee pursuant to the Loan Agreement, which shall be deposited in and credited to the Redemption Account of the Bond Fund; (g) Any amounts transferred from the Earnings Fund pursuant to the Indenture, which shall be deposited in and credited to the Interest Account of the Bond Fund pro-rata; (h) All other amounts as required by and in accordance with the provisions of the Loan Agreement or the Indenture. (Section 5.05)

Application of Bond Fund Moneys

The Trustee shall (i) on each Interest Payment Date pay or cause to be paid out of the applicable Interest Account in the Bond Fund the interest due on the Bonds, and (ii) further pay out of the applicable Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any purchase or redemption (including any mandatory Sinking Fund Installment redemption) of Bonds. The Trustee shall on each principal payment date on the Bonds pay out of the applicable Principal Account of the Bond Fund, the principal amount, if any, due on the Bonds (other than such as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Bonds. The Trustee shall on each Sinking Fund Installment payment date pay from the applicable Sinking Fund Installment Account of the Bond Fund, in immediately available funds, the amounts required for the Sinking Fund Installment due and payable with respect to Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the applicable Interest Account of the Bond Fund). Such amounts shall be applied by the Trustee to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in Article VI, Bonds for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Bond Fund. Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the Borrowers, as promptly as practicable, to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which the Bonds are next subject to optional redemption, plus accrued interest to the date of redemption. Upon the purchase of any Bonds out of advance loan payments as provided in this subsection, or upon the redemption of any Bonds, an amount equal to the principal of such Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for such Bonds in chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Issuer shall receive a credit in respect of Sinking Fund Installments for any Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Issuer or the Borrowers to the Trustee on or before the forty-fifth (45th) day next preceding any Sinking Fund Installment payment date and for any Bonds which prior to said date have been purchased or redeemed (otherwise than through the operation of the applicable Sinking Fund Installment Account) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment. Each Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee in accordance with the Indenture. (Section 5.06)

Payments into Rebate Fund; Application of Rebate Fund

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder or any other Person. The Trustee, upon the receipt of a certification of the Rebate Amount (as defined in the Tax Compliance Agreement) from an Authorized Representative of the Borrowers, shall deposit in the Rebate Fund within

sixty (60) days following each Computation Date (as defined in the Tax Compliance Agreement), an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such Computation Date. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Project pursuant to Section 3.2(f) of the Loan Agreement or the restoration of the Facility pursuant to the Indenture, at any time during a Bond Year, the Trustee shall deposit in the Rebate Fund at that time an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of the Project or the restoration of the Facility as aforesaid. The amount deposited in the Rebate Fund pursuant to the previous sentences shall be withdrawn from the Earnings Fund. If the amount on deposit in the Rebate Fund following such deposit is less than the Rebate Amount, the Trustee shall promptly deliver a notice stating the amount of such deficiency to the Borrowers. It is provided in the Loan Agreement that promptly upon receipt of such notice, the Borrowers shall deliver the amount necessary to make up such deficiency to the Trustee for deposit in the Rebate Fund. If within sixty (60) days following any Computation Date, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Borrowers, shall withdraw such excess amount and deposit it in the Series 2020A Project Account of the Project Fund until the completion of the Project as provided in Section 3.2(f) of the Loan Agreement, or, after the completion of the Project, deposit it in the Series 2020A Interest Account of the Bond Fund. The Trustee, upon the receipt of written instructions from an Authorized Representative of the Borrowers, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the Closing Date, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to the Initial Bonds as of the date of such payment and (ii) notwithstanding the provisions of Article X, not later than thirty (30) days after the date on which all Initial Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment. (Section 5.08)

Reserve Fund

On the Closing Date for the Initial Bonds, the Trustee shall deposit (i) proceeds of the Series 2020A Bonds in an amount equal to the Reserve Fund Requirement with respect to the Series 2020A Bonds into the Reserve Fund and (ii) proceeds of the Series 2020B Bonds in an amount equal to the Reserve Fund Requirement with respect to the Series 2020B Bonds into the Reserve Fund. In addition, there shall be credited to the Reserve Fund: (a) loan repayments under the Loan Agreement to be deposited thereto; and (b) amounts transferred from the Bond Fund. Upon the issuance of any Additional Bonds, the Trustee shall deposit an amount equal to the Reserve Fund Requirement relating to such Additional Bonds into the Reserve Fund.

If, on any Bond Payment Date, the amount on deposit in the applicable accounts of the Bond Fund, subsequent to the receipt of all payments pursuant to the Loan Agreement, is not sufficient to pay the principal and/or interest due on such Bond Payment Date with respect to any Bonds then Outstanding, the Trustee shall, transfer from the Reserve Fund and deposit into the applicable account of the Bond Fund an amount of money sufficient, when added to the amounts then on deposit in such account of the Bond Fund and available to make the Debt Service Payments coming due on such Series of Bonds on such Bond Payment Date, to enable the Trustee to make all such Debt Service Payments coming due on such Series of Bonds on such Bond Payment Date. Moneys on deposit in the Reserve Fund will be invested, pending application, in Qualified Investments pursuant to the Indenture and the earnings credited to the applicable Interest Account of the Bond Fund. On or prior to the seventh (7th) Business Day immediately preceding each Interest Payment Date during the term of the Bonds, the Trustee shall ensure that any investment earnings on moneys on deposit in the Reserve Fund have been transferred to the applicable Interest Account of the Bond Fund and shall be credited to the Borrowers' obligation to make loan repayments under the Loan Agreement. Amounts on deposit in the Reserve Fund shall at all

times consist of cash and/or Qualified Investments and at no time shall the Borrower, the Trustee or the Issuer deposit or cause to be deposited in the Reserve Fund any insurance policy, surety bond, letter of credit or similar instrument in lieu of or in partial substitution for cash or Qualified Investments on deposit in the Reserve Fund. The Trustee shall notify the Borrowers in writing of any withdrawal from the Reserve Fund, or any deficiency in the amounts required to be on deposit to the credit of the Reserve Fund determined upon the semiannual valuation thereof. Pursuant to Section 4.3 of the Loan Agreement, the Borrowers have agreed to replenish any withdrawal from, or deficiency in, the Reserve Fund over a twelve (12) month period in quarterly payments, each such payment to be in an amount equal to one-fourth (1/4) of the amount of the deficiency, payable on February 15, May 15, August 15 and November 15, commencing immediately succeeding the date of receipt by the Borrowers from the Trustee of notice of such withdrawal or deficiency. On the Final Maturity Date of the Bonds, any moneys on deposit in the Reserve Fund may be used to pay the principal of and interest on the Bonds on such Final Maturity Date. In addition, if the principal of all the Bonds shall become due and payable, whether by maturity, by redemption or otherwise, the Trustee shall transfer from the Reserve Fund and deposit into the Bond Fund any balance remaining in the account in the Reserve Fund. The amounts in the Reserve Fund shall be valued by the Trustee as provided in the Indenture. In the event that on such date with respect to the Initial Bonds, the amount in the applicable accounts of the Bond Fund shall be less than the amount required for payment of interest on and principal of such Initial Bonds (including payment of sinking fund redemption amounts, if any) due and payable on such Bond Payment Date, the Trustee shall, (1) transfer from the Reserve Fund to the applicable Interest Account, Principal Account and Sinking Fund Installment Account of the Bond Fund such amount as will increase the balance in such accounts of the of the Bond Fund to an amount sufficient to make such payment and (2) immediately notify the Issuer and the Borrowers of such transfer. The Trustee shall notify the Borrowers in writing of any deficiency in the amounts required to be on deposit in the Reserve Fund. (Section 5.09)

Repair and Replacement Fund

There shall be deposited into the Repair and Replacement Fund as and when received (a) all moneys deposited into the Repair and Replacement Fund pursuant to the Loan Agreement or the Indenture and (b) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or the 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 the Indenture. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement shall be transferred by the Trustee pro-rata to the Interest Account of the Bond Fund and applied to the payment of the interest on the Bonds; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer shall not be less than the Repair and Replacement Fund Requirement. (Section 5.10)

Investment of Funds and Accounts

Amounts in any Fund or Account established under the Indenture may, if and to the extent then permitted by law, be invested only in Qualified Investments provided that any Qualified Investment shall not have a maturity date greater than five (5) years from the date of the making of such investment unless such Qualified Investment may be put at par at any time at the option of the owner thereof. Any investment authorized in the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. In particular, unexpended Bond proceeds transferred from the Project Fund (or from the Earnings Fund with respect to amounts deposited therein from the Project Fund) to the Redemption Account of the Bond Fund pursuant to the Indenture may not be invested at a Yield (as defined in the Tax Compliance Agreement) which is greater than the

Yield on the applicable Series of Bonds. Such investments shall be made by the Trustee only at the written request of an Authorized Representative of the Borrowers; and if such investment is to be in one or more certificates of deposit, investment agreements or guaranteed investment contracts, then such written request shall include written assurance to the effect that such investment complies with the Tax Compliance Agreement. Any investment under the Indenture shall be made in accordance with the Tax Compliance Agreement, and the Borrowers shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund. Net income or gain received and collected from such investments shall be credited and losses charged to (i) the Rebate Fund with respect to the investment of amounts held in the Rebate Fund, (ii) the Bond Fund with respect to the investment of amounts held in the Bond Fund, and (iii) the Earnings Funds with respect to the investment of amounts held in the Reserve Fund, the Repair and Replacement Fund, the Earnings Fund or amounts held in any other Fund. (Section 5.12)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Indenture, if on any Interest Payment Date or redemption date the amounts held in the Funds established under the Indenture (other than the Earnings Fund and the Rebate Fund) are sufficient to pay one hundred percent (100%) of the principal or Redemption Price, as the case may be, of all Outstanding Bonds and the interest accruing on such Bonds to the next date on which such Bonds are redeemable or payable, as the case may be, whichever is earlier, the Trustee shall so notify the Issuer and the Borrowers. Upon receipt of written instructions from an Authorized Representative of the Borrowers directing such redemption, the Trustee shall proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by the Indenture. (Section 5.13)

Events of Default; Acceleration of Due Date

Each of the following events shall constitute an "Event of Default" under the Indenture: (1) Failure in the payment of the interest on any Bond when the same shall become due and payable; (2) Failure in the payment of the principal or redemption premium, if any, of, or Sinking Fund Installment for, any Bonds, when the same shall become due and payable, whether at the Stated Maturity thereof or upon Sinking Fund Installment Payment Dates or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise; (3) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in (1) or (2) above) and (A) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Issuer and the Borrowers specifying the nature of same from the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Issuer or any Borrower fails to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice; or (4) The occurrence of an "Event of Default" under the Loan Agreement or any other Project Document.

Upon (1) the occurrence of an Event of Default under (1) or (2) above, which Event of Default has not been cured within five (5) Business Days and is continuing, the Trustee shall, or (2) the occurrence of an Event of Default under (3) or (4) above and so long as such Event of Default is continuing, the Trustee may, and upon the written request of the Majority Holders, the Trustee shall, by notice in writing delivered to the Borrowers, with a copy of such notice being sent to the Issuer, declare the entire principal amount of all Bonds then Outstanding and the interest accrued thereon to be

immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Loan Agreement and thereupon the principal of the Bonds then Outstanding and the interest accrued thereon shall become immediately due and payable, and interest shall continue to accrue thereon until the date of payment.

If there shall occur an Event of Default relating to certain events as described in the Loan Agreement, the unpaid principal of all the Bonds (and all principal installments of loan payments under the Loan Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

The right of the Trustee or of the Majority Holders to make any such declaration as aforesaid, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed has been paid by or for the account of the Issuer, and all other Events of Default have been otherwise remedied, and the reasonable and proper charges, expenses and liabilities of the Trustee, shall either be paid by or for the account of the Issuer or provision satisfactory to the Trustee shall be made for such payment and the Borrowers' interests in the respective Facilities shall not have been sold or relet or otherwise encumbered, and all defaults have been otherwise remedied as provided in Article VIII of the Indenture, then and in every such case any such default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Pursuant to the Loan Agreement, the Issuer has granted to the Borrowers full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Borrowers to constitute a default under the Indenture, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Borrowers as performance by the Issuer. (Section 8.01)

Enforcement of Remedies

Upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and upon the written request of the Majority Holders shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Bonds, the Loan Agreement, the Indenture and under any other Project Document forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Project Document or in aid of the execution of any power granted in the Indenture or in any other Project Document or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Project Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable. In the enforcement of any right or remedy under the Indenture, under any other Project Document, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Issuer, for principal, interest, Sinking Fund Installments, Purchase Price, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Project Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings

under the Indenture, under any such other Project Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Borrowers or the Issuer or their creditors or property. Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Majority Holders and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Project Document by any acts which may be unlawful or in violation of the Indenture or of such other Project Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request. (Section 8.02)

Application of Revenues and Other Moneys After Default

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Project Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the Indenture, as follows:

(A) Unless the principal of all of the Bonds shall have become or have been declared due and payable, First - To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and Second - To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments 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 privilege.

(B) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon the Bonds and if applicable to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, Sinking Fund Installments, or of any installment of interest over any other installment of interest, 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.

(C) 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 the Indenture, then,

subject to certain provisions of the Indenture which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions described in (A) above.

Whenever moneys are to be applied pursuant to the foregoing provisions, 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; provided, however, that if the principal or Redemption Price of the Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to the Indenture, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. The Trustee shall promptly collect all amounts due from the Borrowers pursuant to the Loan Agreement and the Leases, and subject to the provisions of the Indenture shall exercise all rights under the Mortgage, and all rights under the Loan Agreement and the Leases assigned to the Trustee hereunder or under the Mortgage and shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of such rights and all of the obligations of the Borrowers and the Lessee. Except with respect to amendments to the Loan Agreement required by the Indenture and in connection with the issuance of Additional Bonds, the Issuer shall not amend, modify or terminate any of the terms of the Loan Agreement or the Mortgage, or consent to any such amendment, modification or termination, without the written consent of the Trustee. The Trustee shall give such written consent only (i) (A) if such amendment, modification or termination will not materially and adversely affect the interests of the Bondholders or result in any material impairment of the security hereby given for the payment of the Bonds (which determination may be based on an Opinion of Counsel upon which the Trustee may rely); or (B) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding, to such amendment, modification or termination; and (ii) if the Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such amendment, modification or termination; provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding. (Section 8.03)

Majority Holders Control Proceedings

Anything in the Indenture to the contrary notwithstanding, the Majority Holders shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. (Section 8.05)

Individual Bondholder Action Restricted

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Project Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Project Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Majority Holders shall have filed

a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Project Document or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the Indenture, be for the equal benefit of all Holders of the Outstanding Bonds. Nothing in the Indenture, in any other Project Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner in the Indenture and in said Bonds expressed. (Section 8.06)

Defeasance; Redemption Upon Lessee Purchase Option

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Loan Agreement, and any other amounts required to be rebated to the Federal government pursuant to the Tax Compliance Agreement or the Indenture, shall be paid in full, then the pledge of any loan payments, revenues or receipts from or in connection with the Project Documents or the Facility under the Indenture and the estate and rights granted by the Indenture, and all covenants, agreements and other obligations of the Issuer to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee as provided in the Indenture. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee shall cancel and discharge the lien of the Indenture and of the Mortgage and execute and deliver to the Borrowers all such instruments as may be appropriate to satisfy such liens and to evidence such discharge and satisfaction, and (2) the Trustee shall pay over or deliver to the Borrowers or on its order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of the principal or Redemption Price, if applicable, Sinking Fund Installments for, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Project Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the Federal government under the Tax Compliance Agreement or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have

been made for the giving of such notice, and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, (y) provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds of the full amount to which they would be entitled by way of principal or Redemption Price, Sinking Fund Installments, and interest and all other amounts then due under the Project Documents to the date of such maturity or redemption, and (z) provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment on such maturity or redemption date. (Section 10.01)

Defeasance Opinion and Verification

Prior to any defeasance becoming effective as provided in the Indenture, there shall have been delivered to the Issuer and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and (B) a verification from an independent certified public accountant or firm of independent certified public accountants (in each case reasonably satisfactory to the Issuer and the Trustee) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, Sinking Fund Installments for, interest on, and redemption premium, if any, of the Bonds to be defeased. (Section 10.02)

Supplemental Indentures Without Bondholders' Consent

The Issuer and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without the consent of the Bondholders for any of the following purposes: (1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien thereof, if such action is not materially adverse to the interests of the Bondholders; (2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect; (3) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect; (4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect; (5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the properties of the Facility, or revenues or other income from or in connection with the Facility or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral; (6) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure that the interest on the Tax-Exempt Bonds not be includable in gross income for Federal income tax purposes; (7) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders; (8) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; (9) To issue Additional Bonds in accordance with the Indenture. Before the Issuer and the Trustee shall enter into any Supplemental Indenture for the foregoing purposes, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and

that upon execution it will be valid and binding upon the Issuer in accordance with its terms. (Section 11.02)

Supplemental Indentures with Bondholders' Consent

Subject to the terms and provisions contained in Article XI of the Indenture, the Majority Holders shall have the right from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture 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 the Indenture. Nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Sinking Fund Installments for, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption (except as otherwise provided in the Indenture) or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of the Trust Estate other than the liens or pledge created by the Indenture and the other Project Documents, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms described in this paragraph, without, in the case of items (ii) through and including (v) above, the written consent of one hundred percent (100%) of the Holders of the Outstanding Bonds.

If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the purposes of this Section, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders. Within one year after the date of such notice, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Majority Holders or the Holders of not less than 100%, as the case may be, in aggregate principal amount of the Bonds then Outstanding and (ii) an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture. If the Holders of not less than the percentage of Bonds required by the Indenture shall have consented to and approved the execution thereof as therein provided, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or 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 Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer,

the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. (Section 11.03)

Amendments of Related Project Documents Not Requiring Consent of Bondholders

The Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent (if required) to any amendment, change or modification of any of the Related Project Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (v) to make any change required in connection with a permitted amendment to a Related Project Document or a permitted Supplemental Indenture; and (vi) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this Section. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Project Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not cause the interest on any of the Tax-Exempt Bonds to cease to be excluded from gross income for federal income tax purposes under the Code. (Section 12.02)

Amendments of Related Project Documents Requiring Consent of Bondholders

Except as provided in the Indenture, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Related Project Documents, without mailing of notice and the written approval or consent of the Majority Holders given and procured as set forth in the Indenture; provided, however, there shall be no amendment, change or modification to (i) the obligations of the Borrowers to make loan payments with respect to the Bonds under the Loan Agreement or the Promissory Note, or (ii) the Tax Compliance Agreement without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on any of the Tax-Exempt Bonds to become includable in gross income for Federal income tax purposes. If at any time the Borrowers shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in Article XI of the Indenture with respect to Supplemental Indentures. 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 principal office of the Trustee for inspection by all Bondholders. The Trustee may, but shall not be obligated to, enter into any such amendment, change or modification to a Related Project Document which affects the Trustee's own rights, duties or immunities under such Related Project Document or otherwise. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Project Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not cause the interest on any of the Tax-Exempt Bonds to cease to be excluded from gross income for federal income tax purposes under the Code. (Section 12.03)

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement and should not be considered a full statement thereof. Reference is made to the Loan Agreement for complete details of the terms thereof.

Definitions

The following terms shall have the respective meanings in the Loan Agreement. Terms not otherwise defined in the Loan Agreement shall have the meanings used in the Indenture and Tax Compliance Agreement.

Additional Improvements shall have the meaning specified in Section 3.4(a) of the Loan Agreement.

Additional Indebtedness means any additional Indebtedness incurred by the Borrowers, including Indebtedness represented by Additional Bonds, subsequent to the issuance of the Initial Bonds.

Balloon Debt means Indebtedness 25% or more of the principal amount of which comes or may come due in any one Fiscal Year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof.

Bonds means the Initial Bonds and any Additional Bonds.

Claims shall have the meaning set forth in Section 7.2(a) of the Loan Agreement.

Completion Date shall mean the date of delivery of the Project Completion Certificate in accordance with Section 3.2(f) of the Loan Agreement.

Debt Service Coverage Ratio shall mean for any Fiscal Year the ratio determined by dividing the Funds Available for Debt Service for such Fiscal Year by the Debt Service Requirement for such Fiscal Year.

Debt Service Requirement means, for any Fiscal Year for which such determination is made, the aggregate of the scheduled payments to be made with respect to principal (or mandatory sinking fund or installment purchase price or lease rental or similar payments) and interest on the Bonds and any Outstanding Long-Term Indebtedness of the Borrowers during such period.

Debt Service shall mean the scheduled amount of interest and amortization of principal payable for any Bond Year with respect to the Bonds as defined in Section 148(d)(3)(D) of the Code.

Depository Account means that certain depository custody account established by Zions Bancorporation, National Association, as custodian, under the Depository Account Control Agreement in the name of each of the Borrowers into which any and all Borrower revenues shall be deposited.

Depository Account Control Agreement means the Lease Payments Accounts Pledge, Control and Custody Agreement, dated as of July 1, 2020, by and among the Borrowers, Zions Bancorporation, National Association, as custodian and the Trustee.

Environmental Audit shall mean: (a) with respect to the Mark Street Project: that certain Phase I Environmental Site Assessment Report, dated March 30, 2019 with respect to the property located at 3 Mark Street, Rochester, New York, and prepared by the Lifespace Corporation; that certain

Land Surveying, P.C.; (d) with respect to the Andrews Street Project, that certain Phase I Environmental Site Assessment Report, dated November 24, 2015, and prepared by the Ravi Engineering & Land Surveying, P.C.; and (e) with respect to the St. Jacob Street Project: that certain Phase I Environmental Site Assessment Report, dated April 5, 2016, and prepared by the Ravi Engineering & Land Surveying, P.C.; and that certain Limited Phase II Environmental Site Assessment Report, dated April 12, 2016, and prepared by the Ravi Engineering & Land Surveying, P.C..

Existing Facility Property shall have the meaning set forth in Section 3.5(a) of the Loan Agreement.

Fiscal Year means the period of twelve (12) months beginning July 1 of each year, or such other period of twelve (12) months hereafter established by the Borrowers as their Fiscal Year.

Funds Available for Debt Service shall mean, in any Fiscal Year, the sum of the following: (i) Net Income for such Fiscal Year, (ii) all principal and interest expense with respect to any outstanding Long-Term Indebtedness for such Fiscal Year; (iii) all depreciation expense, and amortization of financing charges and (v) other non-cash expenses deducted from revenues in determining Net Income for such Fiscal Year, all as determined in accordance with GAAP.

Hazardous Materials shall include any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 5101, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation.

Impositions shall have the meaning set forth in Section 7.16(a) of the Loan Agreement.

Improvements shall mean:

(i) all buildings, structures, foundations, related facilities, fixtures and other improvements existing on the Commencement Date and erected or situated on the Facilities;

(ii) any other buildings, structures, foundations, related facilities, fixtures and other improvements constructed or erected on the Facilities throughout the term of the Loan Agreement (including any improvements or demolitions made as part of the Project Work pursuant to Section 3.2 of the Loan Agreement); and

(iii) all replacements, improvements, additions, extensions, substitutions, restorations and repairs to any of the foregoing.

Indebtedness means all obligations for payment of principal and interest with respect to money borrowed, incurred or assumed by any of the Borrowers, and all purchase money mortgages, leases, installment purchase contracts, or other similar instruments in the nature of a borrowing by which any of the Borrowers will be unconditionally obligated to pay.

Indemnified Parties shall have the meaning set forth in Section 7.2(a) of the Loan Agreement.

Independent Consultant means a Person that does not have any direct financial interest or any material indirect financial interest in any Borrower, the Foundation or the Lessee and is not connected with any Borrower, the Foundation or Lessee as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Borrowers, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Borrowers and having a favorable reputation for skill and experience in the financial affairs of such facilities.

Independent when used with respect to any Person means such a Person who (i) is independent in fact, (ii) does not have a direct financial interest or any material indirect financial interest in the Lessee, the Foundation or the Borrowers, and (iii) is not connected with the Lessee, the Foundation or the Borrowers as an officer, employee, promoter or member of the governing body thereof.

Initial Bonds means collectively, the Series 2020A Bonds and the Series 2020B Bonds.

Initial Issuance Fee shall mean the Issuer's administrative fee, payable to the Issuer by the Borrowers on the Closing Date.

Issuer shall mean the Monroe County Industrial Development Corporation, a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York, and its successors and assigns.

Issuer's Reserved Rights shall mean, collectively,

(i) the right of the Issuer in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Loan Agreement;

(ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Loan Agreement;

(iii) the right of the Issuer to enforce in its own behalf the obligation of the Borrowers to complete the Project;

(iv) the right of the Issuer in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.2, 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 4.4, 4.5, 4.7, 5.1, 5.2, 5.3, 5.4, 6.1, 6.3, 7.1, 7.2, 7.3, 7.5, 7.8, 7.9, 7.10, 7.11, 7.12, 7.16, 7.17, 7.18, 7.19, 7.21, 7.22, 7.23, 7.26, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 9.1, 9.2, 9.3, 10.1, 10.6, 11.1, 11.3, 11.4, 11.5, 11.11, 11.13 and 11.14 of the Loan Agreement, and

(v) the right of the Issuer in its own behalf to declare a default with respect to any of the Issuer's Reserved Rights and exercise the remedies set forth in Section 8.2(b) of the Loan Agreement.

Liability shall have the meaning set forth in Section 7.2(a) of the Loan Agreement.

Liens shall have the meaning specified in Section 7.10(a) of the Loan Agreement.

Loan shall mean the loan made by the Issuer to the Borrowers pursuant to the Loan Agreement as described in Section 4.1 of the Loan Agreement.

Long-Term Indebtedness shall mean all Indebtedness having a final maturity of one year or greater from the date incurred, including all obligations for the payment of money (including, without limitation, all Bonds), incurred, assumed or guaranteed by any Borrower, whether due and payable in all events, or upon the performance of work, the possession of property as lessee or the rendering of services by others, except (i) Short-Term Indebtedness, (ii) current obligations payable out of current revenues, (iii) obligations under contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid and (iv) rentals payable in future years under leases not required to be capitalized under GAAP.

Mortgage shall mean that certain Mortgage and Security Agreement, dated as of July 1, 2020, executed by each of the Borrowers, as Mortgagors, in favor of the Issuer, as Mortgagee, and any additional Mortgage and Security Agreements, executed by a Borrower that may be delivered in connection with the issuance of any Additional Bonds, together with any amendment or supplement thereto, granting the Issuer a first lien on the Borrowers fee interests in the "Mortgaged Property" as defined in the Mortgage, and all the improvements on the land and any buildings located on the Mortgaged Property.

Net Income shall mean, for any Fiscal Year, the total of all revenues, gains and other support of the Borrowers less all expenses and losses (calculated in accordance with GAAP) of such Borrowers. In calculating Net Income, there shall be excluded: all extraordinary gains and losses; any item classified as the cumulative effect of a change in accounting principles; gains and losses resulting from the sale of capital assets; proceeds of insurance policies (excluding business interruption), condemnation awards, gifts, donations, grants, pledges, devises, legacies, bequests and contributions to the extent that they may be restricted as to their use by their terms and such amounts are unavailable for the payment of debt service or operating expenses; unrealized gains and losses from investments; asset impairment losses; pension settlement losses; changes in the funded status of defined benefit plans; and losses on the early extinguishment of debt.

Project Application Information shall mean the eligibility application and questionnaire submitted to the Issuer by or on behalf of the Borrowers, for approval by the Issuer of the Project and the providing of financial assistance by the Issuer therefor, together with all other letters, documentation, reports and financial information submitted in connection therewith.

Project shall mean the Series 2020A Project, the Series 2020B Project, and any other project that may be financed with proceeds of Additional Bonds.

Promissory Note shall mean, with respect to the Initial Bonds, that certain Promissory Note in substantially the form of **Exhibit B** to the Loan Agreement, and, with respect to any Series of Additional Bonds, that certain Promissory Note in substantially the form of any related Exhibit to an amendment to the Loan Agreement, and shall include in each case any and all amendments thereof and supplements thereto made in conformity with the Loan Agreement and the Indenture.

School shall mean, individually, and **Schools** shall mean, collectively, True North Rochester Preparatory Charter School, True North Rochester Preparatory Charter School – West Campus, and Rochester Preparatory Charter School 3, each a public charter school operated by the Lessee pursuant to charters authorized by the Board of Trustees of the State University of New York and pursuant to the Charter School Act.

Short-Term Indebtedness shall mean all obligations of any Borrower for the repayment of borrowed money having a final maturity of less than one year from the date incurred, which meets the

requirements of Section 7.32(c) of the Loan Agreement, excluding the current portion of any Long-Term Indebtedness.

Termination Date shall mean such date on which the Loan Agreement may terminate pursuant to its terms and conditions prior to the Expiration Date. (Section 1.1)

Agreement to Undertake Project

The Borrowers covenant and agree to undertake and complete the Project Work in accordance with the Lease Agreement and the Loan Agreement. (Section 3.1)

Manner of Project Completion

The Borrowers will cause the Project Work to be completed by the Completion Date, in accordance with the Loan Agreement and in substantial accordance with the Plans and Specifications, in a workmanlike manner, free of defects in materials and workmanship (including latent defects). (Section 3.2)

Maintenance

During the term of the Loan Agreement, the Borrowers will: (i) ensure the Lessee keeps each Facility in good and safe operating order and condition, ordinary wear and tear excepted, (ii) enter into the Leases with the Lessee to occupy, use and operate each Facility, or otherwise cause each Facility to be occupied, used and operated, as the Approved Facility, and (iii) make or cause to be made all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure that (x) the interest on the Tax-Exempt Bonds shall not cease to be excludable from gross income for federal income tax purposes, (y) the operations of the Borrowers at the Facilities shall not be materially impaired or diminished in any way, and (z) the security for the Bonds shall not be materially impaired. The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facilities, and the Borrowers agree to assume full responsibility therefor. (Section 3.3)

Loan of Proceeds

The Issuer agrees, upon the terms and conditions contained in the Loan Agreement and the Indenture, to make the Loan and lend to the Borrowers an amount equal to the principal amount of the Initial Bonds. The loan shall be made by depositing on the Closing Date the proceeds from the sale of the Initial Bonds into such funds and accounts under and in accordance with the Indenture. Such proceeds shall be disbursed to or on behalf of the Borrowers as provided in the Indenture. The Borrowers' obligation to repay the Loan shall be evidenced by the Loan Agreement and the Promissory Note. Each of the Borrowers shall be jointly and severally liable to repay the Loan and to satisfy all other obligations of the Borrowers under the Loan Agreement and the Promissory Note. (Section 4.1)

Loan Payments; Payments under the Loan Agreement and the Promissory Note

The Borrowers each covenant to pay the Promissory Note and repay the Loan made pursuant to the Loan Agreement by making loan payments which the Issuer agrees shall be paid in immediately available funds directly to the Trustee for deposit in the applicable account of the Bond Fund (except to the extent that amounts are on deposit in the applicable account of the Bond Fund and available therefor) as follows:

(i) The Borrowers agree to pay to the Trustee, as the assignee of the Issuer, the following sums at the following times: (A) on or before the fifteenth day of May, 2023 and the fifteenth day of each May thereafter, the amount which is necessary for the payment of the principal of the Initial Bonds becoming due on such Principal Payment Date, subject to credit for other available funds in the manner provided in the Indenture. In lieu of the portion of the payments due under the Loan Agreement, the Borrowers may or, at their discretion, cause the Issuer or the Trustee to, purchase for cancellation Initial Bonds of the maturity next becoming due, subject to the applicable requirements set forth in the Indenture; (B) on or before the fifteenth day of November, 2020 and the fifteenth day of each May and November thereafter, the amount which is necessary for the payment of the interest on the Initial Bonds becoming due on such Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture; and (C) on each redemption date, with respect to the Redemption Price due and payable on the Initial Bonds, whether as an optional or a mandatory redemption, an amount equal to the Redemption Price together with accrued interest on the Initial Bonds being redeemed on such redemption date; (ii) In anticipation of certain payments required by the Loan Agreement: (A) on or before the fifteenth day of each quarter (being August 15, November 15, February 15 and May 15), commencing November 15, 2020, the Borrowers shall make quarterly payments equal to one-fourth (1/4th) of the amount which is necessary for the payment of the principal of the Initial Bonds coming due on the Principal Payment Date of the following year, subject to credit for other available funds in the manner provided in the Indenture, with the Borrowers making a quarterly payment on August 15, 2020 representing a prorated portion of the principal payment necessary for the payment of the principal of the Initial Bonds coming due on the Principal Payment Date of the following year; (B) on or before the fifteenth day of each quarter (being August 15, November 15, February 15 and May 15), commencing November 15, 2020, the Borrowers shall make quarterly payments equal to one-half (1/2) of the amount which is necessary, after credit for the capitalized interest on deposit in the Capitalized Interest Account, for the payment of the interest of the Initial Bonds coming due on each Interest Payment Date, thereafter, subject to credit for any other available funds in the manner provided in the Indenture, with the Borrowers making a quarterly payment on August 15, 2020 representing a prorated portion of the principal payment necessary for the payment of the interest of the Initial Bonds coming due on each Interest Payment Date; (C) It is the intent of the payment schedule in (A) and (B) above that the full amount necessary to pay the principal of and interest on the Initial Bonds on an Interest Payment Date and/or Principal Payment Date shall be on deposit with the Trustee approximately fifteen (15) days prior to each such Interest Payment Date and/or Principal Payment Date; and (D) Upon the issuance of Additional Bonds, certain provisions of the Loan Agreement shall be amended and supplemented to provide for the payment of the principal of and interest on such Additional Bonds.

In the event the Borrowers should fail to make or cause to be made any of the payments required under the foregoing provisions, the item or installment not so paid shall continue as an obligation of the Borrowers until the amount not so paid shall have been fully paid. The Borrowers have the option to make advance loan payments for deposit in the Bond Fund to effect the retirement, defeasance or redemption of the Bonds in whole or in part, all in accordance with the terms of the Indenture. The Borrowers shall exercise their option to make such advance loan payments by delivering a written notice of an Authorized Representative of the Borrowers to the Trustee in accordance with the Indenture, with a copy to the Issuer, setting forth (i) the amount of the advance loan payment, (ii) the principal amount of Bonds Outstanding requested to be redeemed with such advance loan payment (which principal amount shall be in such minimum amount or integral Authorized Denomination as shall be permitted in the Indenture), and (iii) the date on which such principal amount of Bonds are to be redeemed (which date shall be not earlier than forty-five (45) days after the date of such notice). In the event the Borrowers shall exercise their option to make advance loan payments to effect the redemption in whole of the Bonds,

and such redemption is expressly permitted under the Indenture as a result of the damage, destruction or condemnation of a Facility, or changes in law, or executive or judicial action, the Borrowers shall further deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Borrowers stating that, as a result of the occurrence of the event giving rise to such redemption, the Borrowers have discontinued, or at the earliest practicable date will discontinue, its operation of the respective Facility for its intended purposes. Such advance loan payment shall be paid to the Trustee in legal tender, for deposit in the Redemption Account of the Bond Fund on or before the redemption date and shall be an amount which, when added to the amounts on deposit in the Bond Fund and available therefor, will be sufficient to pay the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Issuer and the Trustee in connection with such redemption. In the event the Bonds are to be redeemed in whole or otherwise retired, the Borrowers shall further pay on or before such redemption date, in legal tender, to the Issuer and the Trustee, all fees and expenses owed such party or any other party entitled thereto under the Loan Agreement or the Indenture together with (i) all other amounts due and payable under the Loan Agreement and the other Project Documents, and (ii) any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Compliance Agreement. In the event that the Borrowers fails to make any loan payment as required in the Loan Agreement, the installment so in default shall continue as an obligation of the Borrowers until the amount in default shall have been fully paid. No further loan payments need be made to the Issuer on account of the Bonds during the term of the Loan Agreement when and so long as the amount of cash and/or Defeasance Obligations on deposit in the Bond Fund is sufficient to satisfy and discharge the obligations of the Issuer under the Indenture and pay the Bonds as provided in Article X of the Indenture. Any amounts remaining in the Earnings Fund, the Rebate Fund, the Bond Fund, the Reserve Fund, the Project Fund, the Renewal Fund or the Repair and Replacement Fund upon the expiration or sooner termination of the term of the Loan Agreement as provided in the Loan Agreement, after payment in full of (i) the Bonds (in accordance with Article X of the Indenture), (ii) the fees, charges and expenses of the Issuer and the Trustee in accordance with the Indenture, (iii) all loan payments and all other amounts payable under the Loan Agreement and under the Promissory Note, and after all amounts required to be rebated to the Federal government pursuant to the Tax Compliance Agreement or the Indenture, and (iv) all amounts required to be paid under any Project Document (other than the Leases), shall have been so paid, shall belong to and be paid to the Borrowers by the Trustee as overpayment of the Loan. Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Bond Fund is not sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Borrowers shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Bond Fund. (Section 4.3)

Nature of Borrowers' Obligation Unconditional

The Borrower's joint and several obligations under the Loan Agreement and the Promissory Note to pay the loan payments and all other payments provided for in the Loan Agreement and in the Promissory Note shall be absolute, unconditional and a general obligation of each Borrower, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction they might otherwise have against the Issuer, the Trustee or the Holder of any Bond and the obligation of the Borrowers shall arise whether or not (y) the Project has been completed as provided in the Loan Agreement, or (z) any provider of a credit facility or liquidity facility with respect to the Bonds shall be honoring its obligations thereunder. The Borrowers will not suspend or discontinue any such payment or terminate the Loan Agreement (other than such termination as is provided for under the Loan Agreement), or suspend the performance or observance of any covenant or agreement required on the part of the Borrowers under the Loan Agreement, for any cause whatsoever, and the Borrowers waive all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender the Loan Agreement or any obligation of the Borrowers under the Loan Agreement

except as provided in the Loan Agreement or to any abatement, suspension, deferment, diminution or reduction in the loan payments or other payments under the Loan Agreement or under the Promissory Note. (Section 4.5)

Damage, Destruction and Condemnation

- (l)
 - (a) If any Facility shall be destroyed or damaged in whole or in part by reason of fire or by reason of any other causes, similar or dissimilar (a "Casualty"), all insurance money collected by Borrowers or Lessee from any policy of insurance maintained pursuant to the provisions of the Loan Agreement on account of such Casualty, less the cost, if any, incurred in connection with the adjustment of the loss and the collection thereof (sometimes referred to as the "insurance proceeds" in the Loan Agreement) shall be held by Trustee and shall be applied to the payment of the cost of re-building, except as set forth in the Loan Agreement. Notwithstanding the foregoing, any insurance proceeds derived from policies covering Lessee's personal property shall be paid to Lessee. Any remaining balance of the insurance proceeds, after restoration of the damage or destruction caused by the Casualty (or the redemption of the then-Outstanding Bonds, as set forth below) shall be the property of the Borrowers.
 - (b) (i) Except as set forth below, Borrowers shall be required to expend the insurance proceeds received by it and/or the Lessee plus the amount of any applicable deductible (the "Net Proceeds") to promptly and diligently rebuild, replace, repair or restore the applicable Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function, and Borrowers shall not by reason of payment of any costs in excess of the Net Proceeds be entitled to any reimbursement from Issuer, Trustee or any Bondholder. If due to a Casualty and as evidenced by a report of a Facilities Consultant, (i) the Facility is rendered no longer tenantable to the Lessee and (ii) either (a) the Borrowers would be unable rebuild, replace, repair or restore the applicable Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function, within twenty-four (24) months of the Casualty and/or (b) (1) the Net Proceeds would be insufficient to diligently rebuild, replace, repair or restore the applicable Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function and (2) the Borrowers are unable to contribute excess funds to complete the repairs, then Borrowers or Lessee shall have the right to terminate the applicable Lease as of the date of such Casualty. "Facilities Consultant" means a Person mutually agreed upon by Borrowers and Lessee and retained by the Borrowers or, in the event Borrowers fails to retain a Facilities Consultant within thirty (30) days after the date of a Casualty, the Lessee, that (x) does not have any direct financial interest or any material indirect financial interest in the Borrowers, the Lessee or Uncommon Schools, Inc., or any affiliate of any of them, as applicable, and (y) is not connected with the Borrowers, the Lessee or Uncommon Schools, Inc., or any affiliate of either, as applicable, as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and (z) is qualified to pass upon questions relating to the acquisition construction, repair and renovation of facilities of the type or types operated by the Lessee, such as the Facility, and has a favorable reputation for skill and experience in such matters.

(ii) In addition to the termination right set forth in Section 5.1(I)(b)(i) above, Borrowers or Lessee shall have the right to terminate any applicable Lease pursuant to the Loan Agreement in the event that:

(1) the Net Proceeds are not adequate to rebuild, replace, repair or restore the applicable Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function, within twenty-four (24) months of the Casualty as determined by the report of the Facilities Consultant described in 5.1(I)(b)(i) of the Loan Agreement, and

(2) the Net Proceeds are in an amount sufficient to satisfy an amount (as evidenced in a verification from an independent certified public accountant or firm of independent certified public accountants, in each case reasonably satisfactory to the Issuer and the Trustee) equal to eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the applicable Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds, as defined in the Indenture, as confirmed by the Trustee in writing, and

(3) the Trustee, after confirming that the requirements set forth in subparagraphs (1) and (2) have been met, elects to retain the Net Proceeds and use the same to redeem Bonds in accordance with the Indenture.

(c) from and after any termination outlined in subsection (b) above, the Borrowers shall be required to release the Net Proceeds to the Trustee as set forth in Section 5.2 of the Loan Agreement.

(d) the Borrowers will promptly give written notice of any Casualty to the Issuer and the Trustee, generally describing the nature and extent thereof.

(II) Any and all award received by Borrowers or Lessee in connection with any partial or complete taking of any Facility ("Condemnation Proceeds") shall be paid to the Trustee as set forth in Section 5.2 of the Loan Agreement.

(a) If the entire or a substantial portion of any Facility shall be taken (which shall include the sale of the Facility under threat of the exercise of the power of eminent domain or condemnation) under the exercise of the power of eminent domain or condemnation by any governmental authority, and, as evidenced by a report of a Facilities Consultant mutually agreed upon by Borrowers and Lessee and retained by the Borrowers or, in the event Borrowers fail to retain a Facilities Consultant within thirty (30) days after the date of notice of such condemnation, the Lessee, (i) the Facility is rendered no longer suitable for Lessee's use and (ii) the Borrowers cannot rebuild, replace, repair or restore the Facility to substantially its condition prior to such casualty, or to a condition of at least equivalent value, operating efficiency and function, within twenty-four (24) months of such taking, then Borrowers or Lessee shall have the right to terminate the applicable Lease as of the date of receipt of the report of the Facilities Consultant. From and after a termination outlined in this subsection (a), the Borrowers shall be required release the Condemnation Proceeds to the Trustee as set forth in the Loan Agreement.

(b) If less than the entire or a substantial portion of any Facility shall be taken under the exercise of the power of eminent domain or condemnation, other than a partial taking as set forth in Section 5.2(II)(a) of the Loan Agreement, Borrowers shall, to the extent any Condemnation

Proceeds is available from such partial taking for restoration, promptly and diligently make such repairs or restorations as may be necessary to fully restore the remaining portion of the applicable Facility to a condition as good as that prior to the taking; provided, that Borrowers shall not be required or obligated to spend any amount in excess of the Condemnation Proceeds actually paid to Borrowers. (Section 5.1)

Loss Proceeds

The Issuer, the Trustee and the Borrowers shall cooperate and consult with each other in all matters pertaining to the settlement, compromise, arbitration or adjustment of any claim or demand on account of any Casualty, condemnation or taking (each a "Loss Event), and the settlement, compromise, arbitration or adjustment of any such claim or demand shall, as between the Issuer and the Borrowers, be subject to the written approval of the Borrowers and the Trustee (such approvals not to be unreasonably withheld). As set forth in the Loan Agreement, Net Proceeds and Condemnation Proceeds shall be held by Trustee and shall be applied to the payment of the cost of re-building or, in the event of termination exercised pursuant to the Loan Agreement, the redemption of then-Outstanding Bonds in an amount not-to-exceed the Facility Redemption Amount. Any remaining balance of the Net Proceeds or Condemnation Proceeds, after restoration of the damage or destruction caused by the Loss Event or the partial redemption of then-Outstanding Bonds, as set forth herein, shall be the property of the Borrowers. (Section 5.2)

Election to Rebuild or Redeem the then-Outstanding Bonds

In the event a Loss Event shall occur, the Borrowers shall: (i) utilize the Net Proceeds and/or Condemnation Proceeds to promptly and diligently rebuild, replace, repair or restore the applicable Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function and the Borrowers shall not by reason of payment of any such excess costs be entitled to any reimbursement from the Issuer, the Trustee or any Bondholder, nor shall the loan payments or other amounts payable by the Borrowers under the Loan Agreement or the Promissory Note or any other Project Document be abated, postponed or reduced, except to the extent some portion of the Bonds are redeemed (as set forth below), or (ii) cause the Trustee to use such Net Proceeds or Condemnation Proceeds to redeem the then-Outstanding Bonds in an amount not-to-exceed the Facility Redemption Amount pursuant to the terms of the Indenture. Not later than one hundred and twenty (120) days after the occurrence of a Loss Event, the Borrowers shall advise the Issuer and the Trustee in writing of the action to be taken by the Borrowers under the Loan Agreement. If the Borrowers shall elect to or shall otherwise be required to rebuild, replace, repair or restore a Facility as set forth in the Loan Agreement, the Trustee shall disburse the Net Proceeds and/or Condemnation Proceeds from the Renewal Fund in the manner set forth in the Indenture to pay or reimburse the Borrowers, at the election of the Borrowers, either as such work progresses or upon the completion thereof, provided, however, the amounts so disbursed by the Trustee to the Borrowers shall not exceed the actual cost of such work. If the Borrowers shall exercise their option in the Loan Agreement, the amount of the Net Proceeds so recovered shall be transferred from the Renewal Fund and deposited in the applicable Redemption Account of the Bond Fund. If the Borrowers shall elect to or are otherwise required to terminate an applicable Lease and cause the Trustee to redeem a proportional amount of the then-Outstanding Bonds pursuant to the terms of the Indenture, the obligations hereunder of the applicable Borrower shall be terminated in accordance with the provisions of the Loan Agreement. (Section 5.3)

Effect of Election to Build

All rebuilding, replacements, repairs or restorations of a Facility in respect of or occasioned by a Loss Event shall: (i) automatically be deemed a part of the Facility and shall be subject to the Loan Agreement, and the lien and security interest of the Mortgage, (ii) be effected only if the Borrowers shall

deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Borrowers acceptable to the Issuer and the Trustee to the effect that such rebuilding, replacement, repair or restoration shall not change the nature of the Facility as an Approved Facility, (iii) be effected with due diligence in a good and workmanlike manner, in compliance with all applicable Legal Requirements and be promptly and fully paid for by the Borrowers in accordance with the terms of the applicable contract(s) therefor, (iv) restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, and to a state and condition that will permit the Borrowers to use and operate the Facility as an Approved Facility, and (v) be preceded by the furnishing by the Borrowers to the Trustee of a labor and materials payment bond, or other security, satisfactory to the Trustee. The date of completion of the rebuilding, replacement, repair or restoration of a Facility shall be evidenced to the Issuer and the Trustee by a certificate of an Authorized Representative of the Borrowers stating (i) the date of such completion, (ii) that all labor, services, machinery, equipment, materials and supplies used therefor and all costs and expenses in connection therewith have been paid for or arrangement for payment, reasonably satisfactory to the Trustee, has been made, (iii) that the Facility has been rebuilt, replaced, repaired or restored to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, (iv) that all property constituting part of the Facility is subject to the Loan Agreement, and the mortgage liens and security interests of the Mortgage, subject to Permitted Encumbrances, (v) the Rebate Amount applicable with respect to the Net Proceeds and the earnings thereon (with a statement as to the determination of the Rebate Amount and a direction to the Trustee of any required transfer to the Rebate Fund), and (vi) that the restored Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the Borrowers against third parties which exist at the date of such certificate or which may subsequently come into being, (y) that it is given only for the purposes as provided in the Loan Agreement and Section 5.04 of the Indenture and (z) that no Person other than the Issuer or the Trustee may benefit therefrom. The certificate delivered pursuant to the preceding paragraph shall be accompanied by items as described in the Loan Agreement. (Section 5.4)

Issuance of Additional Bonds

If the Borrowers are not in default under the Loan Agreement, the Issuer may by the adoption of an appropriate resolution or resolutions, at the request of the Borrowers, authorize the issuance of Additional Bonds, subject to the limitations on the issuance of Additional Indebtedness of the Borrowers provided in the Loan Agreement and upon the terms and conditions set forth in the Indenture, but in no event shall the Issuer be liable for not issuing, nor be obligated to issue, such Additional Bonds. Prior to the issuance of such Additional Bonds: (a) the terms thereof, the purchase price to be paid therefor and the manner in which the proceeds therefrom are to be disbursed shall have been approved in writing by the Borrowers and the Lessee; (b) the Issuer and the Borrowers shall have entered into an amendment to the Loan Agreement to provide for any increase in the amount payable under the Loan Agreement as shall be necessary to pay the principal and Redemption Price, if any, of and interest on the Additional Bonds as provided in the Supplemental Indenture required by the Indenture, and to extend the term of the Loan Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Loan Agreement; and (c) the Issuer and the Borrower shall have otherwise complied with the provisions of the Indenture with respect to the issuance of such Additional Bonds. (Section 6.2)

Pledge and Assignment to Trustee

As security for the payment of the Bonds and the obligations of the Borrowers under the Project Documents, the Issuer shall pledge and assign to the Trustee pursuant to the Indenture all of the Issuer's right, title and interest in the Promissory Note and all (except for the Issuer's Reserved Rights) of the Issuer's right, title and interest in the Loan Agreement, including all loan payments under the Loan

Agreement and under the Promissory Note, and in furtherance of said pledge the Issuer will unconditionally assign such loan payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture. The Borrowers consent to the pledge and assignment of the Loan Agreement and the Promissory Note described in the Loan Agreement. (Section 6.3)

Insurance

At all times throughout the term of the Loan Agreement including, without limitation, during any period of construction or renovation of a Facility, the Borrowers shall ensure the maintenance of insurance with insurance companies licensed and/or authorized to do business in the State (or authorized in the State under the Federal Liability Risk Retention Act), against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Borrowers. (Section 7.1)

Indemnity

The Borrowers shall at all times, jointly and severally, indemnify, defend, protect and hold the Issuer and the Trustee, and any director, member, officer, employee, servant, agent (excluding for this purpose the Borrowers, which are not obligated by the Loan Agreement to indemnify their own employees, Affiliates or affiliated individuals) thereof and persons under the Issuer's control or supervision (collectively, the "Indemnified Parties" and each an "Indemnified Party") harmless of, from and against any and all claims (whether in tort, contract or otherwise), taxes (of any kind and by whomsoever imposed), demands, penalties, fines, liabilities, lawsuits, actions, proceedings, settlements, costs and expenses, including reasonable attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses (collectively, "Claims") of any kind for losses, damage, injury and liability (collectively, "Liability") of every kind and nature and however caused (except, with respect to any Indemnified Party, Liability arising from the gross negligence or willful misconduct of such Indemnified Party), arising during the period commencing on the Indemnification Commencement Date, and continuing throughout the term of this Loan Agreement, arising upon, about, or in any way connected with the Facilities, the Project, or any of the transactions with respect thereto, as described in the Loan Agreement. (Section 7.2)

Tax-Exempt Status of the Foundation

The Borrowers represent under the Loan Agreement that the Foundation, their sole member: (i) is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code; (ii) has received a letter or other notification from the Internal Revenue Service to that effect; (iii) such letter or other notification has not been modified, limited or revoked; (iv) is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification; (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist; and (vi) is exempt from federal income taxes under Section 501(a) of the Code, except for payment of unrelated business income tax. The Borrowers agree under the Loan Agreement that they shall cause the Foundation: (a) not to perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Foundation as exempt from taxation within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law; and (b) not to perform any act, enter into any agreement or use or permit the Facilities to be used in a manner, or for any trade or business unrelated to the tax-exempt purposes of the Borrowers, which could adversely affect the exclusion of interest on the Tax-Exempt Bonds from federal gross income pursuant to Section 103 of the Code. (Section 7.4)

Sale of a Facility or Mortgaged Property; Grant of Easements; Release of Portions of Facility

The Borrowers covenant that, except for exercise of the Lessee's Purchase Option under a Lease as described in the Loan Agreement and leases or subleases of portions of a Facility entered into in the ordinary course of business and in compliance with the provisions of the Tax Compliance Agreement and the Loan Agreement, they will not transfer, lease, sell or convey the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior approval of the Trustee, provided that the Trustee shall not approve such transfer, lease, sale or conveyance unless: (a) in the opinion of Nationally Recognized Bond Counsel, the same will not adversely affect the exclusion of interest on any Tax-Exempt Bond from gross income for federal income tax purposes, and (b) except with respect to leases or subleases in the ordinary course of business, the Borrowers pay to the Trustee either for deposit into the applicable Redemption Account of the Bond Fund, or to purchase defeasance securities in accordance with the Indenture, an amount equal to the greatest of: (i) the amount, if any, which is sufficient to redeem or provide for payment in accordance with the Indenture of any Outstanding Tax-Exempt Bonds required to be redeemed or deemed paid in order to preserve the exclusion of interest on Tax-Exempt Bonds from gross income for federal income tax purposes; (ii) an amount sufficient to redeem or provide for payment in accordance with the Indenture of not less than the percentage of the then-Outstanding Bonds determined by dividing (1) the principal amount of Bonds issued to finance the portion of such Project being transferred, sold or conveyed (which principal amount shall be reasonably determined by the Issuer) by (2) the aggregate principal amount of Bonds issued; or (iii) an amount sufficient to redeem or provide for payment in accordance with Section 10.1 of the Indenture of not less than the Facility Redemption Amount of the then-Outstanding Bonds.

The Trustee shall not approve such transfer, lease, sale or conveyance until the Issuer and Trustee have received a certificate evidencing: (i) that in the opinion of an appraiser, the aggregate fair market value of the remaining Facilities, following such transfer, lease, sale or conveyance, shall meet or exceed the remaining outstanding obligations of the Borrowers under the Loan Agreement immediately following such transfer, lease, sale or conveyance; and (ii) confirmation by any Rating Agency then rating the Bonds that following such transfer, lease, sale or conveyance, the existing rating on the Bonds shall not be adversely affected.

The Borrowers may, so long as there exists no Event of Default under the Loan Agreement, grant such rights of way or easements over, across, or under, its leasehold interest in the Facilities, or grant such permits or licenses in respect to the use thereof, free from the Loan Agreement and the lien and security interest of the Mortgage, as shall be necessary or convenient in the opinion of the Borrowers for the operation or use of the Facilities, or required by any utility company for its utility business, provided that, in each case, such rights of way, easements, permits or licenses shall not adversely affect the use or operation of the Facilities as the Approved Facility, and provided, further, that any consideration received by the Borrowers from the granting of said rights-of-way, easements, permits or licenses shall be paid to the Trustee and deposited in the applicable Redemption Account of the Bond Fund.

So long as there exists no Event of Default under the Loan Agreement, and the Borrowers deliver to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that the following action will not affect the exclusion of the interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income tax purposes, the Borrowers may from time to time request in writing to the Issuer and the Trustee the release of and removal from the Loan Agreement and from the lien and security interest of the Mortgage, of any unimproved part of the Land (on which none of the Improvements, including the buildings, structures, major appurtenances, fixtures or other property comprising the Facilities, is situated) provided that such release and removal will not adversely affect the use or operation of the Facilities as the Approved Facility and such release is effected simultaneously with

the release of such unimproved Land under the applicable Lease. Upon any such request by the Borrowers, the Issuer shall, at the sole cost and expense of the Borrowers, direct the Trustee to execute and deliver any and all instruments necessary or appropriate to so release and remove such unimproved Land from the Loan Agreement and from the lien and security interest of the Mortgage, subject to the following: (i) any liens, easements, encumbrances and reservations to which title to said property was subject on the Commencement Date; (ii) any liens, easements and encumbrances created at the request of the Borrowers or to the creation or suffering of which the Borrowers consented; (iii) any liens and encumbrances or reservations resulting from the failure of the Borrowers to perform or observe any of the agreements on their part contained in the Loan Agreement or any other Project Document; (iv) Permitted Encumbrances (other than the liens of the Mortgage); and (v) any liens for taxes or assessments not then delinquent; provided, that, no such release shall be effected unless there shall be deposited with the Trustee the following: (1) a certificate of an Independent engineer, dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the person signing such certificate, the unimproved Land and the release thereof so proposed to be made is not needed for the operation of the Facility, will not adversely affect the use or operation of the Facility as the Approved Facility and will not destroy the means of ingress thereto and egress therefrom; (2) an amount of cash for deposit in the applicable Redemption Account of the Bond Fund equal to greater of (A) the fair market value of such unimproved Land, such value to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City of Rochester, and (B) if such unimproved Land is released in connection with its sale, the amount received by the Borrowers upon such sale; and (3) a certificate of the Borrowers stating that upon release of such Land, the Borrowers are still in compliance with the requirements set forth in Section 7.31 of the Loan Agreement.

Notwithstanding the foregoing and without the consent of the Majority Holders or the Issuer, each Borrower may sell a Facility pursuant to the option of Lessee to purchase such Facility under the applicable Lease (each, a "Purchase Option") on or after the first call date of the Bonds, with the proceeds of such exercised Purchase Option to be paid to the Trustee either for deposit into the applicable Redemption Account of the Bond Fund, or to purchase defeasance securities in accordance with Section 10.1 of the Indenture; provided that, in each case, the Purchase Option shall require the Lessee to: (i) pay the "Purchase Price" for such Facility as set forth and defined in the applicable Lease, which, in each case, shall be an amount equal to eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the applicable Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds, together with all costs and expenses incurred by the Borrower in connection with the conveyance of the Facility to the Lessee and the redemption in part of the Bonds; and (ii) establish that, in the opinion of Nationally Recognized Bond Counsel, that the sale of such Facility together with the related redemption of the Bonds will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes; and (iii) with respect to purchase made at a Purchase Price as set forth in Section 7.9(d)(i) of the Loan Agreement, provide a certificate evidencing (A) that in the opinion of a licensed appraiser, the aggregate fair market value of the remaining Facilities following such sale shall equal or exceed the remaining amount of the then-Outstanding Bonds, giving effect to any defeasance, redemption or prepayment of the Bonds to be made in connection with such purchase from (1) the Purchase Price, and (2) any additional funds that may be contributed by the Lessee to satisfy the requirement in this summarized subsection (A), and (B) confirmation by any Rating Agency then rating the Bonds that following such purchase, the existing rating on the Bonds shall not be adversely affected.

No sale, conveyance or release effected under the provisions of the Loan Agreement shall entitle the Borrowers to any abatement or diminution of the loan payments or other amounts payable under the Loan Agreement or any other payments required to be made by the Borrowers under the Loan Agreement, the Promissory Note or any other Project Document to which it shall be a party, except in connection with a reduction in outstanding Debt Service caused by a redemption of then-Outstanding Bonds. Upon the purchase of any Facility as described in the Loan Agreement, the obligations under the

Loan Agreement of the applicable Borrower shall be terminated in accordance with the provisions of the Loan Agreement. (Section 7.9)

Depository Account

The Borrowers represent and warrant under the Loan Agreement that (a) they maintain and shall maintain a Depository Account; (b) they have caused a Depository Account Control Agreement in form and substance satisfactory to the Trustee to be executed, together with an approving opinion of counsel to the Borrowers, which has subjected the Depository Account to the Depository Account Control Agreement; (c) they will deposit all revenues into such Depository Account, except as otherwise expressly governed by the Depository Account Control Agreement, and (d) they shall not move the Depository Account, or deposit revenues into any other accounts without first having entered into an agreement in the form and substance of the Depository Account Control Agreement covering all such accounts, acceptable to the Trustee and a majority in aggregate principal amount of the Holders of the Bonds then Outstanding. (Section 7.13)

Pledge and Security Interest.

To secure the payment and performance of its obligations under the Loan Agreement, each Borrower pledges to the Issuer and the Trustee and grants the Issuer and Trustee a security interest in all of its revenues. Pursuant to the Loan Agreement, all such revenues shall be deposited as soon as practicable into the Depository Account, except as otherwise stated in the Depository Account Control Agreement. The Borrowers consent to the filing by the Trustee of Uniform Commercial Code financing statements as the Trustee may determine to be necessary to perfect the Issuer and the Trustee's security interest in such revenues, will execute and cause to be sent to each banking institution at which such revenues are deposited a notice of the security interest granted by the Loan Agreement, and will execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as the Trustee may determine to be necessary or reasonably request in order to perfect or maintain as perfected such security interest or give public notice thereof. Upon an Event of Default under the Loan Agreement, the Issuer or Trustee may, in accordance with applicable law, apply such revenues in the exercise of its remedies under the Loan Agreement. (Section 7.14)

Taxes, Assessments and Charges

The Borrowers shall pay when the same shall become due all taxes and assessments, general and specific, if any, levied and assessed upon or against the Trust Estate, the Facilities or any part thereof or interest of the Borrowers in the Facilities, or against any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Borrowers in any Project Document, during the term of the Loan Agreement, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility. (Section 7.16)

Maintenance of Corporate Existence

Each Borrower covenants that it will (i) maintain its corporate existence, (ii) continue to operate as a limited liability company, (iii) obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditation as may be necessary for it to continue to so operate, and (iv) except as expressly permitted by the Loan Agreement, not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another person or permit one or

more persons to consolidate with or merge into it. Each Borrower covenants that it will use its best efforts to cause the Lessee to (i) maintain its corporate existence, (ii) continue to operate as a non-profit educational organization, (iii) obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditation as may be necessary for it to continue to so operate and to continue operating the Schools, and (iv) except as expressly permitted by the Loan Agreement, not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another person or permit one or more persons to consolidate with or merge into it. (Section 7.19)

Debt Coverage; Lease Ratio

Each Borrower covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges for the use of its Facilities and for the services furnished or to be furnished by the Borrowers so that the Debt Service Coverage Ratio at the end of each Fiscal Year is not less than 1.15:1.0. If the Debt Service Coverage Ratio falls below 1.15:1.0, it shall constitute an Event of Default under the Loan Agreement. (Section 7.29)

The Borrowers covenant that they will at all times establish Basic Rent (as such term is defined in the Leases) such that the ratio of Basic Rent to the Debt Service Requirement in each Fiscal Year is at least 1.15. (Section 7.31)

Limitations on Incurrence of Additional Indebtedness

The Borrowers agree that they will not incur or assume any Additional Indebtedness except as set forth in the Loan Agreement. Provided no Event of Default under the Loan Agreement shall have occurred and be continuing, the Borrowers may incur or assume:

(a) Long-Term Indebtedness, incurred for the purpose of repairs, additional renovations or other capital projects related to the Facilities, provided that prior to the issuance of such additional Long-Term Indebtedness the following is satisfied: and Independent Consultant selected by the Borrowers provides a written report to the Trustee setting forth projections which indicate that:

(1) 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 Long-Term Indebtedness, based upon a certified written estimated completion date by the consulting engineer for such Facility or Facilities; or

(B) the first full Fiscal Year in which the Borrowers will have scheduled payments of interest on or principal of the Long-Term 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 Long-Term Indebtedness, investment income thereon or from other appropriate sources;

a Debt Service Coverage Ratio, taking into account all outstanding Long-Term Indebtedness and the additional Long-Term Indebtedness to be issued, of not less than 1.15:1.00; and

(2) for the Fiscal Year immediately preceding the issuance of such additional Long-Term Indebtedness, a Debt Service Coverage Ratio, of not less than 1.15:1.00 in such Fiscal Year;

(b) Long-Term Indebtedness incurred for the purpose of refunding or refinancing other Long-Term Indebtedness; and

(c) Short-Term Indebtedness; provided that any such Short-Term Indebtedness must, for a period of 14 consecutive days during each Fiscal Year, be reduced to \$0; provided further, that such "clean-down" requirement shall be waived upon delivery by the Borrowers to the Trustee of a Certificate stating that the Short-Term Indebtedness cannot be paid down a result of delays in the receipt of public funds, either directly or indirectly (in the case of rent due from a tenant).

Any Additional Indebtedness incurred or assumed as provided in the Loan Agreement that is secured by a lien on and security interest in the Facilities and rent due under the Leases may be secured by a lien on and security interest in the Facilities and rent due under the Leases ranking either on a parity with or subordinate to the lien and security interest granted under the Mortgage and the Assignment of Leases and Rents. (Section 7.32)

Events of Default

Any one or more of the following events shall constitute an "Event of Default" under the Loan Agreement:

(a) Failure of the Borrowers to pay any loan payment that has become due and payable by the terms of the Loan Agreement which, in any case, results in an Event of Default under the Indenture;

(b) Failure of the Borrowers to pay any amount (except as set forth in the Loan Agreement) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under certain sections of the Loan Agreement and continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Borrowers specifying the nature of such failure by the Issuer or the Trustee or the Holders of more than twenty-five per cent (25%) in aggregate principal amount of the Bonds Outstanding;

(c) Failure of the Borrowers to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be performed (except as set forth in the Loan Agreement) and (i) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Borrowers specifying the nature of same by the Issuer or the Trustee or the Holders of more than twenty-five per cent (25%) in aggregate principal amount of the Bonds Outstanding, or (ii) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Borrowers fail to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice; provided, however, that failure by the Borrowers to observe or perform as provided in the Loan Agreement shall not constitute an Event of Default under the Loan Agreement;

(d) A Borrower shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary

case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner or acquiesce in writing to, any petition filed against itself in an involuntary case under the Federal Bankruptcy Code, (vii) take any action for the purpose of effecting any of the foregoing, or (viii) be adjudicated a bankrupt or insolvent by any court;

(e) A proceeding or case shall be commenced, without the application or consent of a Borrower, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of such Borrower, or of all or any substantial part of its respective assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of ninety (90) days; or any order for relief against such Borrower shall be entered in an involuntary case under such Bankruptcy Code;

(f) Any representation or warranty made by the Borrowers (i) in the application and related materials submitted to the Issuer or the initial purchaser(s) of the Bonds for approval of the Project or its financing, or (ii) in the Loan Agreement or in any other Project Document, or (iii) in the Letter of Representation and Indemnity Agreement, or (iv) in the Tax Compliance Agreement, or (v) in any report, certificate, financial statement or other instrument furnished pursuant to the Loan Agreement or any of the foregoing, shall in any case prove to be false, misleading or incorrect in any material respect as of the date made;

(g) The commencement of proceedings to appoint a receiver or to foreclose any mortgage lien on or security interest in the Leases including the Mortgage; or

(h) An "Event of Default" under the Indenture or under any other Project Document shall occur and be continuing. (Section 8.1)

Remedies on Default

Whenever any Event of Default described above shall have occurred and be continuing, the Issuer, or the Trustee where so provided, may, take any one or more of the following remedial steps: (i)

The Trustee, as and to the extent provided in Article VIII of the Indenture, may cause all principal installments of loan payments payable under the Loan Agreement for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable, without presentment, demand, protest or any other notice whatsoever, all of which are by the Loan Agreement expressly waived by the Borrowers; provided, however, that upon the occurrence of certain Event of Default as described in the Loan Agreement, all principal installments of loan payments payable under the Loan Agreement for the remainder of the term of the Loan Agreement, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Issuer, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration; (ii) The Issuer or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the rent then due and thereafter to become due by the Lessee pursuant to the Leases, or to enforce performance or observance of any obligations, agreements or covenants of the Borrowers under the Loan Agreement; and (iii) The Trustee may take any action permitted under the Indenture with respect to an Event of Default thereunder.

No action taken pursuant to the Loan Agreement as described above (including termination of the Loan Agreement) or by operation of law or otherwise shall, except as expressly provided in the Loan Agreement, relieve the Borrowers from the Borrowers' obligations under the Loan Agreement, all of which shall survive any such action. (Section 8.2)

Remedies Cumulative

The rights and remedies of the Issuer or the Trustee under the Loan Agreement shall be cumulative and shall not exclude any other rights and remedies of the Issuer or the Trustee allowed by law with respect to any default under the Loan Agreement. (Section 8.4)

Termination of the Loan Agreement

The Borrowers shall have the option to terminate the Loan Agreement by causing the redemption or defeasance in whole of all Outstanding Bonds in accordance with the terms set forth in the Indenture. After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with the Indenture, but not later than the receipt by the Borrowers of ten (10) days prior written notice from the Issuer directing termination of the Loan Agreement, the Borrowers shall terminate the Loan Agreement by giving the Issuer notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to (x) the delivery of those documents referred to in the Loan Agreement, and (y) the survival of those obligations of the Borrowers set forth in the Loan Agreement. (Section 9.1)

Amendments

The Loan Agreement may be amended only with the concurring written consent of the Trustee given in accordance with the provisions of the Indenture and only by a written instrument executed by the parties to the Loan Agreement. (Section 11.3)

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SUMMARY OF MORTGAGE

<p>1. <u>Mortgagors:</u></p> <p>[See property descriptions in Section 9 below for each Facility]</p>	<ul style="list-style-type: none"> • As to the Mark Street Facility, TRUE NORTH ROCHESTER MARK STREET, LLC, a New York limited liability company • As to the Chili Avenue Facility, ROCHESTER CHILI AVENUE, LLC, a New York limited liability company • As to the Ames Street Facility, TRUE NORTH ROCHESTER REAL ESTATE AMES STREET, LLC, a New York limited liability company • As to the Andrews Street Facility, TRUE NORTH ANDREWS STREET, LLC, a New York limited liability company • As to the St. Jacob Street Facility, TRUE NORTH ST. JACOB STREET, LLC, a New York limited liability company
<p>2. <u>Mortgagee:</u></p>	<p>As to all Facilities, MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION, a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York</p>
<p>3. <u>Mortgage Clause:</u></p>	<p>To secure the payment of the Notes and to secure the performance by the Mortgagors of all of their obligations and covenants pursuant to the Loan Agreement, the Notes, the Leases and the Mortgage, and to assure payment of all other monetary obligations, liabilities and duties of any kind of the Mortgagors, direct or indirect, absolute or contingent, joint or several, due or not due, liquidated or unliquidated, arising under the Loan Agreement, the Notes, the Leases or the Mortgage, the Mortgagors have given, granted, released, assigned, transferred and set over unto the Mortgagee and by these presents does give, grant, release, assign, transfer, and set over unto the Mortgagee, its successors and assigns forever, the following described property and rights:</p> <p>ALL the Mortgagors' fee interest in those certain lots, pieces or parcels of land, together with the buildings, structures and improvements thereon now or at any time hereafter erected or constructed, more particularly described in Section 9 of this Summary of Mortgage (the "Premises").</p> <p>TOGETHER with all and singular the tenements, hereditaments, woods, waters, watercourses, liberties, privileges, rights-of-way, easements, riparian rights and appurtenances thereunto belonging, or in any wise appertaining, and any reversion and remainders, rents, issues and profits thereof.</p> <p>TOGETHER with all right, title and interest of the Mortgagors in and to any streets, roads, public places, opened or proposed, adjoining the Premises, and all easements and rights-of-way, public or private, all sidewalks and alleys, now or hereafter used in connection with the Premises or abutting the Premises.</p>

TOGETHER with all the Mortgagors' interests in fixtures and articles of personal property now or hereafter attached to or used in connection with, or with the operation of, said Premises, as to which the Mortgage constitutes a fixture filing and security agreement under the Uniform Commercial Code of the State of New York (the "Code") (in addition to and not in lieu of any other security agreement between the parties), including, but not limited to, partitions, elevators, steam and hot water boilers, dynamos, kitchen cabinets, incinerators, plants and shrubbery, furnaces, heating, air conditioning, lighting and power plants, coal and oil burning apparatus, pipes, plumbing, radiators, sinks, bath tubs, water closets, refrigerators, gas and electrical fixtures, stoves, ranges, shades, screens, awnings, vacuum cleaning systems, sprinkler systems or other fire prevention or extinguishing apparatus and materials, including additions thereto, replacements thereof and proceeds therefrom, all of which shall be deemed to be and remain and form a part of the realty and are covered by the lien of the Mortgage. The Mortgage shall be filed in the real estate recording office in the County of Monroe and shall be effective as a financing statement filed as a fixture filing from the date of its recording. If the lien of the Mortgage is subject to a conditional bill of sale, chattel mortgage, or other security interest covering any such property, then all the right, title and interest of Mortgagors in and to such property, together with the benefits of any deposits or payments now or hereafter made thereon, are and shall be covered by the lien of the Mortgage.

TOGETHER with the Leases and all other leases, subleases, tenancies, licenses, occupancy agreements or agreements to lease all or any portion of the foregoing and all extensions, renewals, amendments, modifications and replacements thereof, and any options, rights of first refusal or guarantees relating thereto (collectively, the "Leases"); all rents, income, receipts, revenues, security deposits, escrow accounts, reserves, issues, profits, awards and payments of any kind payable under the Leases or otherwise arising from all or any portion of the foregoing including, without limitation, minimum rents, additional rents, percentage rents, parking, maintenance and deficiency rents (collectively, the "Rents").

TOGETHER with any and all proceeds of any of the above, which term "proceeds" shall have the meaning given to it in the Code and shall additionally include whatever is received upon the use, lease, sale, exchange, transfer, collection or other utilization or any disposition or conversion of any of the foregoing, voluntary or involuntary, whether cash or non-cash, including proceeds of insurance and condemnation awards, rental or lease payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, equipment and inventory.

TOGETHER with any and all awards, damages, payments and other compensation, and any and all claims therefor and rights thereto, which may result from taking or injury by virtue of the exercise of the power of eminent domain, or any damage, injury or destruction in any manner caused to the Premises or improvements thereon, or any part thereof; subject, however, to the provisions of the Loan Agreement relating to damage, destruction, taking or condemnation, which provisions are incorporated in the Mortgage by reference.

	<p>AND ALSO, all the estate, right, title, interest, property, possession, claim and demand whatsoever of the Mortgagors, in law and in equity, of, in and to the same and every part and parcel thereof with the appurtenances.</p> <p>All of the foregoing, including the Premises, shall be known in the Mortgage as the “Mortgaged Property.”</p> <p>TO HAVE AND TO HOLD the above granted Mortgaged Property unto the Mortgagee, its successors and assigns, to its and their own proper use, benefit and behoof forever.</p> <p>PROVIDED THAT if the Mortgagors shall well and truly pay or there shall otherwise be paid to the Mortgagee the indebtedness secured by the Mortgage (the “Indebtedness”) at the time and in the manner provided in the Loan Agreement and the Mortgage and shall well and truly abide by and comply with each and every covenant and condition set forth in the Mortgage and in the Loan Agreement, then these presents and the lien and interest by the Mortgage transferred and assigned shall cease, terminate and be void. The Mortgagee by the Mortgage covenants to release the Mortgaged Property and renounce any other rights granted to it in the Mortgage, and to promptly execute, on receipt of payment of the aforesaid Indebtedness, a “Release of Mortgage” and any other instrument to that effect deemed necessary or desirable, upon payment and performance being made on the Indebtedness and covenants secured by the Mortgage; provided that, in the event the Mortgagee is the Trustee, upon the written request of the Mortgagors shall furnish to the Trustee an opinion of counsel and a Certificate signed by an officer of the Mortgagors both to the effect that all conditions precedent with respect to the release of the Mortgaged Property from the lien of the Mortgage have been satisfied.</p>
<p>4. <u>Mortgagors’ Representations, Warranties, Covenants and Agreements:</u></p>	<p>Mortgagors will pay the Notes and reimburse the Mortgagee any advances, payments or expenses made or incurred by the Mortgagee at the time and in the manner provided for in the Loan Agreement and in the Mortgage.</p> <p>No owner of the Premises shall be entitled to any credit against payments due under the Mortgage by reason of the payment of any taxes or assessments levied thereon.</p> <p>The Mortgagors are seized of an indefeasible estate in fee simple in the Mortgaged Property, and Mortgagors warrants the title to the Mortgaged Property.</p> <p>The Mortgaged Property shall be kept insured against loss or damage by fire and such other hazards as Mortgagee may specify, for the benefit of the Mortgagee, all in accordance with the provisions of the Loan Agreement.</p> <p>Any buildings, structures and other improvements erected and to be erected upon the Premises, including fixtures and equipment shall be kept in good and substantial repair and shall not be removed, demolished or materially altered without the prior express written consent of the Mortgagee, except as allowed by the Loan Agreement, which consent shall not be unreasonably withheld or</p>

delayed. The Mortgagors shall not do, and shall not permit to be done, any act which may in any way impair or weaken the security under the Mortgage.

Each Mortgagor represents to the Mortgagee that it has no knowledge of any offsets, counterclaims or defenses to the Indebtedness secured by the Mortgage, or to any part thereof, or the interest thereon, either at law or in equity. The Mortgagors will, within three (3) days upon request in person or within ten (10) days upon request by mail, furnish a duly acknowledged written statement in form reasonably satisfactory to the Mortgagee stating either that the Mortgagors know of no offsets or defenses existing against such Indebtedness, or if such offsets or defenses are alleged to exist, the nature and extent thereof, and in either case, such statement shall set forth the amount due under the Mortgage.

Unless otherwise allowed by the terms of the Loan Agreement, the Mortgagors will not remove or suffer to be removed from the Premises or the improvements thereon any fixtures as defined by the law in New York (unless such fixtures have been replaced with similar fixtures of equal or greater utility and value), presently or in the future to be incorporated into, installed in, annexed or affixed to the Premises or the improvements; nor will the Mortgagors execute or cause to be executed, any security interest senior to the lien of the Mortgage upon any such fixtures, additions to, substitutions or replacements thereof or upon any fixtures in the future to be installed in, annexed or affixed to the Premises, without the prior express written consent of the Mortgagee.

The Mortgagors will perform and abide by the terms and covenants of the Mortgage and the terms and covenants in the Loan Agreement which are made a part of the Mortgage as though set forth in the Mortgage at length.

The acceptance by the Mortgagee of any payments under the Mortgage, after default, or the failure of the Mortgagee, in any one or more instances to insist upon strict performance by the Mortgagors of any terms and covenants of the Mortgage or to exercise any option or election in the Mortgage conferred, shall not be deemed to be a waiver or relinquishment for the future of any such terms, covenants, elections or options.

All the covenants of the Mortgage shall be construed in accordance with the laws of the State of New York.

The terms of the Mortgage may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

The date of the Mortgage shall be for identification purposes only and shall not be construed to imply that the Mortgage was executed on any date other than the respective dates of the acknowledgments of the parties hereto. The Mortgage shall become effective upon its delivery.

Each Mortgagor shall cause to be prepared and timely filed all Federal, state and local tax returns required to be filed by it and promptly pay and discharge or cause to be promptly paid and discharged all taxes, assessments, municipal or governmental rates, charges, impositions, liens and water and sewer rents or

any part thereof, heretofore or hereafter imposed upon it or in respect of any of its property and assets before the same shall become in default, as well as all lawful claims which, if unpaid, might become a lien or charge upon such property and assets or any part thereof; provided that the Mortgagor shall have the right to contest any taxes in accordance with applicable laws, but only upon the condition that the Mortgagors provide adequate reserves for the payment of such taxes, assessments or government charges and that pending such contest, such taxes, assessments or government charges are not delinquent. The Mortgagors shall submit to the Mortgagee upon request receipted bills showing payment of all taxes, assessments, governmental charges or levies and lawful claims which, if unpaid, would become a lien or claim on the Premises, as same shall be paid.

During the term of the Notes or any other Obligations (for purposes of the Mortgage, "Obligations" shall mean the obligations of the Mortgagors created pursuant to the Security Documents (as defined in the Loan Agreement) and secured by the Security Documents) in the event of the passage after the date of the Mortgage of any law of the State of New York, or any other governmental entity, changing in any way the laws now in force for the taxation of mortgages, or debts secured by the Mortgage, for state or local purposes, or the manner of the operation of any such taxes, so as to affect the interest of the Mortgagee, then and in such event, the Mortgagors shall bear and pay the full amount of such taxes, provided that if for any reason payment by the Mortgagors of any such new or additional taxes would be unlawful or if the payment thereof would constitute usury or render the Notes or the Indebtedness secured by the Mortgage wholly or partially usurious under any of the terms or provisions of the obligations secured by the Mortgage, or the Mortgage, or otherwise, the Mortgagee may, at the Mortgagee's option, declare the whole sum secured by the Mortgage, with interest thereon, to be immediately due and payable, or the Mortgagee may, at the Mortgagee's option, pay that amount or portion of such taxes as renders the Notes or Indebtedness secured by the Mortgage unlawful or usurious, in which event the Mortgagors shall concurrently therewith pay the remaining lawful and nonusurious portion or balance of said taxes.

The Mortgagors agree to comply with all laws, rules, regulations and ordinances made or promulgated by lawful authority and now or hereafter applicable to the Mortgaged Property within such time as may be required by law.

If any action or proceeding be commenced to which action or proceeding the holder of the Mortgage is made a party, or in which it becomes necessary to defend or uphold the lien of the Mortgage, the expense of any litigation to prosecute or defend the rights and lien created by the Mortgage (including reasonable attorney's fees and expenses), shall be paid by the Mortgagors, and any such sum and the interest thereon shall be a lien on the Mortgaged Property, prior to any right, or title to, interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the lien of the Mortgage, and shall be deemed to be secured by the Mortgage. In any action or proceeding to foreclose the Mortgage, or to recover or collect the debt secured by the Mortgage, the provisions of law respecting the recovery of costs, disbursements

	<p>and allowance shall prevail unaffected by this covenant.</p> <p>Upon default by the Mortgagors in the compliance with, or performance of, any of the terms, covenants, or conditions of the Mortgage or the Loan Agreement (and upon the lapse of the applicable grace periods as set forth in the Mortgage and therein), the Mortgagee may, at its option, remedy such default; that all payments made by the Mortgagee to remedy a default by the Mortgagors (including reasonable attorneys' fees and expenses) and the total of any payment or payments due from the Mortgagors to the Mortgagee and in default, together with interest thereon at the highest rate of interest set forth in the Notes (such interest to be calculated from the date of such advancement to the date of payment thereof by Mortgagors), shall be added to the debt secured by the Mortgage until paid and the Mortgagors covenant to repay the same to the Mortgagee on the next payment date on the Notes. Any such sums and the interest thereon shall be a lien on the Premises prior to any other lien attaching to or accruing subsequent to the lien of the Mortgage</p> <p>Mortgagors represent and warrant that the Loans and the other Obligations secured by the Mortgage were obtained solely for the purpose of carrying on or acquiring a business or commercial investment and not for residential, consumer or household purposes.</p> <p>[Article I]</p>
<p>5. <u>Default Provisions:</u></p>	<p><u>Events of Default:</u></p> <p>The occurrence and continuation of any Event of Default under the Loan Agreement past any applicable cure periods.</p> <p>In the event the Mortgaged Property shall be encumbered by a subsequent encumbrance or any change in the ownership of the Premises not permitted by the Loan Agreement.</p> <p>In the event that the Mortgagors shall have encumbered, mortgaged or given a security interest in any portion of the Mortgaged Property, other than as permitted by the Loan Agreement, or shall have, removed any fixture without replacing the same, other than as permitted by the Loan Agreement.</p> <p>In the event of default as to, or in the event that proceedings be instituted for foreclosure or collection of, any mortgage, judgment, or lien affecting any portion of the Mortgaged Property.</p> <p>In the event that the Mortgagors shall be unable to retain an insurance company authorized to do business in the State of New York to insure the Premises in the form of policy approved by the Mortgagee for a sum equal to the full replacement cost of the Premises.</p> <p>The Mortgagors shall have caused or permitted a security interest, perfected or otherwise, other than the security interest specifically provided for or permitted hereunder or under the Loan Agreement, to be created in any of the Mortgaged</p>

Property, or shall have failed to take any action requested by the Mortgagee to perfect or protect the security interest provided for in the Mortgage.

[Article II]

Default Remedies:

Declare the entire amount of unpaid principal and accrued interest and other money due under the Mortgage, the Loan Agreement and the Notes immediately due and payable.

Enter upon, and take possession of, the Mortgaged Property, and to lease and let the said Mortgaged Property, and to receive all the rents, issues and profits thereof, if any, which are overdue, due or to become due, and to apply the same, after payment of all necessary charges and expenses, on account of the amounts hereby secured and the holder of the Mortgage is given and granted full power and authority to do any act or thing in connection with the management and operation of the Premises. This remedy becomes effective either with or without any action brought to foreclose the Mortgage and without applying at any time for a receiver of such rents. Should said rents or any part thereof be assigned without the consent of the holder of the Mortgage, then the Notes shall, at the option of the holder of the Mortgage, become due and payable immediately, anything in the Mortgage contained to the contrary notwithstanding.

Institute an action of mortgage foreclosure, or take other permissible action as the law may allow, at law or in equity, for the enforcement of the Mortgage, and proceed thereon to final judgment and execution of the entire unpaid balance of the Notes, including costs of suit, interest and reasonable attorney's fees. In case of any sale of the Mortgaged Property by virtue of judicial proceedings, the Mortgaged Property may be sold in one parcel and as an entirety or in such parcels, manner or order as the Mortgagee, in its sole discretion, may elect. The failure to make any tenants parties defendant to a foreclosure proceeding and to foreclose their rights will not be asserted by the Mortgagors as a defense in any proceeding instituted by the Mortgagee to collect the obligations secured hereby or any deficiency remaining unpaid after the foreclosure sale of the Premises.

Appoint a receiver of the rents, issues and profits of the Mortgaged Property without the necessity of proving either the depreciation or the inadequacy of the value of the security or the insolvency of the Mortgagors or any person who may be legally or equitably liable to pay moneys secured hereby and the Mortgagors and each such person waive such proof and consent to the appointment of a receiver.

If the Mortgagors or any subsequent owner is occupying the Premises or any part thereof, it is agreed that the Mortgagors shall require said occupants to pay such reasonable rental one month in advance as the Mortgagee shall demand for the Premises or the part so occupied, and for the use of the Mortgaged Property

	<p>covered by the Mortgage or any chattel mortgage.</p> <p>Apply on account of the unpaid Indebtedness and the interest thereon or on account of any arrearages of interest thereon, or on account of any balance due to the Mortgagee after a foreclosure sale of the Mortgaged Property whether or not a deficiency action shall have been instituted, any unexpended moneys still retained by the Mortgagee that were paid by the Mortgagors to the Mortgagee for the payment of, or as security for the payment of taxes, assessments, municipal or governmental rates, charges, impositions, liens, water or sewer rents, or insurance premiums, if any, or in order to secure the performance of some act by the Mortgagors.</p> <p>The Mortgagee shall have, in addition to other rights and remedies available at law or in equity, the rights and remedies of a secured party under the Code. The Mortgagee may elect to foreclose such of the Mortgaged Property as then comprise fixtures pursuant either to the law applicable to foreclosure of an interest in real estate or to that applicable to personal property under the Code. To the extent permitted by law, the Mortgagors waive the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.</p> <p>[Article III]</p>
<p>6. <u>UCC Security Interest:</u></p>	<p>The Mortgage constitutes a security agreement under the Code and shall be deemed to constitute a fixture financing statement. The Mortgagors hereby grant to the Mortgagee a security interest in the personal and other property (other than real property) included in the Mortgaged Property, and all replacements of, substitutions for, and additions to, such property, and the proceeds thereof. The Mortgagors shall, at the Mortgagors' own expense, execute, deliver, file and refile any financing or continuation statements or other security agreements the Mortgagee may require from time to time to perfect, confirm or maintain the lien of the Mortgage with respect to such property. A photocopy of an executed financing statement shall be effective as an original. Without limiting the foregoing, the Mortgagors hereby irrevocably appoint the Mortgagee attorney-in-fact for the Mortgagors to execute, deliver and file such instruments for or on behalf of the Mortgagors at the Mortgagors' expense, which appointment, being for security, is coupled with an interest and shall be irrevocable. With respect to goods that become fixtures after the recording of the Mortgage and before the completion of construction or renovation of the Project (as defined in the Loan Agreement), the Mortgage is, and shall be construed to be, a "Construction Mortgage" under the Code, and any mortgage given to refinance the Mortgage shall be, and shall be construed to be, a mortgage given to refinance a construction mortgage. The Mortgage and all related financing and continuation statements and security agreements are given, filed or recorded in connection with a public-finance transaction as that term is used in the New York Uniform Commercial Code.</p> <p>[Article IV, Section 7]</p>
<p>7. <u>Cumulative</u></p>	<p>The rights and remedies in the Mortgage expressed to be vested in or conferred</p>

<p><u>Rights:</u></p>	<p>upon the Mortgagee shall be cumulative and shall be in addition to and not in substitution for or in derogation of the rights and remedies conferred by any applicable law. The failure, at any one or more times, of the Mortgagee to assert the right to declare the Indebtedness due or the granting of any extension or extensions of time of payment of the Notes either to the Mortgagors or to any other person, or taking of other or additional security for the payment thereof, or releasing any security, or changing any of the terms of the within Mortgage or the Loan Agreement, or other obligation accompanying the Mortgage, or waiver of or failure to exercise any right under any covenant or stipulation in the Mortgage contained shall not in any way affect the Mortgage nor the rights of the Mortgagee hereunder nor operate as a release from any personal liability upon the Notes or other Obligations, nor upon any covenant or stipulation therein contained, nor under any agreement assuming the payment of said Loans or other Obligations.</p> <p>[Article IV, Section 1]</p>
<p>8. <u>Indemnification:</u></p>	<p>(a) The Mortgagors agree that the Mortgagee, its members, officers, agents and employees shall not be liable for and agree to defend, indemnify, release and hold the Mortgagee, its members, officers, agents and employees harmless from and against any and all (i) liability for loss or damage to property or injury to or death of any and all persons that may be occasioned by, directly or indirectly, any cause whatsoever pertaining to the Mortgaged Property or arising by reason of or in connection with the use thereof or under the Mortgage, or (ii) liability arising from or expense incurred by the Mortgagee's financing of the Mortgaged Property, including without limiting the generality of the foregoing, all claims arising from the breach by the Mortgagor of any of its covenants contained in the Mortgage and all causes of action and reasonable attorneys' fees and any other expenses incurred in defending any claims, suits or actions which may arise as a result of any of the foregoing, provided that any such losses, damages, liabilities or expenses of the Mortgagee are not incurred or do not result from the gross negligence or intentional or willful wrongdoing of the Mortgagee or any of its members, officers, agents or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence in part of the Mortgagee, or any of its members, officers, agents or employees and irrespective of the breach of a statutory obligation (other than a breach caused by their gross negligence or intentional or willful wrongdoing) or the application of any rule of comparative or apportioned liability. The foregoing indemnities are limited only as expressly set forth in the Mortgage and to the extent of any prohibitions imposed by law.</p> <p>(b) Notwithstanding any other provisions of the Mortgage, the obligations of the Mortgagor pursuant to Section 8 of the Mortgage shall remain in full force and effect after the termination and discharge of the Mortgage until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters in the Mortgage described may be brought and payment in full or the satisfaction of such claim, cause of action or prosecution relating to the matters in the Mortgage described and the payment of all reasonable expenses and charges incurred by the Mortgagee, or its respective members, officers, agents and</p>

employees, relating to the enforcement of the provisions in the Mortgage specified.

(c) In the event of any claim against the Mortgagee or its members, officers, agents or employees by any employee or contractor of the Mortgagor or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the obligations of the Mortgagor hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation, disability benefits or other employee benefit acts.

[Article IV, Section 8]

9. Property Descriptions:

Mark Street Facility:

540-544 Hudson Avenue, City of Rochester - Tax Map No. 106.41-2-1;
548-550 Hudson Avenue, City of Rochester - Tax Map No. 106.33-3-47.001;
13 Watkin Terrace, City of Rochester - Tax Map No. 106.33-3-49.001;
15 Watkin Terrace, City of Rochester - Tax Map No. 106.33-3-46;
17-19 Watkin Terrace, City of Rochester - Tax Map No. 106.33-3-45;
10 Reed Park, City of Rochester – Tax Map No. 106.41-2-45;
12 Reed Park, City of Rochester - Tax Map No. 106.41-2-44;
14 Reed Park, City of Rochester - Tax Map No. 106.41-2-43;
16 Reed Park, City of Rochester - Tax Map No. 106.41-2-42;
8-14 Mark Street, City of Rochester - Tax Map No. 106.41-2-4.001;
22 Mark Street, City of Rochester - Tax Map No. 106.41-2-7.001;
24 Mark Street, City of Rochester - Tax Map No. 106.41-2-8;
26 Mark Street, City of Rochester - Tax Map No. 106.41-2-9.001;
3 Mark Street, City of Rochester - Tax Map No. 106.41-2-51;
5 Mark Street, City of Rochester - Tax Map No. 106.41-2-52;
7 Mark Street, City of Rochester - Tax Map No. 106.41-2-53;
11 Mark Street, City of Rochester - Tax Map No. 106.41-2-54;
13 Mark Street, City of Rochester - Tax Map No. 106.41-2-55;
15 Mark Street, City of Rochester - Tax Map No. 106.41-2-56;
17 Mark Street, City of Rochester - Tax Map No. 106.41-2-57;
19 Mark Street, City of Rochester - Tax Map No. 106.41-2-58;
21 Mark Street, City of Rochester - Tax Map No. 106.41-2-59.001;
25-27 Mark Street, City of Rochester - Tax Map No. 106.41-2-62.001;
30 Mark Street, City of Rochester – Tax Map No. 106.41- 2-11:

ALL THAT TRACT OR PARCEL OF LAND situate in the City of Rochester, County of Monroe and State of New York more particularly described as follows:

BEGINNING at a point of intersection of the southerly highway boundary of Watkin Terrace (48 feet wide) with the easterly highway boundary of Hudson Avenue (64 feet wide); thence,

1. North 87°27’10” East, along the southerly highway boundary of Watkin Terrace, a distance of 162.90 feet to a point; thence,

2. South 02°32'50" East, along the westerly line of lands now or formerly owned by Upstate Social Properties (Tax Map #106.33-3-44), a distance of 98.67 feet to a point; thence,
3. North 87°27'10" East, along the southerly line of lands now or formerly owned by said Upstate Social Properties, a distance of 37.00 feet to a point; thence,
4. South 02°32'50" East, along the westerly line of lands now or formerly owned by Rochester Housing Authority (Tax Map #106.33-3-43), a distance of 31.33 feet to a point; thence,
5. North 87°27'10" East, along the southerly line of lands now or formerly owned by said Rochester Housing Authority, City of Rochester (Tax Map #106.33-3-42), City of Rochester (Tax Map #106.33-3-41), Frank J. Posato (Tax Map #106.33-3-40), Juanita A. Powell (Tax Map #106.33-3-39), John L. Cuyler (Tax Map #106.33-3-38) and City of Rochester (Tax Map #106.33-3-37), a distance of 232.63 feet to a point; thence,
6. South 02°36'51" East, along the westerly line of lands now or formerly owned by said City of Rochester (Tax Map #106.33-3-37) and Willie Clay (Tax Map #106.41-2-12), a distance of 128.19 feet to a point; thence,
7. South 87°23'09" West, along the northerly highway boundary of Mark Street (47 feet wide), a distance of 416.00 feet to a point; thence,
8. North 02°36'51" West, along the easterly line of lands now or formerly owned by Harry Persad Maraj et al (Tax Map #106.41-2-3) and Harry Persad Maraj (Tax Map #106.41-2-2), a distance of 71.46 feet to a point; thence,
9. South 87°23'09" West, along the northerly line of lands now or formerly owned by said Harry Persad Maraj (Tax Map #106.41-2-2), a distance of 84.13 feet to a point; thence,
10. North 17°17'04" East, along the easterly highway boundary of Hudson Avenue (64 feet wide), a distance of 199.08 feet to the PLACE AND POINT OF BEGINNING.

AND ALSO, ALL THAT TRACT OR PARCEL OF LAND situate in the City of Rochester, County of Monroe and State of New York more particularly described as follows:

COMMENCING at a point of intersection of the southerly highway boundary of Mark Street (47 feet wide) with the easterly highway boundary of Hudson Avenue (64 feet wide); thence, North 87°23'09" East, along the southerly highway boundary of Mark Street, a distance of 99.39 feet to the point of BEGINNING; thence,

1. North 87°23'09" East, along the southerly highway boundary of Mark Street, a distance of 392.00 feet to a point; thence,
2. South 02°36'51" East, along the westerly line of lands now or formerly owned by City of Rochester (Tax Map #106.41-2-63), a distance of 103.79 feet to a point; thence,
3. South 87°08'59" West, along the northerly line of lands now or formerly owned by City of Rochester (Tax Map #106.41-2-34.1), City of Rochester (Tax Map #106.41-2-36.1), City of Rochester (Tax Map #106.41-2-38.2), City of Rochester (Tax Map #106.41-2-38.3) and Brenda Craven (Tax Map #106.41-2-41.1), a distance of 252.30 feet to a point; thence,
4. South 00°29'08" East, along the westerly line of lands now or formerly owned by said Brenda Craven (Tax Map #106.41-2-41.1), a distance of 94.86 feet to a point; thence,
5. South 89°18'24" West, along the northerly highway boundary of Reed Park (38 feet wide), a distance of 152.00 feet to a point; thence,
6. North 00°29'08" West, along the easterly line of lands now or formerly owned by Murie E. Hardin (Tax Map #106.41-2-46), a distance of 89.13 feet to a point; thence,
7. North 87°08'59" East, along the southerly line of lands now or formerly owned by Shanya Beasley (Tax Map #106.41-2-49), a distance of 12.43 feet to a point; thence,

North 02°36'51" West, along the easterly line of lands now or formerly owned by Shanya Beasley (Tax Map #106.41-2-49) and RE 2EMI LLC (Tax Map #106.41-2-50), a distance of 105.40 feet to the PLACE AND POINT OF BEGINNING.

Chili Avenue Facility:

432 Chili Avenue, City of Rochester – Tax Map No. 120.56-1-20.002:

All that tract or parcel of land, situate in the City of Rochester, County of Monroe and State of New York, and is more particularly described as follows:

Beginning at the intersection formed by the east right-of-way of Hobart Street and the North Right-of-Way of Chili Avenue, said point being further described as the southwest corner of parcel "A" as shown on a subdivision plan for #432 Chili Avenue, Lot R63 of the St. Augustine's Church re-subdivision, prepared by Parrone Engineering and filed in the Monroe County Clerk's Office in liber 349 of maps, page 30 on December 15, 2014; thence

1. Northerly, along the east right-of-way of Hobart Street forming an interior angle of 65° 32' 55", a distance of 230.59' to a point. Said point

	<p>being the south west corner of lands now or formerly owned by The Catholic Charities of the Diocese of Rochester (L. 10290 P. 457); thence,</p> <ol style="list-style-type: none"> 2. Easterly, forming an interior angle of 90° 00' 00" a distance of 101.00' along the southerly boundary line of lands of the Catholic Charities of the Diocese of Rochester, thence; 3. Northeasterly, continuing along said southerly boundary line of lands of The Catholic Charities of the Diocese of Rochester, forming an interior angle of 223° 05' 56", a distance of 21.09' to a point on the westerly boundary line of lands now or formerly owned by The Progressive Church of God in Christ (L. 10290 P. 466); thence, 4. Southerly, along said westerly boundary line of lands of The Progressive Church of God in Christ, forming an interior angle of 46° 16' 34" a distance of 3.01' to a point. Said point being the southwest corner of lands now or formerly owned by The Progressive Church of God in Christ (L. 10290 P. 466); thence, 5. Easterly, along the southerly boundary line of The Progressive Church of God in Christ, forming an interior angle of 270° 24' 20" a distance of 49.26' to a point. Said point being the northwest corner of lands now or formerly owned by The Progressive Church of God in Christ (L. 10290 P. 466); thence, 6. Southerly, along the westerly boundary line of lands of The Progressive Church of God in Christ, forming an interior angle of 90° 00' 00" a distance of 80.24' to a point; thence, 7. Easterly, along the southerly boundary line of lands of The Progressive Church of God in Christ, forming an interior angle of 270° 07' 28" a distance of 18.69' to a point; thence, 8. Southerly, along the westerly boundary line of lands of The Progressive Church of God in Christ, forming an interior angles of 91° 32' 47" a distance of 77.00' to a point on the northerly right-of-way of Chili Avenue; thence, 9. Southwesterly, along said northerly right-of-way of Chili Avenue, forming an interior angle of 113° 00' 00" a distance of 204.28' to the point of beginning. <p>Together with the benefits of the Reciprocal Easement Agreement by and between Rochester Chili Avenue, LLC and New Progressive Cathedral Church of God in Christ, dated 08/28/2015, and duly recorded in the Office of the County Clerk, Monroe County.</p> <p><u>Ames Street Facility:</u></p>
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899 Jay Street, City of Rochester – Tax Map No. 105.81-1-33.002:

All that tract or parcel of land, situate in the City of Rochester, County of Monroe and State of New York, being Lot 2 of the Church of the Holy Family Subdivision as shown on a map filed December 16, 2009, in Liber 338 of Maps, Page 12, and more particularly known and described as follows:

Beginning at a point in the northerly highway boundary line of Lorenzo Street (48 feet wide) located 205.10 feet west of the westerly highway boundary line of Ames Street (49.5 feet wide);

Running thence (1) North $88^{\circ}-33'-59''$ West along the northerly highway boundary line of Lorenzo Street a distance of 186.00 feet to a point;

Thence (2) North $01^{\circ}-08'-07''$ east along the east lines of reputedly Hans Sobe and reputedly Edward Love, Jr. a distance of 269.75 feet to a point;

Thence (3) South $88^{\circ}-33'-59''$ East along the southerly highway boundary line of Jay Street (variable width) a distance of 127.31 feet to an angle point;

Thence (4) North $64^{\circ}-16'-09''$ East continuing along said southerly highway boundary line a distance of 15.88 feet to a point;

Thence (5) South $88^{\circ}-33'-59''$ East continuing along said southerly highway boundary line a distance of 138.22 to a point;

Thence (6) South $01^{\circ}-16'-02''$ West along the west line of Lot 1 of the Church of the Holy Family Subdivision (Liber 338 of Maps, Page 12) a distance of 100.39 feet to a point;

Thence (7) North $88^{\circ}-12'-56''$ West along said Lot 1 a distance of 59.91 feet to a point;

Thence (8) South $01^{\circ}-38'-04''$ West along said Lot 1 a distance of 58.45 feet to a point;

Thence (9) North $88^{\circ}-21'-56''$ West along said Lot 1 a distance of 33.05 feet to a point;

Thence (10) South $01^{\circ}-08'-07''$ West along said Lot 1 a distance of 118.48 feet to the point or place of beginning.

Andrews Street Facility:

305 Andrews Street, City of Rochester - Tax Map No. 106.80-01-001:

All that tract or parcel of land designated as Parcel W, being Lot 82 and a portion of Lots 80, 81, 83, 84 and 85 of the Atwater and Andrews Tract and also being Lots 109 and 110 and a portion of Lots 108, 128 and 129 of the Franklin Tract situate in the City of Rochester, County of Monroe, State of New

York and described as follows:

Beginning at the intersection of the northeasterly right-of-way line of Pleasant Street (Formerly Franklin Street) (66 foot wide unimproved right-of-way) with the division line between property now or formerly of Red Front Plaza, LLC (Tax map no. 106.79-01-026.3) on the northwest and property of The People of the State of New York (Tax map no. 106.80-01-001) on the southeast;

1. thence North 36° 28' 11" East, along said division line, a distance of 75.00 feet to the southwest corner of property now or formerly of BCA Properties (Tax map no. 106.79-01-025);
2. thence North 60° 26' 44" East, along the southeasterly line of said property of BCA Properties, a distance of 59.62 feet to the southeast corner of said property of BCA Properties;
3. thence North 17° 02' 30" West, along the east line of said property of BCA Properties, a distance of 81.46 feet to the south right-of-way line of Andrews Street (60 foot wide right-of-way);
4. thence North 73° 02' 51" East, along said south right-of-way line, a distance of 150.41 feet to the west line of property now or formerly of G. Thomas Slattery (Tax map no. 106.80-01-002);
5. thence South 16° 57' 07" East, along said west line and west lines of properties now or formerly of the City of Rochester (Tax map nos. 106.80-01-025.1 & 106.80-01-044.2), a distance of 320.73 feet to the north line of said property of the City of Rochester (Tax map no. 106.80-01-044.2);
6. thence South 73° 02' 53" West, along said north line, a distance of 133.22 feet to a point in the northeasterly right-of-way line of Pleasant Street, said point being the southerly-most corner of other property now or formerly of The People of the State of New York (Tax map no. 106.80-01-045);
7. thence North 36° 19' 11" East, along the southeasterly line of said other property of The People of the State of New York, a distance of 70.00 feet to the northeasterly line of said other property of The People of the State of New York (Tax map no. 106.80-01-045);
8. thence North 53° 40' 49" West, along said northeasterly line, a distance of 74.00 feet to the northwesterly line of said other property of The People of the State of New York;
9. thence South 36° 19' 11" West, along said northwesterly line, a distance of 70.00 feet to the northeasterly right-of-way line of Pleasant Street;
10. thence North 53° 40' 49" West, along said northeasterly right-of-way line, a distance of 152.54 feet to the point of beginning.

All bearings are referenced to Grid North in the Rochester City Survey System.

St. Jacob Street Facility:

85 St. Jacob St., City of Rochester – Tax Map No. 106.26-3-17.001

All that tract or parcel of land known as Lots 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53 and 54 of Section E of the Saint Jacobs Tract Amended (Ref.: Liber 8 of Maps, page 39), situate in Lot No. 45 in Township No. 14, Range 7, City of Rochester, County of Monroe, State of New York and more particularly described as follows:

Beginning at the intersection of the south right-of-way line of St. Jacob Street (50 foot wide right-of-way) with the west right-of-way line of Carter Street (49.5 foot wide right-of-way);

1. thence South 03° 20' 38" East, along said west right-of-way line of Carter Street, a distance of 230.37 feet to the north right-of-way line of Bernard Street (50 foot wide right-of-way);
2. thence South 87° 46' 57" West, along said north right-of-way line of Bernard Street, a distance of 383.78 feet to the east line of the now or former Maria L. Ortiz property (Tax map no. 106.26-03-075);
3. thence North 03° 26' 03" West, along east line, a distance of 115.23 feet to the northeast corner of said Maria L. Ortiz property;
4. thence South 87° 47' 38" West, along the north line of said Maria L. Ortiz property, a distance of 37.04 feet to the southeast corner of the now or former of James E. Heyman property (Tax map no. 106.26-03-014);
5. thence North 03° 26' 03" West, along the east line of said James E. Heyman property, a distance of 115.14 feet to the south right-of-way line of St. Jacob Street (50 foot wide right-of-way);
6. thence North 87° 46' 57" East, along said south right-of-way line, a distance of 421.18 to the point of beginning.

75-77 Carter Street, City of Rochester – Tax Map No. 106.26-3-18

All that tract or parcel of land known as Lot 44 of Section F of the Saint Jacobs Tract Amended (Ref.: Liber 8 of Maps, page 39), situate in Lot No. 45 in Township No. 14, Range 7, City of Rochester, County of Monroe, State of New York and more particularly described as follows:

Beginning at the intersection of the south right-of-way line of Bernard Street (50 foot wide right-of-way) with the west right-of-way line of Carter Street (49.5 foot wide right-of-way);

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| | <ol style="list-style-type: none">1. thence South 03° 20' 38" East, along said west right-of-way line of Carter Street, a distance of 41.00 feet to the north line of the now or former Rebecca L. Hightower property (Tax map no. 106.26-03-019);2. thence South 87° 46' 57" West, along said north line, a distance of 121.65 feet to the east line of the now or former Joshua S. Gibbs property (Tax map no. 106.26-03-073);3. thence North 03° 26' 03" West, along said east, a distance of 41.00 feet to the south right-of-way line of Bernard Street (50 foot wide right-of-way);4. thence North 87° 46' 57" East, along said south right-of-way line, a distance of 121.71 feet to the point of beginning. |
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All bearings are referenced to Grid North in the Rochester City Survey System.

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APPENDIX E

SUMMARY OF LEASES

The following is a brief summary of certain provisions of the Leases that are not described in the Limited Offering Memorandum to which this Appendix is attached. This Summary does not purport to be comprehensive and reference should be made to such Leases for a full and complete statement of their provisions. The form of Lease is available upon request from the Underwriter.

1. <u>Landlords:</u>	<ul style="list-style-type: none">• As to the Mark Street Facility, TRUE NORTH ROCHESTER MARK STREET, LLC, a New York limited liability company• As to the Chili Avenue Facility, ROCHESTER CHILI AVENUE, LLC, a New York limited liability company• As to the Ames Street Facility, TRUE NORTH ROCHESTER REAL ESTATE AMES STREET, LLC, a New York limited liability company• As to the Andrews Street Facility, TRUE NORTH ANDREWS STREET, LLC, a New York limited liability company• As to the St. Jacob Street Facility, TRUE NORTH ST. JACOB STREET, LLC, a New York limited liability company
2. <u>Tenant:</u>	As to all Facilities, TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL , a New York education corporation
3. <u>Permitted Use:</u>	<p>Each Facility may be used for any purpose that is in full compliance with all laws, rules, orders, ordinances, regulations and requirements of all governmental agencies, offices and boards having jurisdiction, and in full compliance with the rules, regulations and requirements of the applicable fire rating bureau and of any similar body, as long as such use or occupancy of the Facility, in whole or in part, is not in a manner which would in any way:</p> <ol style="list-style-type: none">1. be likely to cause structural or other injury to any building on the Facility;2. violate any certificate of occupancy affecting the Facility;3. make void or voidable or materially increase the cost of any insurance then in force with respect to the Facility; however, Tenant shall be allowed to make alterations or improvements to the Facility that may increase the cost of insurance, provided that such alterations or improvements are normal and customary for a school;4. make it impossible to obtain or increase the cost of fire or other insurance required to be furnished by Tenant;

	<p>5. cause injury or damage to the improvements on any part of the Facility;</p> <p>6. constitute a public or private nuisance;</p> <p>7. cause the interest on any Bonds issued as exempt from federal taxation under the Code to become subject to federal income taxation;</p> <p>8. cause income of Tenant to become subject to federal income taxation, except for <i>de minimis</i> unrelated business income subject to taxation under Section 511 of the Code to the extent such unrelated business income will not (I) jeopardize its status as an organization described under Section 501(c)(3) of the Code, or (II) adversely impact the exclusion from gross income for federal income tax purposes of interest on the Bonds;</p> <p>9. cause the Tenant to lose its status as an organization described under Section 501(c)(3) of the Code; or</p> <p>10. violate any present or future law, regulation, or requirement of any governmental, public or quasi-public authorities at any time having jurisdiction over the Facility.</p> <p>[Section 5.3]</p>
<p>4. <u>Term:</u></p>	<p>July 1, 2020 to June 30, 2060. In addition, the Tenant shall have the option (each an “Extension Option”) to extend the Term by two (2) extension terms of five (5) years each. Until such time as the Landlord confirms to Tenant in writing that the Bonds have been fully defeased or satisfied, the Tenant shall exercise any available Extension Option.</p> <p>[Section 2.1]</p>
<p>5. <u>Special Options/Rights:</u></p>	<p><u>Early Termination:</u></p> <p>In additional to Tenant’s termination rights explained below with respect to a Casualty or Condemnation, Tenant’s rights under the Leases and obligations to pay rent shall automatically terminate if, and only after, (i) all of Tenant’s then-existing Charters granted by the State University of New York to operate a charter school are terminated, revoked, not renewed or otherwise involuntarily surrendered, following exhaustion of any applicable rights of appeal by Tenant, and Tenant has not otherwise received authorization to operate a charter school in the Facility, <u>and</u> (ii) the Tenant shall have included as ascertainable debts in its petition to the Supreme Court of New York seeking distribution of its assets pursuant to Section 220 of the New York Education Law all of its remaining obligations to pay rent under the Lease to the Landlord, <u>and</u> (iii) all of the Facility and other assets of the Tenant shall have been distributed by order of the Supreme Court of New York pursuant to Section 220 of the New York Education Law.</p> <p>[Section 2.2]</p>

	<p><u>Expansion</u>: None.</p>
	<p><u>Contraction</u>: None.</p>
	<p><u>Relocation</u>: None.</p>
	<p><u>Rent Abatement</u>:</p> <p>If due to a Casualty all or a material portion of the Facility is rendered untenable and Tenant in fact ceases use of the untenable portion of the Facility, then the obligation of Tenant to pay rent under the applicable Lease shall be abated during the period during which the Facility is untenable based on the proportion of the Facility that is untenable. Except as set forth in the preceding sentence, no provision of the Leases shall be construed to entitle Tenant to any abatement, allowance, reduction or suspension of rent. During the period of such abatement, any proceeds of business interruption insurance received by Tenant shall be applied to the payment of rent and any other obligations of Tenant under the Leases.</p> <p>[Section 9.3]</p>
	<p><u>Tenant Purchase Option</u>:</p> <p>Provided no Event of Default beyond any applicable notice and cure period is occurring hereunder as of the date on which Tenant gives the Election Notice (as hereinafter defined) or as of the Purchase Date (as hereinafter defined) and the first call date of the Bonds has occurred, Tenant shall have the right to purchase the Facility upon written notice to Landlord (an "Election Notice"), subject to the requirement that prior to or simultaneous with such acquisition of the Facility, either,</p> <p>(a) (i) (A) all of the Bonds outstanding have been redeemed or considered legally defeased, and (ii) all obligations of the Landlord (or other borrower under any related loan agreement) related to the issuance and funding of the Bonds be satisfied in full, and (B) there shall be delivered the Landlord and the Issuer an opinion of Nationally Recognized Bond Counsel (meaning an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America) reasonably acceptable to the Issuer to the effect that the acquisition of the Facility together with the redemption or defeasance of the Bonds will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes; or</p> <p>(b) subject to the written confirmation of the Trustee that the Tenant has fully satisfied requirements (i), (ii) and (iii) of this paragraph, which confirmation shall be in the sole and commercially reasonable discretion</p>

of the Trustee, and which shall be given provided the Tenant satisfies the following, the Tenant: (i) provide a certificate evidencing (A) that in the opinion of a licensed appraiser, the aggregate fair market value of the remaining real property collateral under the Security Documents, following the proposed purchase, shall equal or exceed the remaining outstanding amount of the Bonds, giving effect to any defeasance or prepayment of Bonds to be made in connection with such purchase from (1) the Purchase Price (as defined below), and (2) any additional funds that may be contributed by the Tenant to satisfy the requirement in this subsection (A); and (B) confirmation by any Rating Agency then rating the Bonds that following such purchase, the existing rating on the Bonds shall not be adversely affected; (ii) establish that, in the opinion of Nationally Recognized Bond Counsel (meaning an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America) reasonably acceptable to the Issuer, the acquisition of the Facility will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes; and (iii) pay the Purchase Price for the Facility.

The Election Notice shall set forth the date on which Tenant desires to purchase the Facility (the “Purchase Date”), which Purchase Date shall be at least sixty (60) days after the date of the Election Notice, and the Purchase Date shall be on or after the first call date of the Bonds. The giving of any such Election Notice by Tenant shall constitute an irrevocable agreement by Tenant to purchase the Facility for the Purchase Price (as hereinafter defined) in accordance with the provisions of Article 23 of the Lease on the Purchase Date. Notwithstanding the exercise of such purchase option, the Lease shall remain in full force and effect and Tenant shall remain liable and shall continue to perform all obligations hereunder until the closing of title.

As used in the Lease, the term “Purchase Price” means, (A) with respect to subsection (a) above (i) the aggregate outstanding principal amount of, and accrued and unpaid interest on the Bonds (to the first available date that such Bonds may be redeemed), under all Security Documents as of the date Tenant sends the Election Notice and (ii) all costs and expenses incurred by Landlord (including, without limitation, reasonable attorneys’ fees and expenses) in connection with the conveyance of the Facility to Tenant and the in-whole redemption of the Bonds; and (B) with respect to subsection (b) above (i) an amount (as evidenced in a verification from an independent certified public accountant or firm of independent certified public accountants, in each case reasonably satisfactory to the Issuer and the Trustee) equal to eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds as defined in the Indenture (determined to be 2.933052%) and (ii) all costs and expenses incurred by Landlord (including, without limitation, reasonable attorneys’ fees and expenses) in connection with the conveyance of the Facility to Tenant and the redemption in part of the Bonds. With respect to subsection (B) of the Purchase Price, it is the parties’ intention and understanding that the prescribed calculation is designed to generate a Purchase Price roughly equivalent to the remaining principal amount of the then-

	<p>outstanding Bonds allocated on an Bond proceed funding basis to the Facility.</p> <p>[Section 23.1]</p>
<p>6. <u>Rent:</u></p>	<p><u>Basic and Additional Rent:</u></p> <p>Beginning on the closing date, Tenant is obligated to jointly and severally pay rent at the rate of 115% of the debt service owed on the Bonds as Basic Rent. All sums, charges, costs and expenses which Tenant assumes or agrees to pay pursuant to the Leases (other than Basic Rent) is Additional Rent. All rent is due to be paid in advance on the first day of each month.</p> <p>[Section 3.1]</p> <p><u>Utilities:</u></p> <p>Tenant is required to make its own arrangements for all utilities at each Facility. Landlord is not be responsible to furnish any utilities or services to any Facility, and is not liable for any interruption or failure or defect in the supply or character of any such utility or service.</p> <p>[Sections 6.1 and 6.2]</p> <p><u>Taxes:</u></p> <p>Tenant is responsible for payment of all taxes, including real estate taxes and use and occupancy taxes.</p> <p>[Sections 4.1 and 4.2]</p>
<p>7. <u>Guaranty:</u></p>	<p>None.</p>
<p>8. <u>Repair Obligations:</u></p>	<p><u>Tenant:</u></p> <p>Tenant shall repair and maintain the structural and non-structural, interior and exterior portions of the Facility, including the roof, walls, foundation, plumbing, electrical and HVAC systems and parking areas, at Tenant's expense.</p> <p>[Section 5.1]</p> <hr/> <p><u>Landlord:</u></p> <p>Landlord has no obligation to perform any repairs, maintenance or replacements.</p> <p>[Section 5.2(a)]</p>

	<p>If Tenant fails to undertake necessary repairs within 30 days following receipt of notice from Landlord, Landlord has the right to require Tenant, at Tenant’s sole cost and expense, to procure and maintain in full force, effect and good standing, a contract for the performance of Tenant’s service, maintenance, repair and replacement obligations.</p> <p>[Section 5.2(b)]</p>
<p>9. <u>Construction Obligations/Alterations:</u></p>	<p>Except with respect to the Mark Street Facility (as set forth below), Tenant accepts each Facility under the Leases in “as is” condition, without any representation or warranty, expressed or implied, in fact or by law, by Landlord and without recourse to Landlord, as to the nature, condition (including latent defects) or usability thereof or the use or uses to which the Facility or any part thereof may be put.</p> <p>[Section 5.1]</p> <p>Tenant may make alterations, additions or improvements in or to the Facility, subject to obtaining the consent of Landlord, which consent is not required with respect to interior, non-structural alterations, additions or improvements having an aggregate cost not to exceed \$50,000.00 per alteration, so long as the same do not affect, alter, interfere with or disrupt any of the electrical, mechanical, plumbing or other system of the Facility, do not affect the outside appearance of any Building, do not affect the roof of any Building, do not affect the ingress to or egress from the Facility and do not affect any structural element of any Building.</p> <p>[Section 5.6]</p> <p><u>Mark Street Facility Construction:</u></p> <p>With respect to the Mark Street Facility only, Landlord is required to complete construction of the Mark Street Project (“Landlord’s Work”), which work shall be completed in a good and workmanlike manner, in accordance with applicable legal requirements, and in material accordance with the plans and specifications relating to same.</p> <p>[Section 2.3]</p> <p>Tenant expressly acknowledges that the Mark Street Facility has not been constructed and that Tenant is unable to occupy the Facility as of the commencement date of the Lease, despite that rent will be due, and will not be able to occupy the Facility until the date of substantial completion of the Landlord’s Work.</p> <p>[Sections 2.1 and 5.1]</p>
<p>10. <u>Casualty:</u></p>	<p>If any Facility is destroyed or damaged in whole or in part by reason of fire or by reason of any other causes, similar or dissimilar (a “Casualty”), Landlord is required to expend all insurance proceeds received by it and/or the Tenant plus</p>

the amount of any applicable deductible (the "Net Proceeds") to promptly and diligently rebuild, replace, repair or restore any Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function.

[Section 9.1]

All insurance money collected by Landlord or Tenant from any policy of insurance maintained pursuant to the provisions of the Lease on account of such Casualty, less the cost, if any, incurred in connection with the adjustment of the loss and the collection thereof (in the Lease, sometimes referred to as the "insurance proceeds") shall be held by Trustee (or, if required by the terms of any loan documents to which Landlord is a party, by Landlord's mortgagee) and shall be applied to the payment of the cost of re-building. Notwithstanding the foregoing, any insurance proceeds derived from policies covering Tenant's personal property shall be paid to Tenant. Any remaining balance of the insurance proceeds, after restoration of the damage or destruction caused by the Casualty shall be the property of the Landlord.

[Section 9.2]

If due to a Casualty all or a material portion of the Facility is rendered untenable and Tenant in fact ceases use of the untenable portion of the Facility, then the obligation of Tenant to pay rent hereunder shall be abated during the period during which the Facility is untenable based on the proportion of the Facility that is untenable. Except as set forth in the preceding sentence, no provision of Article 9 of the Lease shall be construed to entitle Tenant to any abatement, allowance, reduction or suspension of rent. During the period of such abatement, any proceeds of business interruption insurance received by Tenant, as required hereunder or otherwise, shall be applied to the payment of Basic Rent, Additional Rent and any other obligations of Tenant hereunder.

[Section 9.3]

(a) Except as set forth below, Landlord shall be required to expend the insurance proceeds received by it and/or the Tenant plus the amount of any applicable deductible (the "Net Proceeds") to promptly and diligently rebuild, replace, repair or restore the Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function, and Landlord shall not by reason of payment of any costs in excess of the Net Proceeds be entitled to any reimbursement from Tenant. If due to a Casualty and as evidenced by a report of a Facilities Consultant, (i) the Facility is rendered no longer tenantable and (ii) either (a) the Landlord would be unable rebuild, replace, repair or restore the Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function, within twenty-four (24) months of the Casualty and/or (b) (1) the Net Proceeds would be insufficient to diligently rebuild, replace, repair or restore the Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function and (2) the Landlord is unwilling or unable to contribute excess funds to complete the repairs, then Landlord or Tenant shall have the right to terminate

the Lease as of the date of such Casualty. "Facilities Consultant" means a Person mutually agreed upon by Landlord and Tenant and retained by the Landlord or, in the event Landlord fails to retain a Facilities Consultant within thirty (30) days after the date of a Casualty, the Tenant, that (x) does not have any direct financial interest or any material indirect financial interest in the Landlord, the Tenant or Uncommon, or any affiliate of any of them, as applicable, and (y) is not connected with the Landlord, the Tenant or Uncommon, or any affiliate of either, as applicable, as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and (z) is qualified to pass upon questions relating to the acquisition, construction, repair and renovation of facilities of the type or types operated by the Tenant, such as the Facility, and has a favorable reputation for skill and experience in such matters.

Landlord or Tenant may exercise the right to terminate the Lease pursuant to Section 9.4(a) of the Lease only (i) prior to expenditure of any Net Proceeds, and (ii) if notice of such termination shall be sent to the other party within thirty (30) days after receipt of the report by such party of the Facilities Consultant described in the preceding paragraph. Failure to transmit such notice within this timeframe shall be deemed an express waiver of the right to terminate the Lease pursuant to Section 9.4(a). For purposes of clarity, neither Landlord nor Tenant shall be permitted to expend any Net Proceeds until the earlier of (a) actual receipt of the report of the Facilities Consultant by both the Landlord and the Tenant establishing that no termination right exists under Section 9.4(a) of the Lease, (b) thirty (30) days after actual receipt of the report by both the Landlord and the Tenant of the Facilities Consultant described in the preceding paragraph or (c) both Tenant and Landlord have confirmed they will not exercise their termination rights under Section 9.4(a). Should Landlord or Trustee expend any Net Proceeds prior to the conditions of (a), (b) or (c) of the preceding sentence having been satisfied, such expenditure shall not be considered an "expenditure of any Net Proceeds" for purposes of clause (i) of this paragraph extinguishing the Tenant's right to termination hereunder.

Notwithstanding any other provision of the Lease, in the event the Lease is to be terminated pursuant to Section 9.4(a), all Net Proceeds shall be paid to the Trustee.

(b) In addition to the termination right set forth in Section 9.4(a) of the Lease, Landlord or Tenant shall have the right to terminate the Lease pursuant to Section 9.4(b) of the Lease in the event that:

(i) the Net Proceeds are not adequate to rebuild, replace, repair or restore the Facility to substantially its condition prior to such Casualty, or to a condition of at least equivalent value, operating efficiency and function, within twenty-four (24) months of the Casualty as determined by the report of the Facilities Consultant described in Section 9.4(a), and

(ii) the Net Proceeds are in an amount sufficient to satisfy

an amount (as evidenced in a verification from an independent certified public accountant or firm of independent certified public accountants, in each case reasonably satisfactory to the Issuer and the Trustee) equal to eighty-seven and one quarter percent (87.25%) of the remaining Basic Rent due under the Lease, discounted to present value, as of the date of such purchase, at the Yield on the Bonds as defined in the Indenture (determined to be 2.933052%), as confirmed by the Trustee in writing, and

- (iii) the Trustee, after confirming that the requirements set forth in subparagraphs (i) and (ii) have been met, elects to retain the insurance proceeds.

Should Landlord or Tenant exercise the right to terminate the Lease pursuant to Section 9.4(b), and provided the provisions of subparagraphs (i) through (iii) above are met, notice of such termination shall be sent to the other party within sixty (60) days after the amount of Net Proceeds is ascertained by each party, or after the date on which the Landlord notifies Tenant that the Trustee has elected to retain the insurance proceeds and not to build or repair the Facility that was subject to such damage or destruction, whichever the case may be. Failure to transmit such notice within this timeframe shall be deemed an express waiver of the right to terminate the Lease pursuant to Section 9.4(b).

(c) If Landlord or Tenant exercise its right to terminate the Lease pursuant to Section 9.4, the Lease shall cease, terminate and expire, and all Basic Rent and Additional Rent shall be prorated, as of the date of such damage or destruction. If Landlord or Tenant exercises its right to terminate the Lease pursuant to Section 9.4, then Landlord shall have the right, with consent of the Trustee, to demolish the improvements on the Facility and/or perform such work as Landlord determines is necessary to render the Facility in a safe condition or as may be required by applicable law (collectively, "Landlord's Casualty Work"). If after Landlord pays all of the costs and expenses incurred by Landlord in connection with Landlord's Casualty Work, pays all outstanding carrying costs relating to the Facility (including, without limitation, insurance premiums, operating expenses and taxes) which are not payable by Tenant pursuant to the Lease, provides the Net Proceeds to Trustee for purchase of the requisite amount of then-outstanding Bonds due to be redeemed or defeased under the Indenture following an election of termination under either Section 9.4(a) or Section 9.4(b) and creates a reasonable reserve for such carrying costs which may become due and payable after the termination of the Lease (the aggregate amount of the foregoing is referred to in the Lease as "Landlord's Casualty Expenses"), then Landlord shall either (in Landlord's sole discretion) (x) pay to Tenant the Excess Insurance Proceeds (as defined below), or (y) transfer the Excess Insurance Proceeds to an affiliate of Landlord to be used by such affiliate to make improvements to another property leased to Tenant by Landlord or such affiliate of Landlord. Landlord agrees to provide to Tenant reasonably detailed evidence of Landlord's Casualty Expenses and the Excess Insurance Proceeds within thirty (30) days after the later of the date the

	<p>Lease is terminated pursuant to Section 9.4 thereof or the date of Tenant’s request therefor. As used in the Lease, the term “Excess Insurance Proceeds” means the difference between all insurance proceeds actually received by Landlord in connection with a casualty affecting the Facility (for the avoidance of doubt, this amount shall not include any insurance proceeds which are taken by the holder of any mortgage or ground lease encumbering the Facility) and Landlord’s Casualty Expenses.</p> <p>[Section 9.4]</p>
<p>11. <u>Condemnation:</u></p>	<p>If the entire or a substantial portion of the Facility shall be taken (which shall include the sale of the Facility under threat of the exercise of the power of eminent domain or condemnation) under the exercise of the power of eminent domain or condemnation by any governmental authority, and, as evidenced by a report of a Facilities Consultant mutually agreed upon by Landlord and Tenant and retained by the Landlord or, in the event Landlord fails to retain a Facilities Consultant within thirty (30) days after the date of notice of such condemnation, the Tenant, (i) the Facility is rendered no longer suitable for Tenant’s use and (ii) the Landlord cannot rebuild, replace, repair or restore the Facility to substantially its condition prior to such casualty, or to a condition of at least equivalent value, operating efficiency and function, within twenty-four (24) months of such taking, then Landlord or Tenant shall have the right to terminate the Lease as of the date of receipt of the report of the Facilities Consultant. In that event, the rent due hereunder shall be apportioned as of the date of such taking and any balance of the prepaid rent not theretofore applied towards the payment of accrued installments of rent in accordance with the provisions of the Lease shall be repaid to the Tenant. Notwithstanding any other provision in Article 10 of the Lease, until such time as the Landlord confirms to Tenant in writing that the Bonds have been fully defeased or redeemed, any and all award received by Landlord or Tenant in connection with any partial or complete taking of the Facility shall be paid to the Trustee. Landlord or Tenant may exercise the right to terminate the Lease pursuant to Section 10.1 of the Lease only if notice of such termination shall be sent to the other party within thirty (30) days after receipt of the report of the Facilities Consultant described in the Lease. Failure to transmit such notice within this timeframe shall be deemed an express waiver of the right to terminate the Lease pursuant to Section 10.1 thereof.</p> <p>[Section 10.1]</p> <p>If less than the entire or a substantial portion of the Facility shall be taken under the exercise of the power of eminent domain or condemnation, other than a partial taking as set forth in Section 10.1, and Tenant does not or cannot exercise its termination right under Section 10.1, Tenant shall, to the extent any net award is available from such partial taking for restoration, promptly and diligently make such repairs or restorations as may be necessary to fully restore the remaining portion of the Facility to a condition as good as that prior to the taking. Landlord shall reimburse Tenant for the actual out-of-pocket costs and expenses paid by Tenant to restore the Facility; provided, Landlord shall not be obligated to reimburse Tenant for any amount in excess of the condemnation</p>

	<p>proceeds actually paid to Landlord, and provided further, that Tenant shall not be required or obligated to spend any amount in excess of the condemnation proceeds actually paid to Landlord. For purposes of clarity, should Tenant exercise its termination right under Section 10.1, then the Tenant is not entitled to any reimbursement or payment from the condemnation proceeds. To the extent any condemnation proceeds are applied to pay any principal amount on the Bonds, the Basic Rent shall be reduced accordingly.</p> <p>[Section 10.2]</p> <p>In the event of any taking, whether total or partial, Tenant shall have no claim in or to any award (whether for damages, the value of the unexpired term of the Lease or otherwise) for or with respect to such taking, except to the extent that the proceeds of any partial taking are received by Tenant from Landlord for any restoration of the Facility as set forth in Section 10.2. Tenant hereby expressly assigns any and all of its right, title and interest in or to such awards or any part thereof, to Trustee, which award shall be applied as required by the Trustee under any governing documents related to the Bonds, including the Trust Indenture, and then (i) first, to reimburse Tenant for the cost to restore the Facility pursuant to Section 10.2, and (ii) second, to reduce the principal amount of debt encumbering the Facility secured by a mortgage which may be prepaid without any prepayment or other premium. Tenant shall have no claim against Landlord relating to such taking; provided, however, that Tenant shall have the right to make a claim for Tenant’s moving expenses and personal property.</p> <p>[Section 10.3]</p>
<p>12. <u>Insurance:</u></p>	<p>Tenant, at its sole cost and expense, and for the mutual benefit of Landlord and Tenant, shall carry and maintain the following types of insurance in the amounts specified:</p> <p>(a) Property insurance covering the personal property, trade fixtures, equipment and other property of every description and kind owned, leased, rented or borrowed by Tenant or for which Tenant is legally liable and located on the property (including, without limitation, furniture and equipment) against loss or damage from such causes of loss as are embraced by insurance policies of the type now known as “All Risks” or “Special Form” property insurance on a replacement cost basis with an agreed value endorsement waiving co-insurance, all in an amount not less than one hundred per cent (100%) of the then full replacement value, without deduction for physical depreciation thereof, or written on blanket insured basis providing equivalent coverage, and having a maximum deductible of \$50,000 per occurrence;</p> <p>(b) Commercial General Liability Insurance insuring Tenant against any liability arising out of the lease, use, occupancy or maintenance of the property and all areas appurtenant thereto. Such insurance shall be in the amounts of not less than \$10,000,000 per occurrence in the aggregate, inclusive of coverage for Sexual Abuse and Molestation, procured in combination of primary and excess liability, with such liability amount to be adjusted from year to year to reflect increases in the Consumer Price Index at the request of Landlord. The policy</p>

shall insure the hazards of the property and Tenant's operations thereon, independent contractors, contractual liability (covering the indemnities contained in the Lease) and shall (1) contain a cross liability provision, and (2) contain a provision that the insurance provided Tenant hereunder shall be primary and non-contributing with any other insurance available to Tenant;

(c) Worker's Compensation and Employer's Liability Insurance (as required by law);

(d) Business/Rent interruption insurance to cover loss, total or partial, of the use of any structures constituting any part of the Facility as the result of any of the hazards covered by the insurance required by (a) above in an amount at least sufficient to pay Basic Rent and Additional Rent for a period of at least 24 months. Tenant agrees to deposit or cause the proceeds of such insurance in the amount of at least 24 months of maximum Basic Rent and projected Additional Rent shall to be deposited with the Trustee; and

(e) Such other insurance, and in such amounts, as may from time to time be reasonably required by Landlord against other insurable hazards which at the time are commonly insured against in the case of Facility similarly situated or which may be required by any mortgagee holding a first lien on the Facility (or any portion thereof).

[Section 8.1]

During the Term, Landlord shall carry and maintain property insurance covering the Facility (including all the buildings and all improvements located thereon) against loss or damage from such causes of loss as are embraced by insurance policies of the type now known as "All Risks" or "Special" property insurance on a replacement cost basis with an agreed value endorsement waiving co-insurance, all in an amount not less than one hundred per cent (100%) of the then full replacement value, without deduction for physical depreciation thereof, or equivalent coverage provided on a blanket portfolio basis, subject to standard sublimits.

[Section 8.2]

The insurance required to be maintained by the Tenant pursuant to (a), (d) and (e) above shall name the Landlord, Trustee and any other party as Landlord shall reasonably request as an additional insured. To the extent that the Landlord or an affiliate provides or procures any of the insurance required by (a) above, then within thirty (30) days after request by Landlord, Tenant shall reimburse Landlord, as Additional Rent, for all costs and expenses incurred by Landlord and/or its affiliate in connection with purchasing and/or maintaining such insurance. The insurance required to be maintained by Landlord shall name Tenant and any other party as Tenant shall reasonably request as an additional insured.

[Section 8.2]

All insurance required by the Lease to be procured and maintained by Tenant shall be effected under valid, enforceable policies issued by insurance

companies authorized to issue said insurance in the State of New York with a minimum rating of A-/VII by AM Best Company, and such policies shall be reasonably acceptable in form and content to Landlord. Prior to the expiration of any insurance policy required to be maintained hereunder by Tenant, Tenant shall furnish Landlord with the appropriate proofs of the pending issuance of a policy continuing in force the insurance covered by the policy so expiring, with original or certified copies of each renewal policy being delivered to Landlord promptly following the actual issuance thereof.

[Section 8.3]

The insurance required to be maintained by Tenant shall name Landlord, Trustee and any other party as Landlord shall request as an additional insured, and shall also include a contractual liability endorsement evidencing coverage of Tenant's obligation to indemnify Landlord pursuant to the Lease. All insurance policies required to be maintained by Tenant shall be reasonably satisfactory to Landlord and shall provide that thirty (30) days' prior written notice of suspension, cancellation, termination, modification, non-renewal or lapse or material change of coverage shall be given to Landlord and Trustee and that such insurance shall not be invalidated by any change in the title or ownership of the Facility. Additionally, Landlord shall have the right to review annually the adequacy of the insurance coverage required by the Lease and require reasonable adjustments thereto (e.g., requiring increases in replacement value coverages or amount required to fulfill obligation to insure maximum Basic Rent and projected Additional Rent, provided such adjustments are normal and customary insurance requirements to be maintained by a school which has issued publicly-offered charter school bonds and similar in location, size and scope as Tenant).

[Section 8.4]

If Tenant fails to timely procure any insurance required hereunder (and such failure continues for ten (10) days after Landlord's notice to Tenant of such failure), Landlord, at its option, shall have the right to procure the insurance required by Section 8.1, in which event Tenant shall reimburse Landlord for the cost thereof within thirty (30) days.

[Section 8.6]

<p>13. <u>Assignment/ Subletting:</u></p>	<p>Tenant shall not assign, mortgage, pledge, encumber or in any manner transfer any Lease, or any part thereof or interest therein.</p> <p>[Section 11.1]</p> <p>Tenant shall not sublease all or substantially all of the Facility subject to the Lease, or allow others to use or occupy all or substantially all of the same, without obtaining the prior written consent of Landlord (which shall not be unreasonably withheld, conditioned or delayed), provided, that the following conditions are satisfied by Tenant prior to entering into such sublease:</p> <p>(a) The Tenant shall remain primarily liable to the Landlord for the payment of all Rent payments and for the full performance of all terms of the Lease; and</p> <p>(b) an opinion of Nationally Recognized Bond Counsel reasonably acceptable to the Issuer shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such sublease shall not affect the exclusion of the interest on any Bonds then outstanding from gross income for federal income tax purposes; and</p> <p>(c) confirmation by any Rating Agency then rating the Bonds that following such sublease, the existing rating on the Bonds shall not be adversely affected.</p> <p>[Section 11.5]</p> <p>Notwithstanding the provisions of Section 11.5, Tenant has the right without Landlord’s consent to sublease portions of the Facility pursuant to any Excluded Use Agreement, but only to the extent that such Excluded Use Agreement does not materially interfere with the Tenant’s operation of the Schools or the Facility. “Excluded Use Agreement” means (i) any arrangement pursuant to a lease, license or other use or occupancy agreement with the Tenant, pursuant to which the Tenant permits (provided such action is in compliance with the Issuer’s Tax Compliance Agreement for the Bonds) the use or other occupancy of a portion of the Facility by a public school, any agency or instrumentality of local government or any organization which is recognized by Section 501(c)(3) of the Code, and which will use or occupy such portion of the Facility for an activity which is not an unrelated trade or business, within the meaning of Section 513 of the Code, with respect to such occupant and the Tenant, as applicable and which (ii) is for a term not greater than one hundred (100) days, such period determined by aggregating the total number of days of use contemplated by the applicable agreement.</p> <p>[Section 11.6]</p>
<p>14. <u>Subordination & Estoppel:</u></p>	<p><u>Subordination and SNDA:</u></p> <p>Each Lease is automatically subordinate without the necessity of any further instrument to (a) the lien of any mortgage or deed of trust which may now exist</p>

	<p>or hereafter be executed in any amount for which the Facility, ground leases or underlying leases, or Landlord’s interest or estate in the Facility or of any said items is specified as security and to all increases, renewals, replacements, extension and/or modification of any of the foregoing, and (b) all easements, restrictions and encumbrances of record.</p> <p>[Section 18.1]</p> <p>The subordination of each Lease to any mortgage or deed of trust arising after the date of execution of the Lease is conditioned upon Landlord obtaining a non-disturbance agreement (duly executed and acknowledged) from the holder of the mortgage or deed of trust.</p> <p>[Section 18.2]</p> <p>Tenant shall execute such further instrument evidencing such subordination as may be desired by any mortgagee, subject to non-disturbance of tenant. Any mortgagee that succeeds to Landlord’s interest shall (i) liable for any act, omission or default of any prior landlord; or (ii) subject to any offsets, claims or defenses which Tenant may have against any prior landlord; or (iii) bound by any Basic Rent or Additional Rent which Tenant may have paid to any prior landlord for more than one month in advance; or (iv) bound by any modification, amendment or abridgment of the Lease or any cancellation or surrender of the same made without its prior written approval.</p> <p>[Section 18.4]</p>
	<p><u>Estoppel</u>: Due from Tenant within 10 days after request.</p> <p>[Section 17.1]</p>
<p>15. <u>Default Provisions:</u></p>	<p><u>Tenant Defaults:</u></p> <p>Any of the following events (“Events of Default”) shall constitute a default under the Lease:</p> <ol style="list-style-type: none"> 1. Tenant fails to pay any installment of Basic Rent, Additional Rent or any other sum payable by the Tenant under the Lease to the Landlord or to any other person, firm, entity or governmental body, agency or organization whatsoever, on the day when the same is due and payable, and such failure continues for ten (10) days after written notice is given to Tenant of its failure to timely pay; 2. Tenant fails to perform or observe any covenant, term or condition of the Lease to be performed or observed by Tenant (other than defaults covered by any other subsection of Article 12 of the Lease) and such failure continues for a period of thirty (30) days after the Landlord gives the Tenant written notice specifying such failure; provided, however, if such failure cannot reasonably be cured within said thirty (30) day period and cannot be cured by the payment of money, and if Tenant has diligently begun to cure the default

within said thirty (30) day period, then Tenant shall have a reasonable period of time to cure such failure beyond said thirty (30) day period to effectuate the cure, as long as Tenant continues to diligently prosecute the same.

3. Tenant ceases to do business or there is filed by or against Tenant or any petition (or the like) or any other action is taken by or against Tenant pursuant to or otherwise seeking relief or protection under any federal or state bankruptcy or insolvency law or other law providing for relief of debtors, seeking protection from creditors, or providing for protection of creditors and any such proceeding is not dismissed within thirty (30) days;

4. A receiver, guarantor, trustee, conservator or liquidator is appointed for Tenant or all or a substantial part of Tenant's assets, and any such proceeding is not discharged within thirty (30) days after the commencement thereof;

5. Whenever the Lease or the estate hereby granted or the unexpired balance of the Term would, by operation of law or otherwise, except for this provision, pass to any person, firm or corporation other than Tenant;

6. If Tenant shall cause or permit the Facility to become abandoned for any period of time whatsoever;

7. If Tenant shall default in complying with the provisions of Article XXI of the Lease with respect to the discharge of mechanic's liens, Article XVII of the Lease with respect to estoppel certificates, or Article XVIII of the Lease with respect to subordination, within the times therein provided.

8. If any representation or warranty of Tenant set forth in the Lease or otherwise made to Landlord shall be untrue or incorrect in any material respect.

9. If any liability of Tenant for the payment of borrowed money becomes due or is declared to be due prior to the expressed maturity thereof.

10. If Tenant becomes liable for any obligation pursuant to a guarantee to any third party and fails to cure any default within the applicable notice and cure period.

11. If any material adverse change occurs with respect to the business operations or financial condition of Tenant.

12. If all of Tenant's then existing Charters granted by the State University of New York to operate a charter school are terminated, revoked, not renewed or otherwise involuntarily surrendered, following exhaustion of any applicable rights of appeal by Tenant, and Tenant has not otherwise received authorization to operate a charter school in the Facility, and the Term of the Lease and Tenant's obligations hereunder are not terminated pursuant to Section 2.2 of the Lease.

13. The failure of the Tenant timely to vacate and surrender possession of the Facility upon termination or expiration of the Tenant's right thereto or

expiration or termination of the Lease.

Nothing contained in the Lease shall be construed as limiting or precluding the recovery by Landlord from Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant; provided, however, that, if and to the extent required by applicable law and regulations, notwithstanding anything to the contrary set forth in the Lease.

[Article 12]

Landlord's Default:

Tenant has no right to terminate for a Landlord default. In the event that Landlord defaults or fails to perform or comply with any of Landlord's obligations, covenants, agreements, representations or warranties contained in the Lease, following applicable notice and cure periods, Tenant may cure on behalf of the Landlord, with the actual and reasonable costs to cure to be reimbursed by Landlord either through payment or credit to the next payment owed of Basic Rent.

[Section 13.8]

Landlord's Remedies:

Upon the occurrence of an Event of Default specified in Article XII of the Lease, Landlord may exercise any one or more of the following remedies:

1. Upon the occurrence of an Event of Default, in addition to any other remedies available to Landlord at law or in equity or provided for in the Lease, Landlord shall have the option, upon thirty (30) days' prior notice to Tenant, to terminate the Lease and all rights of Tenant hereunder. In the event that Landlord elects to so terminate the Lease, Landlord may recover from Tenant:

(a) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time Tenant is dispossessed exceeds the amount of rent loss that Tenant proves could have been avoided; plus

(c) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under the Lease or which in the ordinary course of things would be likely to result therefrom.

As used in clauses (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the Prime Rate (as published in The Wall

Street Journal) plus four percent (4%).

2. From and after the occurrence of an Event of Default, Landlord shall also have the right, with or without terminating the Lease, upon notice to Tenant, to re-enter the Facility and remove all persons and property from the Facility; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. No reentry or taking possession of the Facility by Landlord pursuant to Section 13.2 the Lease shall be construed as an election to terminate the Lease unless a written notice of such intention is given to Tenant. No entry or re-entry by Landlord, whether had or taken under summary proceeding or otherwise, shall absolve or discharge Tenant from any liability hereunder.

3. In the event that Landlord shall elect to re-enter as provided in Section 13.2 the Lease or shall take possession of the Facility pursuant to legal proceedings or pursuant to any notice provided by law, then if Landlord does not elect to terminate the Lease as provided above, Landlord may, from time to time and without terminating the Lease, either recover all rent (which shall be deemed to include all Basic Rent, Additional Rent, and other payments and charges to the extent permitted by the Lease and required to be made by Tenant hereunder), as it becomes due or re-let the Facility or any part thereof on terms and conditions as Landlord in its sole discretion may deem advisable for the whole or any part of the remainder of the Term or for a longer period, in Landlord's name, or as agent of Tenant, and in connection therewith, Landlord may make repairs or alterations to the Facility in such manner as Landlord may deem necessary or advisable.

4. In the event Landlord shall, pursuant to Section 13.3, elect to so re-let, the rents received by Landlord from such re-letting shall be applied: first to the cost and expenses of re-taking, repossessing, repairing and/or altering the Facility and the expense of removing all persons and property therefrom; second, to the costs and expenses incurred in securing any new tenant or tenants; and third, to the payment of rent due and unpaid hereunder and the residue, if any, shall be held by Landlord and applied to payment of future rent as the same may become due and payable. Should that portion of such rents received from such re-letting during any month, which is applied to the payment of rent hereunder, be less than the rent payable during the month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Such deficiency shall be calculated and paid, monthly. Tenant shall also pay to Landlord, as soon as ascertained, any reasonable costs and expenses incurred by Landlord in re-letting or in making such alterations and repairs not covered by the rents received from such re-letting. Suit or suits for the recovery of such deficiency or damage, or for a sum equal to any installment or installments of rent, may be brought by Landlord from time to time at Landlord's election and nothing in the Lease contained shall be deemed to require Landlord to await the date on which the Lease or the Term of the Lease would have expired by limitation had there been no such default by Tenant.

5. All rights, options and remedies of Landlord contained in the Lease shall be construed and held to be cumulative, and no one of them shall be

	<p>exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in the Lease. No waiver of any default of Tenant hereunder shall be implied from any acceptance by Landlord of any rent or other payments due hereunder or any omission by Landlord to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect defaults other than as specified in said waiver. The consent or approval of Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant.</p> <p>6. The Tenant shall be liable for all costs, charges and expenses, including reasonable attorney's fees and disbursements, incurred by the Landlord by reason of the occurrence of any Event of Default or the exercise of the Landlord's remedies with respect thereto.</p> <p>7. Tenant, for Tenant, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, does hereby waive and surrender all rights and privileges which they or any of them might have under or by reason of any present or future law, to redeem the Facility or to have a continuance of the Lease for the term hereby demised after being dispossessed or ejected therefrom by process of law or after the termination of the Lease as herein provided.</p> <p>[Sections 13.1 through 13.7]</p>
<p>16. <u>Limitation on Liability:</u></p>	<p>Tenant, Landlord and all of their successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default by Tenant or Landlord:</p> <p>(a) The sole and exclusive remedy shall be against the Tenant's or Landlord's interest in the Facility;</p> <p>(b) No partner, officer, director, member or shareholder of Tenant or Landlord shall be sued or named as a party in any suit or action;</p> <p>(c) No service of process shall be made against any partner, officer, member, director or shareholder of Tenant or Landlord;</p> <p>(d) No partner, officer, member, director or shareholder of Tenant or Landlord shall be required to answer or otherwise plead to any service of process;</p> <p>(e) No judgment will be taken against any partner, member, officer, director or shareholder of Tenant or Landlord;</p> <p>(f) Any judgment taken against any partner, officer, member, director or shareholder of Tenant or Landlord may be vacated and set aside at any time <u>nunc pro tunc</u>;</p> <p>(g) No writ of execution will ever be levied against the assets of any</p>

	<p>partner, member, officer, director or shareholder of Tenant or Landlord;</p> <p>(h) The obligations under the Lease do not constitute personal obligations of the individual partners, directors, members, officers or shareholders of Tenant or Landlord, and neither Tenant nor Landlord shall seek recourse against the individual partners, directors, officers or shareholders of Tenant or Landlord or any of their personal assets for satisfaction of any liability in respect to the Lease;</p> <p>(i) These covenants and agreements are enforceable both by Tenant and Landlord and also by any partner, officer, member, director or shareholder of Tenant and Landlord.</p> <p>[Section 15.3]</p>
<p>17. <u>Indemnification:</u></p>	<p><u>Tenant's Indemnity:</u></p> <p>Tenant shall indemnify, defend and hold Landlord harmless from and against any and all liability, fines, suits, claims, demands, actions and costs and expenses of any kind or nature due to or arising out of: (i) any breach, violation or non-performance of any covenant, condition or agreement in the Lease on the part of Tenant to be fulfilled, kept, observed and performed; (ii) the use, non-use, operation, maintenance or occupancy of the Facility or any portion thereof by Tenant or any subtenant of Tenant or any agent, servant, employee, contractor or invitee of either Tenant or any subtenant and from any activity, work or thing done, permitted or suffered by Tenant or any subtenant of Tenant or any agent, servant, employee, contractor or invitee of either Tenant or any subtenant in or about the Facility; (iii) any work done by or on behalf of Tenant in, on or about the Facility; (iv) any damage to any person or persons or property occasioned by, arising from or related to the use and occupancy of the Facility by Tenant or any subtenant of Tenant or any agent, servant, employee, contractor and invitee of either Tenant or subtenant or arising from any act, neglect, fault or omission of any of the foregoing, and/or (v) any injury to any person or persons, including death resulting at any time therefrom, or damage to property occurring in or about the Facility or arising from any act, neglect, fault or omission of any of the foregoing.</p> <p>[Section 7.2]</p> <hr/> <p><u>Landlord's Indemnity:</u> None required by the Lease.</p>
<p>18. <u>Environmental Liability:</u></p>	<p>Tenant is responsible for payment of all costs and expenses related to compliance with state and federal environmental laws arising out of or in any way associated with a discharge of hazardous substances on the Facility, unless such discharge is caused by the Landlord.</p> <p>[Section 5.10]</p>

19. Continuing Disclosure:

(I) Tenant agrees to provide to Landlord and Trustee the following:

(a) Audited financial statements, to be provided to Landlord within one hundred eighty (180) days after the end of Tenant's fiscal year and a certificate of the chief financial officer of Tenant reflecting that over the prior calendar year, Tenant maintained the Lease Service Coverage Ratio (discussed below);

(b) On a quarterly basis within sixty (60) days after the end of each fiscal quarter, management-prepared financial statements;

(c) Annual reports of the public charter school operated on the Facility, to be provided to Landlord at the time same are submitted to Tenant's chartering authority;

(d) Within thirty (30) days of Tenant's receipt of same by the Tenant, any reports or reviews of the public charter school operated on the Facility prepared by Tenant's chartering authority;

(e) No later than thirty (30) days prior to the start of each fiscal year of operations, the annual operating budget and five (5) year operating proforma;

(f) By November 1 of each year annual reports for the prior school year on the school's student retention, teacher retention, high school graduation, college acceptance and college matriculation rates and college board exams results, as available, federal free and reduced-price lunch eligibility, and ethnicity data;

(g) By November 1 of each year, demand and enrollment statistics for the new academic year (including enrollment by grade, applications by grade, acceptances by grade, waiting list by grade and matriculations statistics);

(h) Within thirty (30) days of receipt, a report of average standardized examination scores of the students at the school operated on the Facility, and comparison of those scores with those of the applicable local school district and the State;

(i) Within fifteen (15) days of submission to or receipt from the charter authorizer and any other applicable regulatory authorities, copies of all reports submitted to the charter authorizer or other applicable regulatory authorities, and notices of actions from the charter authorizer other applicable regulatory authorities;

(j) Within ten (10) days of receipt, results of reviews/performance or financial audits or other regulatory reviews;

(k) Within thirty (30) days after request, updates on per pupil funding from the applicable local school district and/or the State of New York;

(l) Within ten (10) business days after receipt by Tenant, any notice given to Tenant pursuant to any of the Tenant's Charters granted by the State University of New York to operate a charter school; and

	<p>(m) Such other information as may be reasonably requested by the Landlord or the Trustee.</p> <p>(II) Landlord agrees to provide to Tenant with any notices it receives from Issuer, Trustee, Underwriter or any other party to the transactions associated with the Bonds about the Bonds</p> <p>[Section 5.11]</p>
<p>20. <u>Tenant Financial Covenants:</u></p>	<p><u>Lease Service Coverage Ratio:</u></p> <p>Beginning with the fiscal year ending June 30, 2021, and at all times during the term of the Lease thereafter, Tenant shall maintain a Lease Service Coverage Ratio of at least 1.05:1.00 as measured on June 30 of each fiscal year; provided that, except as provided below, Tenant’s failure to achieve the required Lease Service Coverage Ratio will not constitute an Event of Default under the Lease if Tenant promptly engages an Independent Consultant to prepare a report, to be delivered to Tenant and Landlord within 45 days of engagement, with recommendations for meeting the required Lease Service Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. Tenant agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant more often than once during any 24 month period (including any retention of an Independent Consultant pursuant to Section 5.12(b)). Notwithstanding the foregoing, Tenant’s failure to achieve a Lease Service Coverage Ratio of 1.00 to 1.00 will constitute an Event of Default hereunder. “Lease Service Coverage Ratio” for any given period calculated in accordance with GAAP, shall mean the ratio that (x) the excess of (i) with respect to such period, the actual cash receipts collected by Tenant for such period from all sources over (ii) an amount equal to the total operating expenses incurred by Tenant over such period (other than the payment obligations described in clause (y) below and expressly excluding depreciation, amortization, capital expenditures and subordinated fees under the MSA Agreement) bears to (y) the actual payment obligations of Tenant for such period under all real property leases and subleases to which Tenant is a party as lessee or sublessee. “Independent Consultant” means a Person selected by Tenant (except with respect to Section 5.12(d), wherein the Independent Consultant is to be selected by mutual agreement of the Landlord and Tenant) that (a) does not have any direct financial interest or any material indirect financial interest in the Landlord, the Tenant or Uncommon, or any affiliate of any of them, as applicable, and (b) is not connected with the Landlord, the Tenant or Uncommon, or any affiliate of any of them, as applicable, as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Tenant, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Tenant, and having a favorable reputation for skill and experience in the financial affairs of such facilities. “Person” means any individual, corporation, limited liability company, partnership, joint venture, trust, or unincorporated</p>

organization, or a governmental agency or any political subdivision thereof.

[Section 5.12(a)]

45 Days Cash on Hand:

Beginning with the fiscal year ending June 30, 2021, and for each fiscal year after the Rent Commencement Date, Tenant shall have at least 45 Days Cash on Hand as measured on June 30 of each fiscal year. Tenant will provide a certificate to the Landlord at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether Tenant has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, Tenant shall promptly engage an Independent Consultant to prepare a report, to be delivered to Tenant and Landlord within 45 days of engagement, with recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. Tenant agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Tenant will not be obligated to retain such an Independent Consultant more often than once during any 24 month period (including any retention of an Independent Consultant pursuant to Section 5.12(a)). "Days Cash On Hand" for any Fiscal Year shall mean the quotient obtained by dividing (a) the Unrestricted Cash and Investments of Tenant plus the Unrestricted Cash and Investments of the Foundation, as of the last day of such fiscal year by (b) the quotient obtained by dividing the total operating expenses (including all lease payments made by Tenant but, excluding depreciation and capital expenditures), calculated solely with respect to the Tenant, for such fiscal year by 365. "Unrestricted Cash and Investments" shall mean the sum of unrestricted cash, cash equivalents, amounts available through open letters of credit, marketable securities, including without limitation board-designated assets, but excluding any trustee-held or similar funds. For the purposes of calculating Days Cash on Hand, any unrestricted grant or philanthropic contribution shall be included in the total of Unrestricted Cash and Investments for the period of such calculation, so long as the unrestricted grant or philanthropic contribution was received by Tenant or the Foundation prior to the date any certificate is required to be delivered by Tenant with respect to such calculation.

[Section 5.12(b)]

Operation of Charters:

Tenant shall comply with all operating requirements in connection with its Charters as a public charter school, shall maintain its existence as an education corporation in good standing, shall maintain the Charters in good standing, and shall maintain the Schools as public charter schools in good standing.

[Section 5.12(c)]

Limitation on Debt and Other Leases:

Except as set forth in Section 5.12(e)(ii), Tenant shall not incur debt, except for (i) trade liabilities incurred in the ordinary course of business of operating a charter school and as otherwise allowed in any agreement amending the Lease (including any subordination, nondisturbance, and attornment agreements entered into by the Tenant); or (ii) equipment leases representing trade and operational debt incurred in the ordinary course of business with trade creditors in connection with performing the Tenant's obligations under the Lease or with operation of the Schools or the Facility, in such amounts as are normal and reasonable under the circumstances ("Operational Leases"), without the written approval of Landlord and without satisfying the requirements set forth in subparagraph (i) below; provided that, subject to Subparagraph (h) below, Tenant shall be permitted to maintain, renew and/or increase any existing line of credit or credit facility or enter into a new line of credit, credit facility, loan or financing primarily for working capital purposes and enter into equipment leases for equipment used in its school operations without any additional tests;

(i) Long-Term Indebtedness may be incurred if prior to the issuance of such additional indebtedness the following is satisfied: an Independent Consultant mutually agreed upon by Landlord and Tenant provides a written report to the Landlord and Trustee setting forth projections which indicate that:

(A) for each of the three consecutive full Fiscal Years beginning in the earlier of:

(1) the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Long-Term Indebtedness, based upon a certified written estimated completion date by the consulting engineer for such Facility or Facilities; or

(2) the first full Fiscal Year in which the Tenant will have scheduled payments of interest on or principal of the Long-Term 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 Long-Term Indebtedness, investment income thereon or from other appropriate sources,

a Lease Service Coverage Ratio, taking into account all outstanding Long-Term Indebtedness and the additional Long-Term Indebtedness to be issued, of not less than 1.10:1.00; and

(B) the Lease Service Coverage Ratio for the Fiscal Year immediately preceding the assumption of the proposed additional Long-Term Indebtedness is calculated to be at least 1.10 in such Fiscal Year, or would have been greater than it would otherwise have been absent such proposed additional

Long-Term Indebtedness.

(ii) The report of the Independent Consultant will take into account: (A) the audited results of operations and verified enrollment of the Schools for the most recently completed Fiscal Year, (B) projected enrollment of the Schools, and (C) revenues at the completion of such Facility or Facilities financed with such additional Long-Term Indebtedness. In addition, the report of the Independent Consultant will assume that the Long-Term Indebtedness then to be incurred will have been outstanding for the entire year.

“Long-Term Indebtedness” means Indebtedness having an original maturity greater than one year or renewable at the option of the Tenant 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 twenty (20) consecutive days during each calendar year; provided, however, that, for the purposes of Section 5.12(d) of the Lease, Operational Leases shall not constitute Long-Term Indebtedness, except as specified elsewhere in the Lease.

“Indebtedness” means all obligations for borrowed money, installment sales and lease obligations, incurred or assumed by Tenant.

[Section 5.12(d)]

Additional Lease Certificate requirements:

(i) Except as set forth in Section 5.12(e)(ii), prior to amending or entering into any one or more lease(s) or sublease(s) that do not otherwise fall within the definition of Operational Lease (“non-Operational Leases”) and which will result in an increase in aggregate annual lease payments required of Tenant, Tenant shall provide Landlord with an Additional Lease Certificate in the form attached hereto as Exhibit E, and shall satisfy the additional Long-Term Indebtedness requirements of Section 5.12(d) for any such new non-Operational Leases.

(ii) Notwithstanding the foregoing requirements of Section 5.12(e)(i):

(A) Tenant shall have the right to amend or enter into any one or more non-Operational Leases without the written approval of Landlord and without evidencing satisfaction of the requirements set forth in Sections 5.12(d) and 5.12(e)(i) so long as the aggregate annual lease or sublease payments due under any one or more non-Operational Leases when calculated collectively does not exceed \$75,000 at any time; and

(B) Tenant shall have the right to enter into any lease or sublease without the written approval of Landlord and without evidencing satisfaction of the requirements set forth in Sections 5.12(d) and 5.12(e)(i):

(1) for the academic calendar years of 2020–2021 or 2021–2022 should construction of the Schools’ new High School campus located on Mark Street in the City of Rochester not be completed and/or the campus is not ready for occupancy during those academic years and alternative suitable accommodations have to be leased or subleased for purposes of temporarily housing the Schools’ High School facility, or

(2) that is required in connection with securing temporary facilities as the result of a Casualty or condemnation and paid from the insurance proceeds of such event.

[Section 5.12(e)]

Additional Covenants:

Tenant shall cause all maintenance and repair of the Facilities required Leases to be completed in a timely manner.

[Section 5.12(f)]

The Tenant shall not pledge per student revenue, assets or other income streams (a) without the prior written consent of the Landlord, and (b) unless the satisfaction of the Tenant's obligations under the Leases are secured by a parity or senior pledge of such revenues, assets and other income streams.

[Section 5.12(g)]

Tenant shall not incur any lease obligation or Tenant Indebtedness which is senior in priority to Tenant’s obligations under the Leases.

[Section 5.12(h)]

Tenant shall not take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Tax-Exempt Bonds to fail to qualify as tax exempt bonds under the Code or would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, or otherwise cause the bonds to lose their status.

[Section 5.12(i)]

Upon the selection by Tenant of an Independent Consultant as required under the provisions of the Leases, the Landlord will notify the Trustee of such selection. The Trustee is required to, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Holders of all Outstanding Bonds of such selection. Such notice will (i) include the name of the Independent Consultant and a brief description of the Independent Consultant, (ii) state the reason that the Independent Consultant is being engaged including a description of the covenant(s) of the Leases that require the Independent Consultant to be engaged, and (iii) state that the Holder of the Outstanding Bonds will be deemed to have consented to the selection of the Independent Consultant named in such notice unless such Holder submits an

objection to the selected Independent Consultant in writing to the Trustee within 15 days of the date that the notice is sent to the Holders. No later than two Business Days after the end of the 15-day objection period, the Trustee is required to notify the Landlord of the number of objections. If 66.6% or more in aggregate principal amount of the Holders of the Outstanding Bonds have been deemed to have consented to the selection of the Independent Consultant, the Landlord shall cause Tenant to engage the Independent Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the Holders of the Outstanding Bonds have objected to the Independent Consultant selected, Tenant will be required to select another Independent Consultant which may be engaged upon compliance with the procedures described in the Lease.

[Section 5.12(j)]

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”), dated as of July 1, 2020 among True North Rochester Preparatory Charter School (“Rochester Prep”), each of True North Rochester Mark Street, LLC, Rochester Chili Avenue, LLC, True North Rochester Real Estate Ames Street, LLC, True North Andrews Street, LLC, and True North St. Jacob Street, LLC (each a “Borrower” and, collectively, the “Borrowers” and, together with Rochester Prep, the “Disclosure Parties”) and Zions Bancorporation, National Association, as dissemination agent (the “Dissemination Agent”), is executed and delivered in connection with the issuance by the Monroe County Industrial Development Corporation (the “Issuer”) of \$29,955,000 aggregate principal amount of its Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project) Series 2020A and Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project) Series 2020B (Taxable) (collectively, the “Bonds”).

The Bonds are being issued pursuant to a Trust Indenture dated as of July 1, 2020 (the “Indenture”) between the Issuer and Zions Bancorporation, National Association, as trustee. The proceeds of the Bonds are being loaned to the Borrowers pursuant to a Loan Agreement dated as of July 1, 2020 (the “Loan Agreement”). The Borrowers will lease the facilities financed from the proceeds of the Bonds (the “Facilities”) to Rochester Prep pursuant to those certain Lease Agreements and Amended and Restated Lease Agreements, each made as of July 1, 2020 (collectively, the “Leases”), and payments required under the Leases will be calculated to be sufficient to pay the principal of, premium, if any, and interest on the Bonds. The Indenture, the Loan Agreement and the Leases are referred to herein as the “Bond Documents.” The Disclosure Parties covenant and agree as follows for the benefit of the Bondholders (as defined below):

Section 1. Purpose of Agreement. This Agreement is being executed and delivered by the Disclosure Parties for the benefit of the Bondholders and in accordance with the requirements of the Rule. The Disclosure Parties acknowledge that the Issuer and the Dissemination Agent have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement (except for the Dissemination Agent’s obligation to file with the MSRB reports provided by the Disclosure Parties pursuant to this Agreement), including their accuracy and completeness, and have no liability to any Person, including any Bondholder and the Underwriter, with respect to any such reports, notices or disclosures. The Disclosure Parties represent that they are the only “obligated persons” with respect to the Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Bond Documents, which apply to any capitalized term used in this Agreement unless otherwise defined in the first paragraph of this Agreement or in this Section, the following capitalized terms shall have the meanings indicated below.

“Annual Report” shall mean any Annual Report provided by the Disclosure Parties pursuant to Section 4(a) of this Agreement.

“Annual Response to Investors” shall mean any Annual Response to Investors provided by Rochester Prep pursuant to Section 4(c) of this Agreement.

“Bondholder” or “Holder” of a Bond shall mean any registered owner of any of the Bonds or any Person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including Persons holding through any nominee, securities depository or other intermediary), including any beneficial owner, or (ii) is treated as the holder of any of the Bonds for federal income tax purposes.

“EMMA” means the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be prescribed by the MSRB

for purposes of the Rule and approved by the SEC from time to time. A current list of such systems may be obtained from the SEC at <http://www.sec.gov/info/municipal/nrmsir.htm>.

“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 the Repository consistent with the Rule.

“Fiscal Year” means the fiscal year of the Disclosure Parties ending on June 30 of each calendar year.

“Listed Events” shall mean any of the events listed in Section 4(d) of this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15(B)(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor organization.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum dated as of July 8, 2020 used in connection with the sale of the Bonds.

“Quarterly Report” shall mean any Quarterly Report provided by the School pursuant to Section 4(b) of this Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds, its successors and assigns.

Section 3. Content of Annual Reports, Quarterly Reports and Annual Response to Investors.

(a) Each Annual Report shall contain:

(i) a copy of the annual financial statements with respect to each of the Disclosure Parties, prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;

(ii) only with respect to Rochester Prep, an update of certain information contained in Appendix A to the Limited Offering Memorandum as set forth on Schedule I attached hereto; provided that if any of such information is not available on or before the date of release of the Annual Report, such information shall be filed as soon thereafter as it is available; and

(iii) only with respect to Rochester Prep, an Officer’s Certificate from Rochester Prep certifying as to compliance with the financial covenants set forth in Section 5.12 of the Leases.

(b) Each Quarterly Report shall be provided only with respect to Rochester Prep and shall contain, for each fiscal quarter:

(i) an unaudited balance sheet and a statement of operations of Rochester Prep as of the end of such quarter, including a comparison of actual results to budget;

(ii) with respect to the Quarterly Report for the fiscal quarter ending December 31 only, updated enrollment data (as of November 1).

(c) Each Annual Response to Investors shall contain the response to the Bondholder inquiries received as described in Section 4(c) below.

Section 4. Provision of Annual Reports, Quarterly Reports and Other Information, Annual Responses to Investors and Notices of Listed Events.

(a) Within 180 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, the Disclosure Parties shall provide to the Dissemination Agent copies of the Annual Report and written direction to file such Annual Report with the MSRB. In each case, the Annual Report may be submitted by the Disclosure Parties as a single document or as separate documents comprising a package, and may cross-reference other information to the extent permitted by the Rule. Notwithstanding the foregoing, the audited financial statements of the Disclosure Parties may be submitted separately from the balance of the Annual Report when such audited financial statements are available.

(b) Within 60 days after the end of each fiscal quarter commencing with the fiscal quarter ending September 30, 2020, Rochester Prep shall provide to the Dissemination Agent copies of the Quarterly Report and written direction to file such Quarterly Report with the MSRB.

(c) For 10 days following the publication and posting to EMMA of the Annual Report, Bondholders may e-mail related questions to Rochester Prep. Within 20 days after such 10-day period or by the 30th day following the publication and posting to EMMA, Rochester Prep shall file, or give the Dissemination Agent written direction to file, the Annual Response to Investors, if any, and written direction to file such Annual Response to Investors, if any, with the MSRB.

(d) In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the Borrowers shall deliver or cause to be delivered to the Dissemination Agent for filing with the MSRB notice of any of the following events with respect to the 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 status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of the Holders of the Bonds, if material;
- (viii) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Disclosure Parties;

(xiii) The consummation of a merger, consolidation, or acquisition involving the Disclosure Parties or the sale of all or substantially all of the assets of the Disclosure Parties, 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 a Disclosure Party, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of a Disclosure Party, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Disclosure Party, any of which reflect financial difficulties.

(e) If Rochester Prep shall become aware of the occurrence of any of the events listed under Section 4(d) above, it shall, within five (5) Business Days of the occurrence of such event, notify the Borrowers and the Dissemination Agent.

(f) Any of the Disclosure Parties shall give, or shall cause the Dissemination Agent to give, notice in a timely manner to the MSRB of any failure by the Disclosure Parties to provide any information required pursuant to Section 4(a), (b), (c) or (d) above within the time limit specified therein.

(g) In lieu of providing any information specified in Section 4(a), (b), (c) or (d) to the Dissemination Agent, the Disclosure Parties may file such information directly with the MSRB, in substantially the form attached as Exhibit A.

(h) Rochester Prep shall file on EMMA, or give written direction to the Dissemination Agent to file on EMMA, notice of any material atypical written communication from the State University of New York or the New York Education Department, within 14 days of receipt of such communication.

Section 5. Transmission of Material; Report by Dissemination Agent.

(a) Upon receipt of any Annual Report, Quarterly Report, Other Information, Annual Response to Investors, or Notice of a Listed Event, and in no event later than the date such report, information or notices are required to be provided pursuant to Section 4 above, the Dissemination Agent shall transmit the same to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB. With respect to any Notice of a Listed Event provided pursuant to Section 4(d) above, the Dissemination Agent shall also forward such Notice to the Underwriter.

(b) Concurrently with the delivery to the MSRB of any information required pursuant to Sections 4(a), 4(b), 4(c) or 4(d) above, the Dissemination Agent shall confirm to the Disclosure Parties that it has filed such information with the MSRB.

Section 6. Termination of Agreement. The obligations of the Disclosure Parties under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. The Disclosure Parties shall provide the Dissemination Agent with written notice that the obligations of the

Disclosure Parties under this Agreement have terminated and a written request that the Dissemination Agent file a copy of such notice with the MSRB. If the obligations of the Borrower under the Loan Agreement or the obligations of any of the Disclosure Parties under the Leases are assumed in full by another obligated person (as defined in the Rule), such Person shall be responsible for compliance with this Agreement in the same manner as if it were the such Disclosure Party, and the Disclosure Party shall have no further responsibility hereunder.

Section 7. Amendment. The obligations of the Disclosure Parties under this Agreement may be amended, without notice to or consent of the Holders of the Bonds, to the extent required or permitted as a result of a change in the legal requirements, or in connection with a change in the identity, nature, corporate organization, or status of the Disclosure Parties, or the type of business conducted by the Disclosure Parties, or in connection with a corporate reorganization of the Disclosure Parties; provided that any such modification of the obligations of the Disclosure Parties under this Agreement shall be done in a manner consistent with the Rule and either (i) does not materially impair the interests of Bondholders, in the determination of the Dissemination Agent (which may be based on an opinion of counsel); or (ii) is approved by the Holders of a majority in aggregate principal amount of the Bonds. No amendment to this Agreement shall change or modify the rights or obligations of the Trustee or any Dissemination Agent without its written assent thereto, or with regard to any provision affecting the Issuer, without the Issuer's written assent thereto.

Section 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the Disclosure Parties from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report, Quarterly Report, Annual Response to Investors or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Disclosure Parties choose to include any information in any Annual Report, Quarterly Report, Annual Response to Investors or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Disclosure Parties shall have no obligation under this Agreement to update such information or include it in any future Annual Report, Quarterly Report, Annual Response to Investors or notice of occurrence of a Listed Event.

Section 9. Transmission of Information and Notices. Unless otherwise required by law, all documents provided by the Disclosure Parties directly to the MSRB, or to the Dissemination Agent for filing with the MSRB, in compliance with Section 4 shall be provided to the MSRB or the Dissemination Agent, as applicable, in an electronic word-searchable PDF format (which requirement extends to all documents to be filed, including financial statements and other externally prepared reports), and shall be accompanied by identifying information, in each case as prescribed by the MSRB. As of the date of this Agreement, the MSRB has established EMMA as its continuing disclosure service for purposes of the Rule, and unless and until otherwise prescribed by the MSRB, all documents provided to the MSRB in compliance with Section 4 shall be submitted through EMMA in the format prescribed by the MSRB.

Section 10. Default. Any Bondholder may enforce the obligations of the Disclosure Parties under this Agreement; provided however that (i) any breach of such obligations shall not constitute or give rise to a default or an Event of Default under the Bond Documents, the Bonds or any other document or agreement relating to the Bonds, and (ii) the sole remedy for any such breach shall be to compel specific performance of the obligations of the Disclosure Parties under this Agreement.

Section 11. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Underwriter, the Disclosure Parties and Bondholders, and shall create no rights in any other Person.

Section 12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the Rule.

Section 13. Severability. In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Section 14. Dissemination Agent's Rights and Duties. The Dissemination Agent shall have only such duties as are specifically set forth herein and no implied covenants or obligations shall be read into this Agreement against the Dissemination Agent. The Dissemination Agent (i) shall not be liable for any error in judgment or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection therewith, except for its own gross negligence or willful misconduct, (ii) shall not be obligated to take any legal action or other action hereunder, which might in its judgment involve any expense or liability unless it has been furnished with indemnification satisfactory to it, and (iii) shall be entitled to consult with counsel satisfactory to it, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel. The duties and responsibilities of the Dissemination Agent hereunder shall be determined solely by the express provisions of this Agreement, and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, or duty to inquire into the terms and provisions of any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. Any information mentioned in this Agreement, including any Annual Report or any information with respect to any event specified in Section 4(b) of this Agreement, shall be sufficiently authenticated for purposes of dissemination under this Agreement if it is accompanied by a written instrument signed by an authorized officer or employee of the Disclosure Parties. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the other parties hereto. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged of its duties and obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Disclosure Parties covenant and agree, jointly and severally, to defend, indemnify and hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, reasonable legal fees and expenses and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Disclosure Parties also covenant and agree, jointly and severally, to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of or in the Dissemination Agent's exercise or performance under this Agreement provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost

profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The Disclosure Parties hereby agree, jointly and severally, to pay reasonable compensation to the Dissemination Agent for, and all costs and expenses (including attorneys' fees) of the Dissemination Agent incurred in, performing the services required of the Dissemination Agent under this Agreement. No provision of this Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under this Agreement or in the exercise of any of its rights or powers. This Section 14 shall survive termination of this Agreement, the resignation or removal of the Dissemination Agent for any reason, and the payment of the Bonds.

Section 15. No Recourse to Issuer; Indemnified Parties. No recourse shall be had for the performance of any obligation, agreement or covenant of the Disclosure Parties, the Trustee or the Dissemination Agent under this Agreement against the Issuer or against any member, official, employee, counsel, consultant and agent of the Issuer or any person executing the Bonds. The Disclosure Parties agree to indemnify and hold harmless the Issuer, any member, officer, official, employee, counsel, consultant and agent of the Issuer, and the Trustee (collectively called the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by the Disclosure Parties' or the Dissemination Agent's failure to perform or observe any of its obligations, agreements or covenants under the terms of this Agreement but only if and insofar as such losses, claims, damages, liabilities or expenses are caused by any such failure of the Disclosure Parties or the Dissemination Agent to perform. In case any action shall be brought against the Indemnified Parties based upon this Agreement in respect of which indemnity may be sought against the Disclosure Parties, the Indemnified Parties shall promptly notify the Disclosure Parties in writing. Upon receipt of such notification, the Disclosure Parties shall promptly assume the defense of such action, including the retention of counsel, the payment of all expenses in connection with such action and the right to negotiate and settle any such action on behalf of such party. Any Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel has been specifically authorized by the Disclosure Parties, or unless by reason of conflict of interest determined by the written opinion of counsel shall be borne by the Disclosure Parties. The Disclosure Parties shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the Disclosure Parties or if there be a final judgment for the plaintiff in any such action with or without written consent, the Disclosure Parties agree to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Nothing in this Agreement shall require the Disclosure Parties to indemnify and hold harmless the Indemnified Parties from or against any loss, claim, damage, liability or expense caused by any gross negligence, recklessness or intentional misconduct of the Indemnified Parties in connection with the Disclosure Parties' or the Dissemination Agent's performance of their obligations, agreements and covenants under this Agreement. The indemnification rights under this Section 15 do not limit, and are in addition to, any other indemnification rights of the Indemnified Parties.

Section 16. Execution. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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Section 17. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be given by telecopier or electronic transmission and promptly confirmed in writing and shall be deemed given when given by telecopier or electronic transmission or addressed as follows:

Rochester Prep: True North Rochester Preparatory Charter School
c/o Uncommon Schools
826 Broadway, 9th Floor
New York, New York 10003
Attn: Chief Financial Officer
Telephone: 212-227-6601
Email: investors@uncommonschools.org

and

Vaisey Nicholson & Nearpass, PLLC
155 Clinton Square
Rochester, New York 14604
Attn: Gregory R. Nearpass, Esq.
Telephone: 585-287-6528
Email: gnearpass@vnnlaw.com

and

True North Rochester Preparatory Charter School c/o
Uncommon Schools
826 Broadway, 9th Floor
New York, New York 10003
Attn: Chief Financial Officer
Telephone: 212-227-6601
Email: investors@uncommonschools.com

Borrowers: Rochester Prep Foundation, Inc. c/o Uncommon Schools
826 Broadway, 9th Floor
New York, New York 10003
Attn: Chief Financial Officer
Telephone: 212-227-6601
Email: investors@uncommonschools.com

and

Faegre Drinker Biddle & Reath LLP
600 Campus Drive
Florham Park, New Jersey 07932
Attn: Michael Woodruff, Esq.
Telephone: 973-549-7022
Email: Michael.woodruff@faegredrinker.com

Dissemination Agent: Zions Bancorporation, National Association
800 West Main Street, Suite 700
Boise, Idaho 83702
Attn: Twyla Lehto
Telephone: 208-501-7493
Email: twyla.lehto@zionsbancorp.com

Underwriter: Stifel, Nicolaus & Company, Incorporated
515 S. Figueroa Street, Suite 1800
Los Angeles, California 90071
Attn: John Kim
Telephone: 213-443-5203
Email: jkim@stifel.com

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications shall be sent. In addition, the parties hereto may agree to any other means by which subsequent notices, certificates, requests or other communications may be sent.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have each caused this Continuing Disclosure Agreement to be executed in its name and in its behalf, all as of the date and year first above written.

TRUE NORTH ROCHESTER MARK STREET, LLC, a New York limited liability company, as Borrower

By: _____
Jennifer Consilvio
Authorized Signatory

ROCHESTER CHILI AVENUE, LLC, a New York limited liability company, as Borrower

By: _____
Jennifer Consilvio
Authorized Signatory

TRUE NORTH ROCHESTER REAL ESTATE AMES STREET, LLC, a New York limited liability company, as Borrower

By: _____
Jennifer Consilvio
Authorized Signatory

TRUE NORTH ANDREWS STREET, LLC, a New York limited liability company, as Borrower

By: _____
Jennifer Consilvio
Authorized Signatory

TRUE NORTH ST. JACOB STREET, LLC, a New York limited liability company, as Borrower

By: _____
Jennifer Consilvio
Authorized Signatory

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL, as New York education corporation, as Lessee

By: _____
Geoffrey Rosenberger
Authorized Trustee

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as Dissemination Agent

By: _____
Twyla Lehto
Senior Vice President

[Signature Page to Continuing Disclosure Agreement]

SCHEDULE I

**INFORMATION SET FORTH IN APPENDIX A
TO BE UPDATED IN EACH ANNUAL REPORT**

Pursuant to Section 3(a)(ii) of this Agreement, each Annual Report shall include an update of the following information set forth in Appendix A to the Limited Offering Memorandum:

1. Enrollment by Grade Level (Actual for Prior and Projected for Two Following Years)

<i>Grade</i>	<i>Rochester Prep ES</i>			<i>Rochester Prep West Campus ES</i>			<i>Rochester Prep ES 3</i>		
	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>
K									
1 st									
2 nd									
3 rd									
4 th									
Total									

<i>Grade</i>	<i>Rochester Prep MS - Brooks</i>			<i>Rochester Prep West Campus MS</i>			<i>Rochester Prep MS 3</i>		
	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>
5 th									
6 th									
7 th									
8 th									
Total									

<i>Grade</i>	<i>Rochester Prep HS</i>		
	<i>20 -</i>	<i>20 -</i>	<i>20 -</i>
9 th			
10 th			
11 th			
12 th			
Total			

2. Waitlist (Current Year)

<i>Grade</i>	<i>Total</i>
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
6 th	
7 th	
8 th	
9 th	
10 th	
11 th	
12 th	
Total	

3. Student Retention (Prior Year)

<i>School Year</i>	<i>Attendance</i>	<i>Retention⁽¹⁾</i>
20__-__		

4. Academic Performance on State Tests (Prior Year) (As available)⁽¹⁾

<i>School</i>	<i>ELA Proficient</i>	<i>Math Proficient</i>
Rochester Prep Elementary School		
Rochester Prep West Campus ES		
Rochester Prep ES3		
Rochester Prep Middle School - Brooks Campus		
Rochester Prep Middle School - West Campus		
Rochester Prep Middle School 3		
Rochester Prep High School		
Rochester City School District		
State of New York		

⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient” on the New York State Testing Program in grades 3-8 and Regents Examinations in high school. There will not be test scores for 2019-20, as state testing in spring 2020 was canceled due to COVID-19.

5. High School Graduation Rate and College Attendance Rate (Prior Year)

6. Per-Pupil Funding Rate (Current Year)

<i>Year</i>	<i>RCSD</i>	<i>Greece CSD</i>	<i>Gates-Chili CSD</i>
20__-__			

7. Teacher Staffing Levels and Retention (Prior Year)

<i>Year</i>	<i># of Teachers</i>	<i>% Teacher Retention⁽¹⁾</i>
20__-__		

⁽¹⁾ Reflects the percent of teachers who were active at the start of the prior year and still employed at Rochester Prep in the school year shown.

EXHIBIT A

**NOTICE TO REPOSITORIES OF FAILURE TO
FILE ANNUAL OR QUARTERLY REPORT**

Name of Issuer: Monroe County Industrial Development Corporation

Name of Bond Issue: Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project) Series 2020A and Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project) Series 2020B (Taxable)

Dissemination Agent: Zions Bancorporation, National Association

Name of Borrowers: True North Rochester Mark Street, LLC; Rochester Chili Avenue, LLC; True North Rochester Real Estate Ames Street, LLC; True North Andrews Street, LLC; and True North St. Jacob Street, LLC

Date of Issuance: July 22, 2020

NOTICE IS HEREBY GIVEN that the Borrowers have not provided an [Annual Report][Quarterly Report] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of July 1, 2020, between the undersigned Dissemination Agent, the Borrowers and True North Rochester Preparatory Charter School. The Borrowers anticipate that the [Annual Report] [Quarterly Report] will be filed by _____.

Dated: _____

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION
as Dissemination Agent

By _____
Authorized Signatory

cc: Stifel, Nicolaus & Company, Incorporated

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APPENDIX G

BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), will act as securities depository for the Series 2020 Bonds. The Series 2020 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 Bond certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of that maturity of Bonds, and will be deposited with DTC. If, however, the aggregate principal amount of any series and maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series and maturity.

DTC, the world’s largest securities 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. DTC holds and provides asset servicing for over 3.6 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 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 2020 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 system for the Series 2020 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 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 2020 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2020 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 registrar 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 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2020 Bonds will be made 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 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, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrowers believe to be reliable, but neither the Issuer nor the Borrowers take responsibility for the accuracy thereof.

APPENDIX H

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon the delivery of the Series 2020 Bonds, Harris Beach PLLC, Bond Counsel to the Issuer, proposes to deliver its legal opinion in substantially the following form:

_____, 2020

Monroe County Industrial Development Corporation
50 West Main Street
Rochester, New York 14614

Re: \$29,955,000 Monroe County Industrial Development Corporation Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020 consisting of: \$27,275,000 Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020A and \$2,680,000 Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020B (Taxable)

Ladies and Gentlemen:

We have examined the record of proceedings in connection with the issuance by the Monroe County Industrial Development Corporation (the "Issuer") of its \$29,955,000 Monroe County Industrial Development Corporation Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020 consisting of: (i) \$27,275,000 Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020A (the "Series 2020A Bonds") for the purpose of financing or refinancing the Series 2020A Project (as defined below) and (ii) \$2,680,000 Charter School Revenue Bonds (True North Rochester Preparatory Charter School Project), Series 2020B (Taxable) (the "Series 2020B Bonds"; and together with the Series 2020A Bonds, the "Series 2020 Bonds") for the purpose of financing or refinancing the Series 2020B Project (as defined below, and collectively with the Series 2020A Project, the "Project"), all for the benefit of each of True North Rochester Mark Street, LLC ("Mark Street LLC"); Rochester Chili Avenue, LLC ("Chili Avenue LLC"); True North Rochester Real Estate Ames Street, LLC ("Ames Street LLC"); True North Andrews Street, LLC ("Andrews Street LLC"), and True North St. Jacob Street, LLC ("St. Jacob Street LLC"), each a New York limited liability company the sole member of which is Rochester Prep Foundation, Inc. (the "Foundation"), a New Jersey nonprofit corporation and organization described in Section 501(c)(3) of the Code (as defined herein). Mark Street LLC, Chili Avenue LLC, Ames Street LLC, Andrews Street LLC and St. Jacob Street LLC are each individually referred to herein as a "Borrower" and, collectively, as the "Borrowers".

The Bonds are authorized to be issued pursuant to (a) Section 1411 of the Not-for-Profit Corporation Law of the State of New York, (b) Resolution No. 100 of 2010 of the Monroe County Legislature (the "County Resolution"), (c) a bond resolution (the "Bond Resolution") adopted by the members of the Issuer on March 25, 2020, for the purpose of providing funds to assist in the financing or refinancing of the Project for the benefit of the Borrowers and (d) a certain Trust Indenture, dated as of July 1, 2020 (the "Indenture"), by and between the Issuer and Zions Bancorporation, National Association, as trustee (the "Trustee").

All capitalized terms, not otherwise defined herein, shall have the meaning given such terms in the Indenture.

The proceeds of the Series 2020A Bonds will be used to finance and refinance the Series 2020A project (collectively, the "Series 2020A Project") consisting of: (I) the Mark Street Project (collectively, the "Mark Street Project") consisting of: (A) the acquisition of a certain parcel of land located at 14 Mark Street, in the City of Rochester, County of Monroe, New York (the "Mark Street Land") and the approximately 57,000 square foot building located thereon (the "Mark Street Existing Improvements"), as well as renovations and other work undertaken at the Mark Street Land and/or the Mark Street Existing Improvements, (B) the renovation, equipping and modernization of the Mark Street Existing Improvements, including, but not limited to, updating finishes, reconfiguring interior walls and conversion of the existing gymnasium to classrooms (the "Mark Street Renovation"), (C) the construction and equipping of an approximately 35,000 square addition to the Existing Mark Street Improvements (the "Mark Street Addition"; and together with the "Mark Street Renovation", the "Mark Street Improvements"), including, but not limited to, a cafeteria, auditorium, gymnasium, classrooms, outdoor recreational space and an entrance with modern security, (D) the acquisition and installation in and around the Mark Street Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "Mark Street Equipment"; and together with the Mark Street Land and the Mark Street Improvements, the "Mark Street Facility"), all for use as a public charter school and (E) the funding of capitalized interest with respect to the Mark Street Project; (II) the Chili Avenue Project (collectively, the "Chili Avenue Project") consists of the refinancing of an existing indebtedness incurred by Chili Avenue LLC (the "Chili Avenue Loan"), the proceeds of which were used to finance (A) the acquisition of a certain parcel of land located at 432 Chili Avenue, in the City of Rochester, County of Monroe, New York (the "Chili Avenue Land") and the approximately 32,000 square foot building located thereon (the "Chili Avenue Existing Improvements"), (B) a portion of the cost of the renovation and equipping of the Chili Avenue Existing Improvements, including, but not limited to upgraded bathroom facilities, windows, finishes, security and technology updates, roof repairs and an updated heating and ventilation system (the "Chili Avenue Renovation"; and together with the Chili Avenue Existing Improvements, the "Chili Avenue Improvements") and (C) the acquisition and installation in and around the Chili Avenue Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "Chili Avenue Equipment"; and together with the Chili Avenue Land and the Chili Avenue Improvements, the "Chili Avenue Facility"), all for use as a public charter school; (III) the Ames Street Project (collectively, the "Ames Street Project") consists of the refinancing of an existing indebtedness incurred by Ames Street LLC (the "Ames Street Loan"), the proceeds of which were used to finance or refinance (A) for the acquisition of (i) a certain parcel of land located at 899 Jay Street, in the City of Rochester, County of Monroe, New York (the "Ames Street Land"), (ii) the approximately 51,000 square foot building located thereon (the "Ames Street Existing Improvements") and (iii) certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "Ames Street Equipment"; and together with the Ames Street Land and the Ames Street Existing Improvements, the "Ames Street Facility"), all for use as a public charter school, and (B) a portion of the cost of the Chili Avenue Renovation; (IV) the Andrews Street Project (collectively, the "Andrews Street Project") consisting of: (A) the renovation and equipping of the approximately 39,000 square foot building (the "Andrews Street Existing Improvements") located at 305 Andrews Street, in the City of Rochester, County of Monroe, New York (the "Andrews Street Land"), including, but not limited to upgraded bathroom facilities, windows, finishes and the heating and ventilation system as well as security and technology updates, (the "Andrews Street Renovation"; and together with the Andrews Street Existing Improvements, the "Andrews Street Improvements") and (B) the acquisition and installation in and around the Andrews Street Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "Andrews Street Equipment"; and together with the Andrews Street Land and the Andrews Street Improvements, the "Andrews Street Facility"), all for use as a public charter school; and (V) the funding of a deposit to the Reserve Fund.

The proceeds of the Series 2020B Bonds will be used to refinance the Series 2020B project consisting of (collectively, the "Series 2020B Project"; and collectively with the Series 2020A Project, the "Project"): (I) the St. Jacob Street Project (collectively, the "St. Jacob Street Project") consisting of the acquisition of (A) a certain parcel of land located at 85 St. Jacob Street, in the City of Rochester, County of Monroe, New York (the "St. Jacob Street Land"; and together with the Mark Street Land, the Chili Avenue Land, the Ames Street Land and the Andrews Street Land, the "Land"), (B) the approximately 57,000 square foot building located

thereon (the "St. Jacob Street Existing Improvements") and (C) certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the "St. Jacob Street Equipment"; and together with the St. Jacob Street Land and the St. Jacob Street Existing Improvements, the "St. Jacob Street Facility"; and together with the Mark Street Facility, the Chili Avenue Facility, the Ames Street Facility and the Andrews Street Facility, the "Facility"), all for use as a public charter school; (II) the funding of capitalized interest with respect to the Mark Street Project; and (III) the funding of a deposit to the Reserve Fund.

The Series 2020 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to a certain Bond Purchase Agreement, dated July 8, 2020 (the "Bond Purchase Agreement"), by and among the Underwriter, the Issuer, the Borrowers, the Foundation and the School.

Under the terms of a certain Loan Agreement, dated as of July 1, 2020 (the "Loan Agreement"), by and among the Issuer and the Borrowers, the Issuer has loaned the proceeds of the Bonds to the Borrowers to finance a portion of the Project Costs with the loan payments thereunder to be in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable and to make certain other payments with respect to the Bonds as described therein. Further, the Borrowers will execute a Promissory Note, dated July 22, 2020 (the "Promissory Note") in favor of the Issuer to evidence the Borrowers' obligation under the Loan Agreement to repay the Loan. Each of the Borrowers is jointly and severally liable for the obligations of the Borrowers under the Loan Agreement and the Promissory Note.

Each of the Mark Street Facility, the Chili Avenue Facility, the Ames Street Facility, the Andrews Street Facility and the St. Jacob Street Facility will be leased by a Borrower to True North Rochester Preparatory Charter School, a New York education corporation and an organization described in Section 501(c)(3) of the Code (the "Lessee"), for the operation of a public charter school, pursuant to the following leases: (i) with respect to the Mark Street Facility, a Lease Agreement, dated as of July 1, 2020 (the "Mark Street Lease"), by and between Mark Street LLC and the Lessee; (ii) with respect to the Chili Avenue Facility, an Amended and Restated Lease Agreement, dated as of July 1, 2020 (the "Chili Avenue Lease"), by and between Chili Avenue LLC and the Lessee; (iii) with respect to the Ames Street Facility, an Amended and Restated Lease Agreement, dated as of July 1, 2020 (the "Ames Street Lease"), by and between Ames Street LLC and the Lessee; (iv) with respect to the Andrews Street Facility, an Amended and Restated Lease Agreement, dated as of July 1, 2020 (the "Andrews Street Lease"), by and between Andrews Street LLC and the Lessee; and (v) with respect to the St. Jacob Street Facility, an Amended and Restated Lease Agreement, dated as of July 1, 2020 (the "St. Jacob Street Lease"; and together with the Mark Street Lease, the Chili Avenue Lease, the Ames Street Lease and the Andrews Street Lease, the "Leases"), by and between St. Jacob Street LLC and the Lessee. Pursuant to each Lease, the respective lessor thereunder, each as a Borrower under the Loan Agreement, will charge basic rent under such Lease to Lessee in an amount sufficient to satisfy such Borrower's obligations under the Loan Agreement.

As further security for the Bonds, (i) each Borrower has granted to the Issuer a mortgage lien on and a security interest in the respective Facility owned thereby, pursuant that certain Mortgage and Security Agreement, dated as of July 1, 2020 (as further defined in the Indenture, the "Mortgage"), which Mortgage (except the Issuer's Reserved Rights) has been assigned by the Issuer to the Trustee pursuant to that certain Assignment of Mortgage, dated as of July 1, 2020 (as further defined herein, the "Assignment of Mortgage"), and (ii) each Borrower has assigned to the Issuer all of its rights, title and interest in and to the applicable Lease pursuant to a certain Absolute Assignment of Leases and Rents, dated as of July 1, 2020 (the "Assignment of Leases and Rents") which Assignment of Leases (except the Issuer's Reserved Rights) has been assigned by the Issuer to the Trustee pursuant to that certain Assignment of Absolute Assignment of Leases and Rents, dated as of July 1, 2020 (the "Assignment of Assignment of Leases and Rents").

In connection with the issuance of the Series 2020A Bonds, the Issuer, the (I) Borrowers and the Foundation have executed and delivered a certain Tax Compliance Agreement, dated the date hereof (the "Tax Compliance Agreement"), in which the Issuer, the Borrowers and the Foundation have made certain

representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended, and regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code") and (II) Lessee has executed and delivered its Tax Certificate, dated the date hereof (the "Lessee's Tax Certificate"), in which it makes certain representations and covenants regarding its status as an organization described in Section 501(c)(3) of the Code and its use and operations of the Facility pursuant the Leases.

The Bonds are dated as of their date of issuance and bear interest from that date on the unpaid principal amount at the rates set forth in, and pursuant to the terms of, the Indenture and the Bonds. The Bonds are subject to prepayment or redemption prior to maturity, in whole or in part, at such time or times, or under such circumstances and in such manner as are set forth in the Bonds and the Indenture, respectively.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of rendering the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents, without having conducted any independent investigation.

In rendering the opinions set forth below, we have relied upon (I) the opinion of Faegre Drinker Biddle & Reath LLP, counsel to the Borrowers and the Foundation, of even date herewith, as to the matters set forth in such opinion without making any independent investigation of the factual basis therefor or the legal conclusions set forth therein and (II) the opinion of Vaisey Nicholson & Nearpass PLLC, counsel to the Lessee, of even date herewith, as to the matters set forth in such opinion without making any independent investigation of the factual basis therefor or the legal conclusions set forth therein .

Based upon and in reliance upon the foregoing, it is our opinion that:

(a) The Issuer is a local development corporation created pursuant to the Not-For-Profit Corporation Law of the State of New York and is duly organized and validly existing under the laws of the State of New York.

(b) The Issuer is duly authorized and entitled by law and the County Resolution to issue, execute, sell and deliver the Bonds for the purpose of financing the Project.

(c) The Bond Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and legally binding upon the Issuer in accordance with its terms.

(d) The Bonds have been duly authorized, executed and delivered, have been duly issued for value by the Issuer and are the valid and legally binding special obligations of the Issuer payable in accordance with their respective terms and are entitled to the benefit and security of the Indenture in accordance with its terms.

(e) The Bonds do not constitute a debt of Monroe County, New York or the State of New York, and neither Monroe County, New York nor the State of New York will be liable thereon.

(f) Under statutes, regulations, administrative rulings and court decisions existing as of the date hereof, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals.

(g) Under existing law, for so long as interest on the Series 2020A Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

In rendering the opinions set forth in paragraphs (f) and (g) above, we have relied upon, among other things, certain representations and covenants of (i) the Issuer in the Indenture, the Loan Agreement, the Tax Compliance Agreement and the General Certificate of the Issuer, dated the date hereof, (ii) the Borrowers in the Loan Agreement, the Tax Compliance Agreement and the General Certificate of the Borrowers, dated the date hereof, (iii) the Foundation in the Tax Compliance Agreement and the General Certificate of the Foundation, dated the date hereof and (iv) the Lessee in the Lessee's Tax Certificate, dated the date hereof. We call your attention to the fact that there are certain requirements contained in the Code with which the Issuer, the Borrowers, the Foundation and the Lessee must comply from and after the date of issuance of the Series 2020A Bonds in order for the interest thereon to be and remain excluded from gross income for federal income tax purposes, and consequently to remain exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. The Issuer, the Borrowers, the Foundation, the Lessee or any other Person, by failing to comply with such requirements, may cause interest on the Series 2020A Bonds to become includable in gross income for federal income tax purposes and therefore subject to personal income taxes imposed by the State of New York and any political subdivision thereof, in each case, retroactive to the date of issuance of the Series 2020A Bonds. We render no opinion as to any federal, state or local tax consequences with respect to the Series 2020A Bonds, or the interest thereon, if any change occurs or action is taken or omitted by the Issuer, the Borrowers, the Foundation, the Lessee or any other Person under the Indenture, the Loan Agreement, the Tax Compliance Agreement or the Lessee's Tax Certificate, or any other relevant documents without the advice or approval of, or upon the advice or approval of any Bond Counsel other than, Harris Beach PLLC.

Except for the opinions as set forth in paragraphs (f) and (g) above, we express no opinion regarding any federal, state or local income tax consequences arising with respect to the purchase or ownership of the Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bond Resolution, the Bonds, any of the Project Documents and any other document executed in connection therewith may be limited by any applicable bankruptcy, insolvency or other similar law or equitable principle now or hereafter enacted by the State of New York or the federal government or pronounced by a court having proper jurisdiction, affecting the enforcement of creditors' rights generally.

We express no opinion as to (i) the title to the Facility; (ii) the sufficiency of the description of the Facility in the Indenture, the Loan Agreement or any other document; or (iii) the perfection or priority of any liens, charges or encumbrances on the Facility. Further, we have not been requested to examine and have not examined any documents or information relating to the Issuer, the Borrowers, the Foundation or the Lessee other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial information, or the adequacy thereof, which has been or may be supplied to the Trustee, the Underwriter or any other person.

This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date of this opinion letter. We express no opinion herein except as to the laws of the State of New York and the federal laws of the United States.

Very truly yours,